



HSC ANNUAL REPORT 2014 • REDEFINING MOMENTS

A grayscale photograph of a butterfly and its pupae. The butterfly is in the foreground, with its wings spread, showing a pattern of dark spots and lines. Above it, several pupae are hanging from a web, also showing a spotted pattern. The background is a soft, out-of-focus light.

REDEFINING MOMENTS

HSC Annual Report 2014

Redefining Moments

For the world and for South East Asia, for Vietnam's economy and its society, for HSC and all of its people and stakeholders, 2014 was a year where positions were reversed, action plans were redirected and perspectives were transformed. A continued expansion in revenue and profitability allowed HSC to focus on revising and deepening its corporate governance infrastructure, and establishing sustainable development concepts as a key part of decision-making processes. The Company has entered 2015 with a heightened awareness of both its own strengths and shortcomings, as well as what is required to ensure it continues on its path of sustainable growth for the foreseeable future.

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HSC PROFILE



“ We emphasize building effective corporate governance structures to ensure sustainable growth ”

Ho Chi Minh City Securities Corporation (HSC) is a leading and award-winning professional securities brokerage and equity firm in one of the fastest growing Asian economies, Vietnam. HSC delivers a comprehensive list of financial products for Private and Institutional Clients, providing professional investment advisory services backed by solid, trusted research. Through its Corporate Finance Division, HSC has established an exceptional track record of connecting businesses to investors and creating long-term partnerships.

HSC benefits from the synergies between two financial powerhouses in Vietnam: the founding shareholder Ho Chi Minh City Finance and Investment State-owned Company (HFIC); and strategic shareholder Dragon Capital Group, a prestigious investment group.

Officially listed on the Ho Chi Minh Stock Exchange (HOSE) on May 2009 under the ticker HCM, as of 31 December 2014, shareholders' equity of HSC totaled

VND 2,358 billion (approximately USD 110 million), making it one of the largest securities companies in the country with a strong financial base and investment capacity.

HSC continuously hones its core competencies and fosters its human capital in research and technology to improve and develop new financial services, provide value-added products, and grow its scope of business based on the evolving needs of clients. We emphasize building effective Corporate Governance structures to ensure sustainable growth.

Over the 11-year period since founding, HSC has affirmed its top position among securities firms in Vietnam by consistently gaining a leading market share nationwide.

Alongside developing its business, HSC aims to have a positive influence on the continuously redefining industry and society of Vietnam.

VISION

To become one of the country's most admired, trusted, and valued financial institutions, and be an active contributor to the economy and community of Vietnam.

MISSION

Being a leading securities company in the industry and Vietnam's capital markets with the standard for professionalism, innovation, financial health and sustainability.

CORE VALUES

At HSC we strive to be true to our corporate values and to apply them in everything we do.

Integrity: It is our aim to build a high level of trust from our clients, investors and those in the securities business in Vietnam and beyond.

Dedication: At all levels, our staff are dedicated to providing the best service to our clients, going the extra mile for our partners, and forging strong relationships with all our stakeholders.

Professionalism: We constantly develop and adopt best practices; upgrade our expertise and processes to execute all transactions in the best interest of our valued clients.

MESSAGE FROM THE CEO

*Dear fellow shareholders,
clients and colleagues,*

2014 was a year of redefining moments. It was a period of critical events and perspective-changing occurrences around the world. There were unexpected transitions of geopolitical, economic and financial power; relations and alliances were deconstructed and redesigned; bitter enemies became acquaintances, and friends of convenience fell out of favour.

We witnessed a tumultuous period of international relations, during which there were many astounding events, ranging from regional socio-political and economic conflicts in the Middle East, Africa, and Europe, with repercussions felt as far as Australia; to internal social struggles in America and maritime territorial disputes in Asia. These were turning points in world history, creating rips and patches in the fabrics of our societies, amending our definitions of enemies and friends, and in many cases redefining our outlook and approach to life.

We were brought together by an aviation tragedy, with the world joining and lending hands in an international search. We were also appalled by a subsequent aviation tragedy, this time caused by geopolitical turmoil. As the national borders of a country in conflict were redefined, superpowers the world over took sides, and, in the process, realigned their geopolitical positions.

We feared and faltered at the verge of a global viral epidemic, with parts of the world shut off from outsiders. Entirely unexpectedly, the planet's common nemesis was for a time redefined as a virus, with scant regard for borders, thus demanding unprecedented levels of international cooperation. This temporarily distracted from the War on Terror, the escalation of which emerged as one of the most significant themes in 2014, with grave consequences

for the Middle East and Africa, and it is now knocking on the doors of Europe and South East Asia. The world's most fearsome enemies are now not so much regimes but ideologies that extend beyond geographical borders and conventional parameters.

Falling oil prices, as well as economic distresses in Europe and South America, have sent tremors through global markets, and there were doom-laden predictions by some about the next major market collapse occurring imminently. However, the ongoing progress of America's economic recovery has enabled it to defy these fears, as positive economic growth and employment data has periodically emerged.

The information revolution continued to advance in the age of the internet. The world is now perhaps entirely accessible from a gadget, and data security has emerged as the biggest concern for businesses as well as for individuals, especially in the high tech environs. This is one of the global issues that is close to home for HSC, and has prompted us to proceed with one of our most important corporate governance projects, which I will elaborate on later.

Perhaps the most significant redefinition in the global financial services sector relates to corporate governance and ethics. We have learnt of Swiss bank account revelations; punitive fines in the billions of dollars levied on major global banks in relation to the rigging of foreign exchange markets; and hefty settlements over the mis-selling of mortgage-backed securities. This redefinition and heightened awareness should serve to make financial institutions the world over much more accountable and socially responsible in their commercial activities.



CEO of HSC at the award ceremony of The Asian Banker Leadership Achievement Awards 2014

OUR MARKETS

Here in Vietnam, we witnessed the turbulence in the East Sea that threatened the country's geopolitical stability. We were troubled by more stories of financial mismanagement in the corporate sector, as well as by rumours of additional arrests in the business community. We were hopeful, then fearful; hopeful again, but ultimately disappointed that the stock markets did not uphold predictions of a rally towards the end of the year. Nonetheless, the overall stock market doubled its trading volume, and in the process set new standards and redefined the norm as inherently volatile.

In the context of Vietnam's economic integration and capital markets development, there were positive signs of the country's economy establishing a firmer footing. Interest rates dropped further, continuing on a trajectory which began in 2013. The banking sector continued its consolidation process with mergers as well as the packaging of non-performing assets for transfer to the Government's asset management company (VAMC). The authorities continued to place a strong emphasis on restructuring Vietnam's economy, by attempting to redefine it in alignment with the private sector and the global economy.

Perhaps the most substantial redefining moments were in the drastic attempts taken by the authorities to widen and deepen Vietnam's capital markets. From the very top level, the aim and pursuit of the state to turn State-Owned Enterprises ("SOEs") over to the public was clear and aggressive.

“The overall stock market doubled its trading volume, and in the process set new standards and redefined the norm as inherently volatile”

Other new concepts and conventions were rolled out for the first time in 2014. The launch of the first domestic Exchange-Traded Fund (“ETF”) carried with it significant hope for Vietnam, as it was seen as an opportunity for foreign institutional investors to increase their appetite for the Vietnamese market by mirroring the VN Index, while also improving access to the blue chip stocks where FOL are full. With the establishment of the ETF, the rules on securities borrowing and lending were also ratified by the authorities, albeit only for the benefit of ETF participants. As an Authorised Participant (“AP”) to the VFM ETF VN30, we are proud to be the first liquidity provider to the first domestic ETF in Vietnam.

In late 2014, the authorities initiated discussions with market participants on a draft legal framework for derivative products, aiming to circulate this draft later in 2015. The first derivative offerings that are being studied are fairly basic products, such as index futures and covered warrants. We have actively participated in this process, helping the authorities to establish a fundamental framework to govern the issue of all derivative products. We are hopeful that this preparation will incite the market and improve liquidity in the near future, and we expect to gain first mover’s advantages.

Nevertheless, Vietnam’s stock market did not rally in the fourth quarter as anticipated earlier in the year. Despite having built up a strong momentum in the first quarter, based on expectations of expanding FOL, the turmoil in the East Sea spooked investors, resulting in a loss of 11% in just one week. While some investors believed a war loomed over the horizon, others seized the opportunity to enter the market after standing on the sidelines in the first quarter. However, despite the indices recovering much of their losses in subsequent weeks, market confidence was still hampered by the uncertainty of new policies and directions. The free fall in global oil prices in late 2014 and the announcement of Circular 36 removed any hope remaining for the market to return to its earlier heights.

Circular 36, which actually aims to reduce the cross-holding relationships that have been established between banking groups and their related entities through internal financing arrangements, is a significant step towards the restructuring of the tangled web that is Vietnam’s banking system, replete with special interest groups. This has had a negative impact on the country’s stock market, but it

VND
376 Bil.

Net profit after tax, which exceeded the target and overshot the previous year by 33%

must surely be more psychologically than practically disturbing to the retail investors that dominate the market. From what we can see, major independent margin lenders like ourselves are well capitalised, and less reliant on bank borrowing than smaller players and the securities arms of banking groups. Nonetheless, the intention of the decree, while good for corporate governance, will inevitably reduce liquidity in the short term.

OUR CORPORATE GOVERNANCE MATURITY

Here at HSC, while we still face intense competition commercially, we continue to proceed with our corporate governance roadmap. Two and a half years after launching our *Enterprise Risk Management (“ERM”)* project, we have now reached a new stage in our corporate governance framework. The subsequent steps in the application of ERM in 2014 have redefined our corporate maturity and further reshaped our development roadmap. The concept of corporate governance had been much touted in the broader corporate environment, as well as at HSC, without clear definitions of standards and benchmarks. Where practical situations revealed our weaknesses and areas for improvement, we have had to re-evaluate corporate governance with more precise and scientific measures. We have come to realise that corporate governance is an ongoing and ever-evolving concept, and one that will steer us clear from dangerous activities as long as we have established a clear governance framework, which we continually update and adhere to.

Our *Business Process Improvement (“BPI”)* project, which was rolled out in 2013 with guidance from PwC, was completed in 2014 and resulted in an overhaul of our policies, processes and procedures. BPI showed that we had hundreds of processes in our operations, many of which were redundant or overlapping in some areas while lacking or insufficient in others. The updating of our processes is an ongoing requirement, as we evolve our governance environment in response to the introduction of new products and regulations.

BPI has now led us to the next step, the *Business Process Management (“BPM”)* project, which seeks to automate and systemise as many of our policies, processes and procedures as possible. Defined as “the process of optimising processes”, BPM will require us to set parameters for our Limits of Authority, approval processes and work flow, as well as to digitally monitor processes in line with the eventual target of a paper-free operation. At the time of writing, we are poised to initiate BPM in its first phase.

One of the most significant landmarks in our corporate governance roadmap has been the establishment of HSC’s Internal Audit Function. We have engaged KPMG as advisors on this project, with a view to working with them over a three-year period. In 2014, KPMG assisted in setting up the internal audit process and carrying out internal audit work in high priority areas. This year, HSC’s Internal Audit team is more adequately staffed, and it will co-source and collaborate with our advisor on the audit of several of the Company’s divisions and functions. In 2016, the Internal Audit team is expected to be self-sufficient in performing its work, with the advisor providing external review and consultancy services only. In conjunction with the establishment of the Internal Audit Function, we have also set up the Internal Audit Sub-committee at the Board level. Internal audit processes continue to expose risks that can be mitigated and processes that can be revised and improved, and so our corporate governance picture is beginning to look more complete.

On the Information Technology (IT) side, we have carried out the *Information Technology Infrastructure Library (“ITIL”)* project in 2014 following the completion of our *Information Security Management System (“ISMS”)* project. The ITIL project enables our IT Function to match its capabilities with the needs of our core business functionalities, as well as to support our operational processes. We completed

phase 1 in late 2014 and will begin phase 2 in the second quarter of 2015, with an aim to finish the last of five phases in the middle of 2016. Some of the most important concepts that will be addressed in this project include “incident management”, “change management” and “service validation and testing”.

As mentioned above, with data security becoming increasingly important in light of a number of system-hacking incidents in developed countries, we felt it was necessary for us to review our own security situation. We have received engagement proposals from potential partners to map out our security structure as part of the *Enterprise IT Security (“EITS”)* project, which we aim to launch during the second quarter of 2015.

In late 2014, we also contracted with a consultant to help us design a *Disaster Recovery Plan (“DRP”)*. While we have established backup capabilities among our various transaction offices in the country, and we have also formed and employed certain *Business Contingency Planning (“BCP”)* methodologies, both in terms of hardware and software, ultimately we will need to build a disaster recovery site to complete the BCP project. We have tentatively budgeted for our DRP to be assembled by the end of 2015.

OUR BUSINESS IN 2014

I have purposefully talked about our progress on corporate governance before discussing our business achievement in this message, in order to highlight the importance of doing “sound business” over doing “good business”. But the truth is that we could only afford to engage ourselves in non-commercial projects, both mentally and financially, because our commercial activities were profitable.

We recorded a commendable financial performance for 2014, producing VND 376 billion net profit after tax, which exceeded the target and overshot the previous year by 33%. This bottom line delivers an EPS of VND 2,956 for 2014. The main contributors to our profitability were brokerage fee income, interest income in margin lending to the retail segment, and gains in our positions in both equity and bond trading.

In essence, the main driver to our profitability was the liquidity of the market, which generated enough fee income to make us profitable over total operating costs, and triggered the average margin loan portfolio to grow by 80% in 2014.

“ I have purposefully talked about our progress on corporate governance before discussing our business achievement in this message, in order to highlight the importance of doing “sound business” over doing “good business” ”

The high liquidity was most likely caused by the anticipated influx of foreign money in the event that FOL were expanded. In addition, a lack of lending opportunities in the banking sector resulted in the banks channelling part of their excess liquidity into securities firms for more lucrative margin lending. If it wasn't for the announcement of Circular 36 in Q4/2014, liquidity could have reached an even higher level for the year.

While market volumes doubled, we saw our total market share drop from 12.2% in 2013 to 10.6% in 2014, broadly in line with expectations. We did not achieve the same level of market share as the

Brokerage continued to be our core business, accounting for 36% of total revenue, and it was profitable in its own right, thanks to an active year in trading. 2014 saw a significant increase in market liquidity over the previous year. Average daily trading value reached VND 3 trillion, more than doubled 2013's levels. At our Annual General Meeting (“AGM”) in April 2014, we presented a business plan (“the Plan”) with a projection that the market would reach VND 2.5 trillion on average, as it was trading at VND 3.2 trillion per day during the first quarter of 2014.

year before primarily due to the fact that foreign institutional investors' trading comprised a smaller percentage of total market trading in 2014. In addition, there were several one-off transactions in 2013 arising out of takeover initiatives that resulted in a high number of large block transactions in our favour, which did not recur in 2014 on the institutional front. Indeed, foreign trading made up only 10% of the total market in 2014. We continued to hold nearly 30% of the foreign trading market, but, given the smaller part played by foreign trading in the overall market, this translated into only 3% of overall market share. The retail segment held its ground with a 7.4% market share of the total market.

Margin lending continued to be the main driver of our retail business and contributed 30% to our top line. HSC's margin portfolio exposure rapidly expanded in 2014. At one point we reached our internal limit of VND 2 trillion in outstanding exposure and so briefly had to tap into credit limits from banks. The larger loan portfolio helped to offset a shrinking interest rate and allowed us to increase our lending interest income by 60%. While margin lending is still a relatively safe product in terms of credit risk, and is profitable to us, it has been under tremendous pressure from the central bank's looser monetary policy in 2014, as well as from significant competition from the banking sector. The banking system had excess liquidity, while overall credit growth in the country did not meet the Government's target due to a relatively slow economy. The securities firms that affiliate with banking groups enjoyed this ample and low cost liquidity, and as a result were able to undercut the market in order to gain brokerage market share. By the end of 2014, our margin loan portfolio fell by around 36% from its peak, while margin interest rates continued to face downward pressure.

Our proprietary investment activities, including in both equity and bonds, contributed 23% of total revenue in 2014, an increase of 27% over 2013. The two main components that made up this result were the remaining gains in the fund certificates portfolio and the new portfolio of T-bonds. The fund certificates portfolio was the outcome of our opportunism in response to exceptional circumstances in 2013, when several

closed-end funds approaching expiration were trading at deep discounts to NAV. These funds were converted into open-ended funds and we redeemed at NAV. Furthermore, the markets appreciated during the period which helped to raise the value of our redemptions. We cashed out the remainder of this portfolio in 2014 as the indices began to fall. The resulting profits translated into a very high return rate in 2014.

Our investments in T-bonds were also highly profitable in 2014. As interest rates continued to decline after a significant drop in 2013, we re-entered the bond market in early 2014 and exited when interest rates stabilised. We did not subsequently re-enter the bond market as we deemed the risk of rates increasing again to be too high.

In terms of proprietary trading, we have established a portfolio to provide liquidity to the VFM ETF VN30 in our role as an AP to the fund. Although hedging tools in relation to this activity are not yet available, we have limited our risk by avoiding a full LP commitment, and by keeping the size of our portfolio small. The profit from spreads in managing this portfolio translated into a very reasonable return rate for us in 2014.

The corporate finance advisory business struggled in 2014 with only a few transactions completed, which were all relatively small. Although this is also a core business function for HSC, it continued to face many challenges, in what can fairly be described as an unconventional environment for corporate finance activities. In terms of M&A, there were few notable transactions presented in the market in 2014. In terms of IPO, the traditional practice is the equitisation process, which applies to SOEs when they privatise. Although a large number of SOEs were equitised in 2014, the size of the equitised stakes was in most cases small. In addition, the listing step was not tied in with the equitisation step, and so many SOEs remained unlisted for some time after their privatisation. Through this business division, we assist in the IPO of companies in the private sector, but opportunities in this segment are limited given that most privately-owned companies are small. With the equitisation of the remaining SOEs being rushed through the door in 2015, we envisage that after the administrative processes are finished, there will be a distinct need for practical capital raising exercises, and we aim to penetrate this sector going forward.

We are now facing a highly challenging year in 2015. The economy is projected to grow slightly faster than last year, and the fundamental macroeconomic issues appear to have been more or less addressed. However, economic recovery will most probably be achieved only at a gradual pace, as Vietnam has become further integrated into the still-troubled global economy. As Q1/2015 is about to close at the time of writing and the market as well as our own targets are slightly trailing expectations, I am concerned that the end results this year will not be as positive as 2014 for all market participants.

Nevertheless, our industry will continue to consolidate and evolve as the capital market environment in Vietnam develops further. We have determined that we are here to stay, and I have once before referenced the “survival of the fittest” theory. As we redefine our competitive position, I want to restate this reference by saying that we are here to stay, and to lead.



Johan Nyvene
Chief Executive Officer

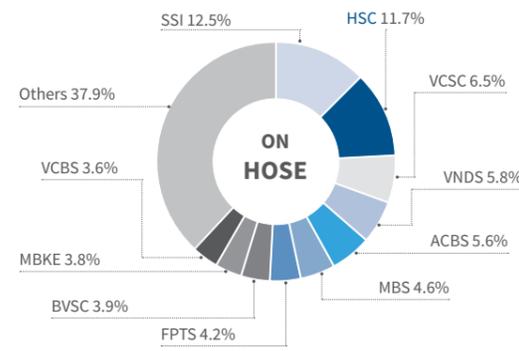


REFRESHING PERSPECTIVES

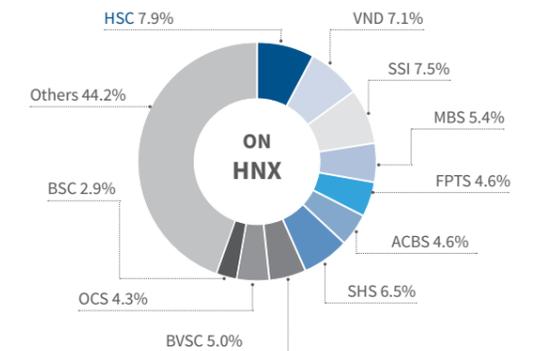
BROKERAGE MARKET SHARE IN 2014

Market Share	FY2014	Ranking FY2014	FY2013	Ranking FY2013	Target 2014
Per Stock Exchange					
HOSE	11.7%	2	13.3%	1	
HNX	7.9%	1	9.2%	1	
Total HSC	10.6%	2	12.2%	1	11.6%
Per Client Type					
Private Clients	7.4%	2	7.5%	1	7.5%
Institutional Clients	3.0%	2	4.5%	1	4.1%
Equity Investment	0.2%		0.3%		
Total HSC	10.6%	2	12.2%	1	11.6%
Foreign market trading in Vietnam's market					
HSC	28.5%	2	32.1%	1	28.0%

09
Brokerage Market Share in 2014



Source: HOSE



Source: HSC

FINANCIAL HIGHLIGHTS

10
Brokerage
Market
Share in 2014

Financial
Highlights

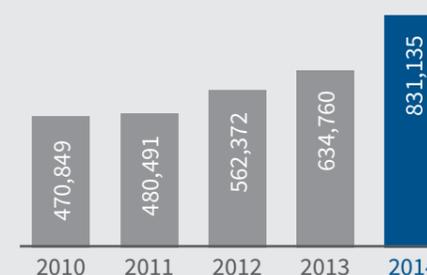
Corporate
Milestones

Awards &
Accolades

	2010	2011	2012	2013	2014
Statement of income (VND million)					
Revenue	470,849	480,491	562,372	634,760	831,135
In which:					
- Brokerage fees	151,051	90,904	145,027	199,104	299,432
- Principal investment	59,435	30,345	29,807	152,919	194,425
- Financial advisory services	3,974	27,943	12,772	16,399	12,362
- Other revenues	256,356	331,225	370,118	259,701	321,394
Operating expenses	243,018	242,972	255,685	260,049	349,692
Net profit from operating activities	227,831	237,519	306,686	374,711	481,443
Other profit/(loss)	70	(630)	158	718	4
Profit before tax	227,901	236,889	306,844	375,428	481,447
Profit after tax	182,312	194,420	246,381	282,174	376,152
Balance sheet (VND million)					
Total assets	2,524,979	2,628,208	3,198,935	3,127,781	3,859,367
Charter capital	599,997	998,486	1,008,486	1,272,568	1,272,568
Shareholders' equity	1,589,171	2,028,968	2,162,514	2,247,348	2,358,231
Financial indicators					
Return on average assets (ROAA)	7.9%	7.5%	8.5%	8.9%	10.8%
Return on average equity (ROAE)	11.7%	10.7%	11.8%	12.8%	16.3%
Equity's value					
Outstanding shares	59,841,941	99,617,517	100,565,957	127,249,720	127,229,583
Basic earnings per share - VND	3,044	2,920	2,474	2,241	2,956
Book value per common share - VND	26,556	20,368	21,503	17,661	18,535
Dividend - VND	1,700	1,600	2,000	1,700	2,100 (*)
Market price at year end - VND	29,900	14,000	21,600	24,500	31,200
P/E	10	5	9	11	11

(*) Estimated for Y2014 and subject for final approval.

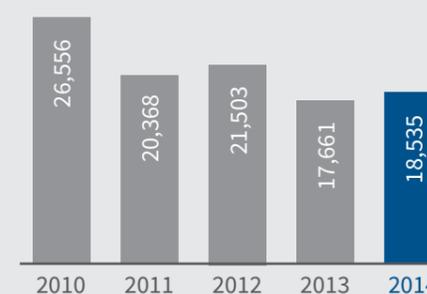
REVENUE (VND MILLION)



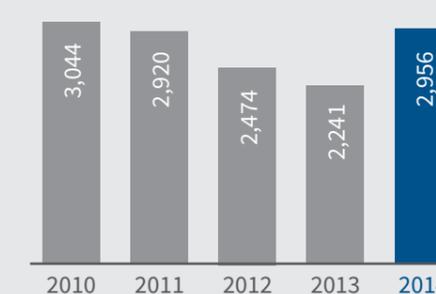
PROFIT AFTER TAX (VND MILLION)



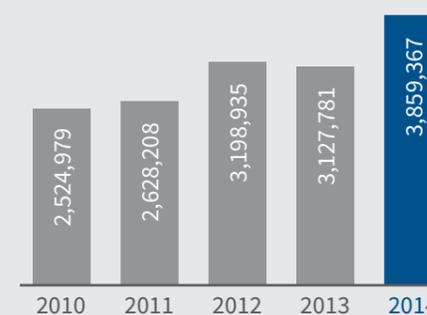
BOOK VALUE PER COMMON SHARE (VND)



BASIC EARNING PER SHARE (VND)



TOTAL ASSETS (VND MILLION)



SHAREHOLDERS' EQUITY (VND MILLION)



11
Financial
Highlights

CORPORATE MILESTONES

Since being established in 2003, HSC's continual growth in both capital and scale of business has made it one of the leading securities and financial services firms in Vietnam. Over the past 11 years, HSC has affirmed its position as the leading securities company in Vietnam, while orientating itself towards sustainable development.

2003

- Officially started operations after receiving Certificate of Business Registration No. 4103001573 from the Department of Planning and Investment of Ho Chi Minh City on 23 April 2003 and Business No. 11/GPHDKD from the State Securities Commission issued on 29 April 2003
- HSC commenced operations with initial capital of VND 50 billion, which at that time was one of the largest capital bases in the securities sector in Vietnam

2006

- Increased charter capital to VND 100 billion
- Headquarters and transaction office were transferred to Capital Place Building, 6 Thai Van Lung Street, District 1, HCMC

2007

- Increased charter capital to VND 200 billion
- Established the Hanoi Branch at 6 Le Thanh Tong, Hoan Kiem District
- Issued shares for strategic shareholders HDBANK and FIDICO

2008

- Increased charter capital to VND 395 billion
- Launched the Call Center PBX support system and VI-Trade system to enable Internet trading
- Established Hau Giang transaction office in HCMC

2009

- Officially listed on HOSE under the stock ticker HCM
- Upgraded internet trading platform (VI-Trade system) and launched VIP-Trade, an advanced version of the portal allowing real-time transactions
- Established Lang Ha transaction office in Hanoi

2010

- Increased charter capital to VND 600 billion
- Established four transaction offices: Tran Hung Dao and 3 Thang 2 in HCMC, Ba Trieu and Kim Lien in Hanoi
- Renamed and relocated Hau Giang transaction office to 3 Thang 2 transaction office in HCMC
- Recognised as the No.1 Securities Firm in Equity Research in Vietnam and one of the top 20 leading securities firms in Asia at *Thomson Reuters'* 2010 Extel Awards
- Received "Platinum Award" as the highest accolade in Financial-Capital markets at the global 2009 LACP Vision Awards for Annual Reports
- Honoured "Best Annual Reports in 2010" by HOSE

2011

- Increased charter capital to over VND 998 billion
- Relocated head office and IT Data Center to new corporate headquarters at AB Tower, 76 Le Lai, District 1, HCMC
- Closed 3 Thang 2 transaction office in HCMC
- Voted "Best Brokerage Firm in Equity Research in Vietnam" and ranked 14th in Asia by *Institutional Investor magazine*
- Voted "Best Local Brokerage in Vietnam 2011", "Best Analyst in Vietnam", plus 15 other major accolades by *Asiamoney magazine*
- Voted "Rising Star Domestic Investment Bank in Vietnam" – The Triple A Country Awards 2011 by *The Asset*, acknowledging the development of investment banking activities in HSC
- Ranked 194 out of 1,000 companies contributing most to national budget
- Received "Gold Award" in Financial-Capital markets at the 2010 LACP Vision Awards for Annual Reports
- Honoured "Best Annual Reports in 2011" by HOSE

2012

- Increased charter capital to over VND 1,008 billion
- Established Cho Lon transaction office in HCMC, closed Ba Trieu and Lang Ha transaction offices in Hanoi
- Officially launched direct connections to both Bloomberg and Reuters networks by FIX (Financial Information Exchange) – standard electronic protocol for pre-trade communications and trade executions
- Voted "Best Brokerage House in Vietnam" at The Country Awards 2012 by *FinanceAsia magazine*, and Triple A Country Awards 2012 by *The Asset*
- Voted "Best Local Brokerage in Vietnam 2012" together with 21 other major accolades by *Asiamoney magazine*
- HSC is the only Securities Firm in the industry listed in Vietnam's Top 50 Performing Companies 2012, by *Nhip Cau Dau Tu magazine*
- Voted "The M&A Advisory Firm of the year 2011 – 2012" at the M&A Forum Vietnam
- Received "Platinum Award" as the best award in Financial-Capital markets and 6 other accolades at the 2011 LACP Vision Awards for Annual Reports
- Honoured in the Top 30 Annual Reports in Vietnam by HOSE

2013

- Increased charter capital to over VND 1,273 billion
- Celebrated the 10th anniversary with "Positive value and influence" orientation
- Certified ISO/IEC 27001:2005 standard for "Providing online trading and brokerage services" by TUV Rheinland (Germany)
- Voted "The Best Brokerage House in Vietnam 2013" at the Triple A Country Awards 2013 by *The Asset*
- Honoured in the "Top 50 Listed Companies in Vietnam" by *Forbes Vietnam*
- Recognised "Outstanding Securities Company" in 2013 by Hanoi Stock Exchange (HNX)
- Honoured in Top 10 Government Bond Trading Members in 2013 by HNX
- Honoured "Community with Excellent Performance" by State Securities Commission and Ho Chi Minh City People's Committee
- Ranked 179 out of 1,000 Companies contributing most to national budget
- Received "Gold Award" for Written text plus two other accolades at the 2013 Annual Report Competition (ARC)
- Received "Silver Award" in Financial-Capital markets and 3 other accolades at The 2012 LACP Vision Awards for Annual Reports
- Honoured "Best Presented Sustainability Reports in Vietnam" and in the "Top 50 Best Annual Reports" by HOSE

2014

- Launched new website with responsive web design, and online trading application on iPad – HSC Trade Pro
- Voted "Best Brokerage House in Vietnam" and "Best M&A House in Vietnam" at the Triple A Country Awards 2014 by *The Asset*
- Honoured in "Top 3 Best Salespersons in Vietnam" in 2014 plus other accolades for brokerage services and research coverage, by *Asiamoney*
- The only brokerage house in the region to be awarded "CEO Leadership" & "The Best Managed Brokerage House in the APAC region" by *The Asian Banker*
- Received Certificate of Merit from Ministry of Finance for significant contribution to HNX's development from 2009 – 2014
- The only Securities Firm Honoured in the Top 50 Performing Companies in Vietnam by *Nhip Cau Dau Tu magazine* for the second time
- Honoured in the Top 50 Listed Companies in Vietnam by *Forbes Vietnam* for the second consecutive year, leading the Finance category
- Ranked 145 out of 1,000 Companies contributing most to national budget
- Received "Bronze Award" for Traditional Annual Report in Financial Services: Brokerage & Commodity category, and "Honors Award" for Written Text category, at the 2014 ARC Awards
- Received "Gold Award" in Financials-Capital markets category and 3 other major accolades at the 2013 LACP Vision Awards for Annual Reports
- Recognised in Top 10 Best Annual Reports by HOSE and *Dau tu Chung khoan* newspaper, ranked 6 among 700 reports nationwide

AWARD & ACCOLADES

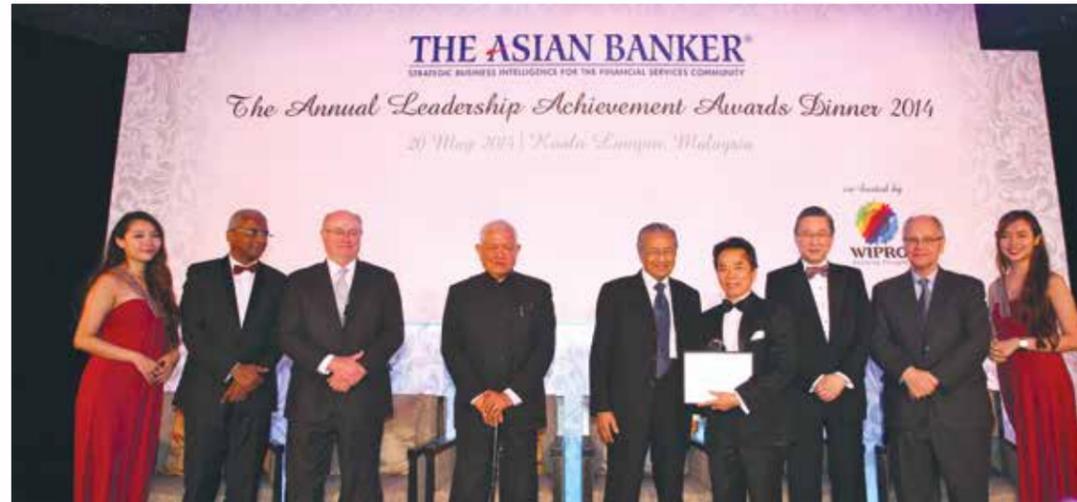
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Brokerage
Market
Share in 2014

Financial
Highlights

Corporate
Milestones

**Awards &
Accolades**



HSC receives awards at The Asian Banker Leadership Achievement Awards 2014

Top Three Best Salesperson in Vietnam for institutional clients and several other top titles in brokerage and research services	Asiamoney
Best Brokerage House in Vietnam	The Asset
Best M&A House in Vietnam	The Asset
Best Managed Brokerage House in the APAC region	The Asian Banker
CEO Leadership Award	The Asian Banker
Top 50 Listed Companies in Vietnam 2014	Forbes Vietnam
Top 50 Performing Companies in Vietnam 2014	Nhip Cau Dau Tu
Certificate of Merit from Ministry of Finance for significant contribution to HNX's development, 2009-2014	Ministry of Finance
Bronze Award for Traditional Annual Report in Financial Services - Brokerage & Commodity category; and Honors Award for Written Text category at ARC Awards 2014	Mercomm Inc.
Gold Award in Financials – Capital Markets category; ranked 40 in Top 80 Annual Reports in Asia-Pacific region; and several other accolades at the 2013 LACP Vision Awards	LACP
Top 10 Best Annual Reports	HOSE and VIR



**RENAMING
EXCELLENCE**

REVIEW OF OPERATIONS

PERFORMANCE OVERVIEW

In 2014, Vietnam's stock market saw improvements in index growth and trading activity, reflecting positive developments in the economy in terms of both absolute growth and macro stability.

Public capital raising through the stock market was maintained at high levels, in the forms of additional stock issuances by listed companies, issuance of Government Bonds and acceleration of the equitisation of SOEs. In addition, Government authorities developed and implemented new products during the period, and achieved successes in the restructuring of securities companies.

These actions helped to raise investor confidence and improve the attractiveness of the market.

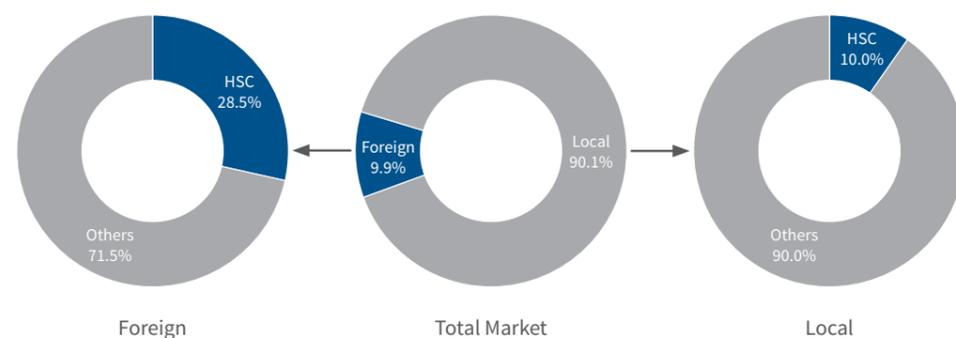
Daily average trading value on Vietnam's stock market in 2014 reached VND 3,000 billion, more than double that of 2013 (VND 1,400 billion) and 20% higher than the expected level of VND 2,500 billion in our FY2014 performance plan, as approved at the April 2014 AGM ("the Plan").

HSC achieved a brokerage market share of 10.6% in 2014 (2013: 12.2%), ranked number two on HOSE and number one on HNX, as detailed in the table below.

	FY2014	Ranking FY2014	FY2013	Ranking FY2013	Target 2014
Per Stock Exchange					
HOSE	11.7%	2	13.3%	1	
HNX	7.9%	1	9.2%	1	
Total	10.6%	2	12.2%	1	11.6%
Per Client Type					
Private Clients	7.4%	2	7.5%	1	7.5%
Institutional Clients	3.0%	2	4.5%	1	4.1%
Equity Investment	0.2%		0.3%		
Total	10.6%	2	12.2%	1	11.6%
Foreign trading in Vietnam's market					
HSC	28.5%	2	32.1%	1	28.0%

Source: HSC

In terms of total trading value made by foreign investors and domestic investors, we achieved market shares of 28.5% and 10.0% respectively in 2014.



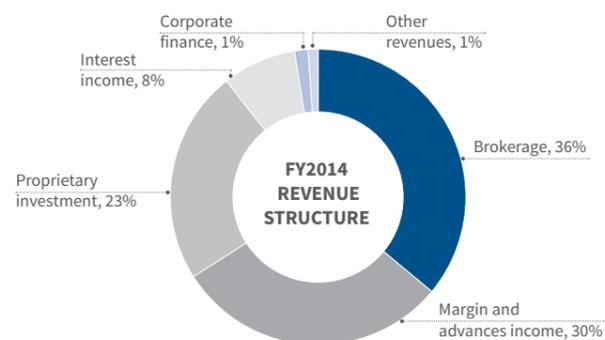
In private client brokerage, we enjoyed a market share of 7.4%, a marginal reduction on the 7.5% recorded in 2013 and in the Plan for 2014, yet still an impressive achievement of the Private Client Division during a year in which the market's average trading value more than doubled, and competition increased significantly.

In 2014, foreign investor transactions (mostly institutional clients) occupied only 9.9% of the total market trading value, which was lower than the expected level of 14.0% in the Plan. HSC accounted for 28.5% of the total foreign investors' trading value, a fall from 2013 (32.1%) but ahead of the Plan (28.0%).

FY2014 PERFORMANCE SUMMARY

Items	FY2014	FY2013	% Change	Plan 2014	% Actual/plan 2014
Income statement (VND million)					
Revenue	831,135	634,760	31%	744,761	112%
Brokerage	299,432	199,104	50%	310,246	97%
Margin and advances income	248,786	155,821	60%	195,000	128%
Proprietary investment	194,425	152,919	27%	167,675	116%
Interest income	67,241	90,727	-26%	36,340	185%
Corporate finance	12,362	16,399	-25%	19,000	65%
Other revenues	8,889	19,790	-55%	16,500	54%
Operating expenses	349,692	260,049	34%	306,951	114%
Other profit/(loss)	4	718	-99%	-	
Profit before tax	481,447	375,428	28%	437,810	110%
Profit after tax	376,152	282,174	33%	341,492	110%
Balance sheet at year end (VND million)					
Total assets	3,859,367	3,127,781	23%	3,171,691	122%
Shareholders' equity	2,358,231	2,247,348	5%	2,265,561	104%
Financial indicators					
Return on average assets (ROAA)	10.8%	8.9%		10.6%	
Return on average equity (ROAE)	16.3%	12.8%		15.4%	
Equity's value					
Number of shares	127,229,583	127,249,720		127,249,720	
Earnings per share - VND	2,956	2,241	32%	2,684	110%
Book value per common share - VND	18,535	17,661	5%	17,804	104%
Market price at balance sheet date - VND	31,200	24,500	27%	N/A	N/A
P/E	10.6	10.9	-3%	N/A	N/A
Total shareholder return	32%	51%			

Total revenue increased 31% in 2014 to reach VND 831 billion (2013: VND 635 billion), exceeding the Plan by 12%.



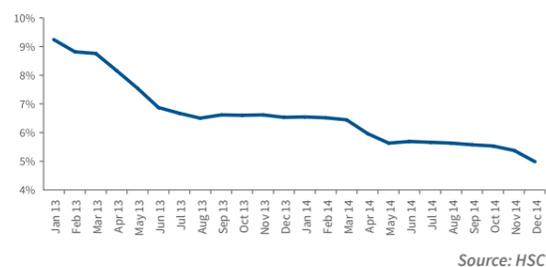
Brokerage income contributed the largest proportion to the Company's revenue at 36%, and amounted to VND 299 billion, a 50% increase on 2013 and equivalent to 97% of the Plan. This increase was achieved as HSC succeeded in maintaining a high share of the brokerage market during the significant increase in overall trading activity.

Driven partly by the increase in brokerage fees, revenue from margin trading and advances income also increased significantly, 60% ahead of 2013 and 28% in excess of the Plan, reaching VND 248 billion, 30% of HSC's total revenue. The increase in these activities was aided by the Company's abundant capital and effective risk management policies during a vibrant phase of the market's development.

Proprietary investment activities contributed 23% of total revenue in 2014, through the realisation of profit from the portfolio of fund certificates brought forward at the start of the year, as well as through effective investment in new instruments (both bonds and securities). In total, this generated VND 194 billion, a 27% increase on 2013, and 16% ahead of the Plan.

In contrast to the growth in revenue from brokerage, margin trading and investment activities, revenue from bank interest decreased 26% due to falling bank interest rates, and revenue from advisory services decreased 25% due to specific difficulties in investment banking.

Average Bank Interest Rate FY2013 - FY2014



Source: HSC

In 2014, total operating expenses increased 34% to VND 350 billion, mainly due to:

- Following an increase in trading value at HSC was a 78% rise in variable costs, including brokerage fees paid to exchange centres and brokerage commission paid to other brokers. These costs were responsible for 56% of the total increase in operating expenses; and
- Provision for the devaluation of unlisted securities, which accounted for 41% of the increase in operating costs.

Profit after tax increased 33% to reach VND 376 billion, outperforming the Plan by 10%. The reduction of the corporate income tax rate to 22% in 2014 (2013: 25%) contributed to the improved net profit margin ("NPM") of 45.2% (2013: 44.5%).

This resulted in an earnings per share ("EPS") of VND 2,956 (2013: VND 2,241), a year-on-year increase of 32% and the highest level among listed securities companies in Vietnam.

Return on average equity ("ROAE") was 16.3%, the second highest level among securities companies, demonstrating HSC's efficient use of capital.

HCM shares generated a total shareholders' return ("TSR") of 32%, taking into account cash dividends received and price appreciation during the year, which brought benefits to investors significantly in excess of both the average interest rate and VN Index growth of 5.8% and 8.0% respectively.

DIVISIONAL PERFORMANCE ANALYSIS

PRIVATE CLIENT DIVISION

In 2014, the Private Client Division continued to operate effectively as the core business of HSC by contributing 56% to total revenue and 57% to profit before tax. Profit before tax for the division reached VND 273 billion, a significant increase of 110% year-on-year and exceeding the Plan by 33%.

Private Client Division (VND million)	FY2014	FY2013	% Change	Plan 2014	% Completion
Revenue	463,652	263,293	76%	387,951	120%
Revenue					
Brokerage	210,582	108,252	95%	197,301	107%
Credit income	247,269	151,076	64%	189,150	131%
Other revenues	5,801	3,965	46%	1,500	387%
Operating expenses	190,984	133,531	43%	183,611	104%
Operating expenses					
Direct expenses	151,987	94,707	60%	147,077	103%
Indirect expenses	38,997	38,824	0%	36,534	107%
Profit before tax	272,668	129,762	110%	204,340	133%
% total HSC revenues	56%	41%		52%	
% total HSC profit before tax	57%	35%		47%	

The division's income mainly derived from two revenue streams: brokerage fees and margin income, both of which increased in 2014.

Revenue from brokerage fees increased 95% to VND 211 billion, 7% ahead of the Plan. This was a product of the following developments:

- Total trading value for the division increased 112%, in line with the growth in trading value of the whole market; and
- Average brokerage fee rates decreased by two bps in accordance with HSC's pricing policy whereby the greater the value of transactions in a day, the lower the brokerage fee rate (subject to a minimum rate of 0.15%).

In late 2014, HSC opened two transaction offices, bringing the total number of branches and transaction offices to eight, reflecting our continuing efforts to expand our operational network, provide faster and more convenient services to our clients, and help to develop the overall market.

Additionally, we continued to modernise our facilities and infrastructure, investing in IT systems and developing new applications. We also continued to invest in training our employees, especially basic and professional training to those expected to provide consultancy services. We believe that

these actions were important factors in creating competitive advantages for HSC in 2014.

Margin income, which arises mostly from interest generated on margin trading, increased 64% to VND 247 billion in 2014, outperforming the Plan by 31%. This increase was produced from a combination of the following factors:

- Average margin balance increased by 84% to VND 1,645 billion (2013: VND 894 billion), due to an increase in demand for margin lending in what was a very active trading year; and
- Average margin rate reduced from 16.9% in 2013 to 15.0% in 2014, due to a decrease in the market deposit rate and increasing competition in terms of margin lending interest rates.

Other revenue includes gains from the sale of repo securities, fees from securities transfer services and shareholder management services fees.

The Private Client Division's operating margin increased significantly in 2014 to 58.8% from 49.3% in 2013, reflecting a leaner, more productive division. Operating expenses, made up of direct and indirect costs allocated from supporting departments, increased 43% in 2014. This was driven by a 60% increase in direct expenses.

Direct expenses - Private Client Division (VND million)	FY2014	FY2013	% Change
Brokerage expense & commissions	92,389	42,548	117%
Other direct expenses	59,598	52,159	14%
Total	151,987	94,707	60%

Brokerage fees paid to stock exchanges and commissions paid increased in line with the increase in trading value brokered by the division.

The majority (85%) of other direct expenses relates to the division's fixed costs, which include office rent, IT systems and full-time basic salaries. The 14% increase in these expenses was due to greater investment in staff and technology, to support the expansion of the Company.

Profit before tax of the Private Client Division more than doubled in 2014, accounting for 57% of HSC's gross profit before tax (2013: 35%). This demonstrates outstanding growth as well as the essential contribution the division continues to make to the Company's performance.

INSTITUTIONAL CLIENT DIVISION

Institutional client services generated a pre-tax profit of VND 37 billion, a decrease of 36% compared to 2013. This accounted for 8% of HSC's pre-tax profit, and 64% of the Plan.

Institutional Client Division (VND million)	FY2014	FY2013	% Change	Plan 2014	% Completion
Revenue	103,976	121,847	-15%	129,795	80%
Brokerage	88,574	90,509	-2%	112,945	78%
Margin income	1,517	4,745	-68%	5,850	26%
Income from using capital	9,774	23,638	-59%	10,000	98%
Other revenues	4,112	2,955	39%	1,000	411%
Operating expenses	67,418	65,144	3%	72,750	93%
Direct expenses	58,506	55,886	5%	65,054	90%
Indirect expenses	8,913	9,258	-4%	7,696	116%
Profit before tax	36,558	56,703	-36%	57,045	64%
% Total HSC revenues	13%	19%		17%	
% Total HSC profit before tax	8%	15%		13%	

In 2014, the Institutional Client Division generated VND 104 billion of revenue, a decrease of 15% and representing 80% of the Plan. The majority of revenue derived from brokerage fees and use of capital.

As mentioned above, the trading value of the whole market increased 114% in 2014, but the foreign trading value increased only 62%. As a result, the trading value of foreign customers accounted for just 9.9% of the total market trading value, significantly lower than last year's proportion of 13% and the expectation of 14% per the Plan.

Foreign trading value through HSC accounted for 28.5% of total foreign transactions in the market. This has fallen from 32.1% in 2013, when HSC acted on several large one-off put-through transactions, but exceeds the target of 28.0% per the Plan.

Revenue from brokerage fees fell 2% to VND 89 billion in 2014, accounting for 85% of the division's revenue, and completing 78% of the Plan. This revenue arose from the following streams:

- Regular institutional clients (domestic and foreign), which generated VND 66 billion, an increase of 50% year-on-year, mostly due to a 52% increase in trading value of this group as the average brokerage fee rate remained at a similar level to 2013;
- Customers introduced to HSC by offshore brokers, which generated VND 14 billion, a decrease of 64%, due to the absence of OTC transactions and placements for institutional clients, which both inflated 2013 figures. This group accounted for only 7% of the division's total trading value (2013: 14%). Commissions paid to offshore brokers were recorded in direct costs in 2014; and
- Bond brokerage activities, which were high on both primary and secondary markets, contributing VND 8 billion in 2014, a 60% increase on 2013.

Gains from margin trading fell 68% to VND 1.5 billion, representing only 26% of the Plan, due to a sharp decline in demand from domestic institutional clients combined with a reduction in average margin rate.

Revenue from using capital reached VND 9.8 billion and mostly arose from gains made in accumulating and selling securities to institutional investors. In 2014, the average investment capital was VND 17 billion with an average return rate of 39% (2013: VND 25 billion investment capital, 89% average return rate).

Other revenue mainly derived from the supply of data analysis services to institutional clients.

Operating expenses in 2014 increased 3% to VND 67 billion, as a 5% increase in direct costs (which account for 85% of operating expenses) outweighed a 4% fall in indirect costs. Direct costs are detailed in the table below.

Direct expenses - Institutional Client Division (VND million)	FY2014	FY2013	% Change
Brokerage expense	16,432	11,265	46%
Commissions	8,771	14,447	-39%
Other direct expenses	30,194	28,655	5%
Losses on securities trading	3,109	1,518	105%
Total	58,506	55,886	5%

Direct expenses increased as a rise in other direct expenses outweighed a fall in brokerage expenses & commissions. The latter fell as a net product of two opposite movements in expenditure: while brokerage expense increased 46% to VND 16.4 billion in 2014 (2013: VND 11.3 billion), due to the significant increase in foreign trading value in the market, commissions paid decreased 39% to VND 8.7 billion (2013 VND: 14.4 billion), caused by the reduction in OTC transactions and placements.

Other direct expenses mostly consisted of fixed costs such as salaries and IT. These costs increased in 2014, as we continued to invest in brokers and analysts as well as IT systems, in order to improve service quality and continually meet the high standards demanded by institutional clients.

CORPORATE FINANCE DIVISION

Corporate Finance Division (VND million)	FY2014	FY2013	% Change	Plan 2014	% Completion
Revenue	10,901	22,556	-52%	33,000	33%
Advisory fees	10,901	16,971	-36%	18,000	61%
Mezzanine finance	-	5,585	-100%	15,000	0%
Operating expenses	13,541	15,705	-14%	15,383	88%
Direct expenses	8,585	10,790	-20%	10,861	79%
Indirect expenses	4,956	4,914	1%	4,522	110%
Profit before tax	(2,640)	6,852	-139%	17,617	-15%
% Total HSC revenues	1%	4%		4%	
% Total HSC profit before tax	-1%	2%		4%	

The Corporate Finance Division generated revenue of VND 11 billion, a decrease of 52% and only 33% of the Plan.

This revenue mostly derived from stock issuance consultancy fees in relation to Nam Long Investment Corporation, M&A advisory fees for An Long Foods JSC and revenue from the accumulation of securities on behalf of clients.

Direct expenses - Corporate Finance Division (VND million)	FY2014	FY2013	% Change
Commissions	1,405	2,934	-52%
Other direct expenses	7,180	7,856	-9%
Total	8,585	10,790	-20%

Direct expenses reduced largely due to the fall in commission paid to third parties upon referrals, which were much higher in 2013. In addition, other direct expenses, 71% of which relates to salaries, also decreased due to a reduction in headcount during the period, including at a senior level, while recruitment did not meet the targets set out in the Plan.

TREASURY PROPRIETARY INVESTMENT FUNCTION

The Treasury Proprietary Investment Function consists of both the Equity Investment and the Fixed Income functions.

Equity Investment Function

HSC's equity investment activities performed strongly in 2014, contributing 16% and 18% of the Company's total revenue and profit before tax respectively.

Equity Investment Function (VND million)	FY2014	FY2013	% Change	Plan 2014	% Completion
Revenue	135,586	84,944	60%	132,475	102%
Listed stock and fund certificates	134,967	83,251	62%	130,000	104%
OTC	619	1,693	-63%	2,475	25%
Operating expenses	48,348	3,539	1266%	3,817	1267%
Direct expenses	46,955	2,309	1933%	2,601	1805%
Indirect expenses	1,393	1,229	13%	1,216	115%
Profit before tax	87,238	81,405	7%	128,658	68%
% Total HSC revenues	16%	13%		18%	
% Total HSC profit before tax	18%	22%		29%	

Revenue from advisory services only completed 61% of the Plan, as projects failed to progress as expected. There was no income arising on mezzanine finance transactions (2013: VND 5.6 billion) as related projects did not meet disbursement conditions.

Operating expenses of the division decreased 14%, as a 20% reduction in direct expenses outweighed a slight increase in indirect expenses.

The division has been making strenuous efforts to bolster human resources, especially at a senior level, in order to improve service quality, enhance origination capabilities and successfully implement corporate finance contracts going forward.

Revenue of the function increased 60% in 2014 to reach VND 136 billion, exceeding the Plan by 2%, and derived from two portfolios:

- *Listed securities and fund certificates*: This portfolio generated VND 135 billion, an increase of 62% and the overwhelming majority of the function's revenue. The average investment capital of this portfolio was VND 105 billion and the average return rate reached 115% in 2014, including:
 - ▶ ETF investments, which generated VND 49 billion and investment capital in 2014 averaged VND 66 billion, with a return rate of 51% demonstrating the investment effectiveness of the function; and
 - ▶ Fund certificate investments which contributed VND 86 billion for revenue, with an average investment value of VND 39 billion and a net return rate of 224%.

Fixed Income Function

The Fixed Income Function contributed 14% and 22% to the Company's total revenue and profit before tax respectively in 2014. Both revenue and profit before tax decreased in the period, by 18% and 6% respectively, but both significantly outperformed the Plan.

- *OTC*: This is the portfolio of stocks brought forward from 2013, which carries a value after provision at the end of 2014 of VND 53 billion. The main revenue generated in the year on this portfolio arose from dividends and totalled VND 619 million; the average investment capital was VND 80 billion.

The average investment capital across the whole investment portfolio in 2014 totalled VND 185 billion, generating an average return of 49% (2013: VND 375 billion average investment capital, 22% average return rate).

Operating expenses sharply increased in 2014, driven by rising direct costs, which accounted for 97% of the total. Direct expenses mainly consisted of securities investment costs which increased in 2014 to VND 13 billion (2013: VND 6 billion) due to the uptake in principal investment activities, and provisions for OTC stock impairment recognised in 2014.

Interest from bank deposits accounted for 57% of the function's revenue; bond investment accounted for 41%; and the remainder derived from bond repo and other income.

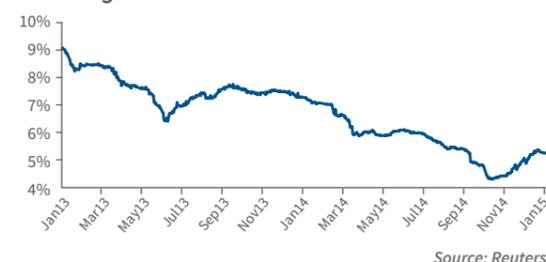
Fixed Income Function (VND million)	FY2014	FY2013	% Change	Plan 2014	% Completion
Revenue	117,020	142,120	-18%	61,540	190%
Interest income	67,241	90,727	-26%	36,340	185%
Bond investment	48,251	44,293	9%	25,200	191%
Bond repo	796	6,159	-87%	-	N/A
Other revenues	732	940	-22%	-	N/A
Operating expenses	11,068	29,730	-63%	12,714	87%
Direct expenses	9,758	28,501	-66%	11,499	85%
Indirect expenses	1,310	1,229	7%	1,216	108%
Profit before tax	105,952	112,390	-6%	48,826	217%
% Total HSC revenues	14%	22%		8%	
% Total HSC profit before tax	22%	30%		11%	

Interest income on bank deposits decreased 26% in 2014 as average deposit rates fell from 7.5% to 5.8% per annum, and the average deposit balance also reduced from VND 1,280 billion to VND 1,250 billion. However, interest income was 85% higher than the Plan which forecast greater reductions in both average deposit balance and interest rates.

Although average government bond yields fell from above 7.3% to below 5.2% in 2014, and average bond investment was VND 168 billion, considerably lower than the average of VND 405 billion in 2013, income from bond investment in 2014 has actually increased by 9% due to timely realisation of gains on bonds in Q1 and Q3. Yield from bond investments has thus risen significantly to 28.7% (2013: 10.9%). Therefore, despite HSC's average investment in bonds only amounting to 60% of the Plan, related income is almost double that of the Plan, owing to prudent investment management.

Revenue from bond repos fell by 87% in 2014 as the Fixed Income Function pursued a policy of disengagement in bond repo activities during the

Average Government Bond Yield FY2013 - FY2014



period. The average repo balance in 2014 was therefore only VND 4 billion, and the average repo rate was 14.6% (2013: VND 48 billion average repo balance; 11.8% average bond repo rate).

Other revenue includes fees from brokerage and tenders for bonds in 2014. The total value of successful tenders for clients reached VND 9,251 billion.

Operating expenses of the Fixed Income Function in 2014 fell 63%, driven by a reduction in direct costs of 66%, as detailed below.

Direct expenses - Fixed Income Function (VND million)	FY2014	FY2013	% Change
Bond repo costs	4,186	18,056	-77%
Interest expense	2,302	-	-
HSC coupon costs	-	6,238	-100%
Loss on bond trading	0	769	-100%
Other direct expenses	3,270	3,437	-23%
Total	9,758	28,501	-66%

The decrease arose as a net result of the following movements:

- Bond repo costs, incurred when HSC uses its bond portfolio as collateral in investment activities, fell 77% in 2014 to VND 4 billion, as we were less active in this endeavour due to the significantly reduced bond portfolio (as noted earlier);
- Interest expense, which relates to short term borrowings, was incurred in 2014 in order to meet higher demand during active market periods. No such borrowings were required in 2013;
- HSC coupon costs, which relate to the coupon yield of bonds issued by HSC to outside lenders, were zero in 2014, as all such bonds were bought back by HSC by the start of the period;
- Losses on bond trading, arising on the sale of bond investments and which must be recognised separately to comply with regulations, were highly immaterial in 2014; and
- Other direct costs reduced slightly in 2014.

Indirect costs increased by 7% in 2014 to reach VND 1.3 billion, but only made up 11.8% of total expenses (2013: 4.1%).

OPERATING EXPENSES

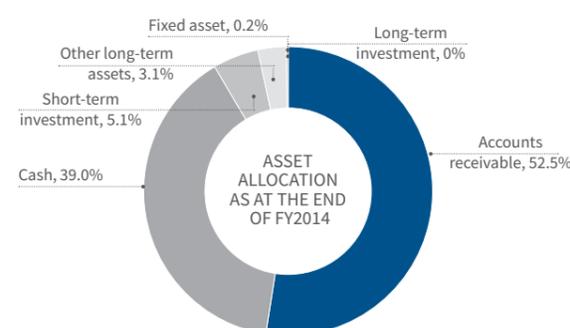
Operating expenses have been covered in detail above. As a high-level KPI, the ratios of HSC's total operating expenses in relation to both total revenue and revenue from fees are shown in the table below:

Items	FY2014	FY2013	% Change	Plan 2014	% Completion
Total revenues	831,135	634,760	31%	744,761	112%
Fee income	311,794	215,503	45%	329,246	95%
Operating expenses	349,692	260,049	34%	306,951	114%
% Operating expenses / Total revenues	42%	41%		41%	
% Operating expenses / Fee income	112%	121%		93%	

Total revenue in 2014 has increased at a slightly lower rate than total operating expenses, leading to a marginal increase in the Cost-Income Ratio ("CIR") to 42% (2013: 41%).

However, total fee income (brokerage fees plus corporate finance advisory fees) has increased at a higher rate than operating expenses, leading to an improvement in the Cost-Fee Income Ratio from 121% in 2013 down to 112% in 2014.

ASSETS STRUCTURE



The majority of HSC's total assets as at 31 December 2014 consists of account receivables (52%) and cash (39%), with the remainder made up of short term investments and other long term assets.

Account receivables mainly relate to margin loans and advances to investors for securities trading.

Short term investments at the end of 2014 were 78% lower year-on-year due to the expedient realisation of gains during the period.

Other long term assets relate mainly to prepayments for office rent.

Key financial ratios	FY 2014	FY 2013
Operation ratios		
Quick ratio	2.5	3.1
Short term asset turnover	0.3	0.2
Total asset turnover	0.2	0.2
Operating Leverage		
Total debt/total owner's equity	0.6	0.4
Total debt/total assets	0.4	0.3
Profitability		
Gross profit margin	68.4%	72.2%
Net profit margin	45.3%	44.5%
ROAE	16.3%	12.8%

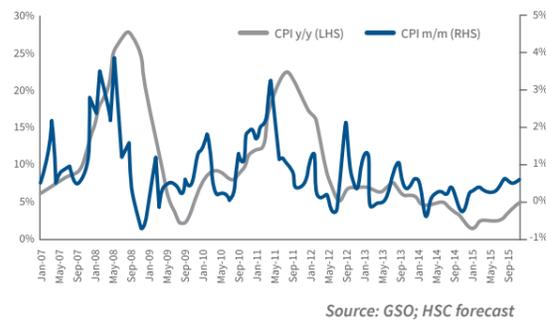
2014 has been another strong year for HSC, with revenue and profit the highest on record. We have expanded our scale of operations and have actively developed new products to expand market shares. In addition, we continue to make progress in the development of our systems of corporate governance, including in relation to our risk management systems, the BPI and BPM projects, and the work of the Internal Audit Function. Furthermore, we are striving to develop talent within the organisation through the development of leadership skills and executive training programs, to ensure our profitable growth is sustainable in the long term.

STRATEGY & MACRO REPORT

1. AN OSTENSIBLY STABLE ECONOMIC ENVIRONMENT WITH POSITIVE SIGNS FOR 2015

1.1. CPI fell to 1.9% in 2014; HSC forecasts an increase to 5% in 2015

CPI - m/m and y/y trend

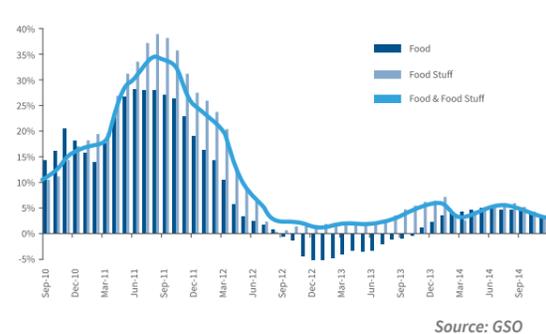


Inflation in Vietnam is mainly driven by three key items: food, fuel and government services. In 2014, the main causes behind the sharp deceleration in inflationary pressures have been the unexpected drop in fuel prices; weakening pricing pressures for food (itself highly correlated to oil prices); and the almost flat pricing of government services (in contrast to previous years when health charges were raised).

This is an unusual combination; however, it reflects the global experience where relatively weak demand has met ample supply. The result in Vietnam's case has been the lowest annual CPI for well over a decade.

This dynamic cannot last forever. The abnormally low level of inflation may persist until the end of Q1/2015; thereafter we expect an improvement in demand allowing pricing pressure to reassert itself. This recovery will be driven by a mild acceleration in food and foodstuff prices.

Food & Foodstuff index versus its components subindex



Food & foodstuff accounts for 40% of the CPI basket.

We expect food and foodstuff prices to recover in 2015. We therefore expect inflation to normalise again over the next 12-18 months, back towards the 5% level.

1.2. Money supply growth to remain between 18-20% in 2015

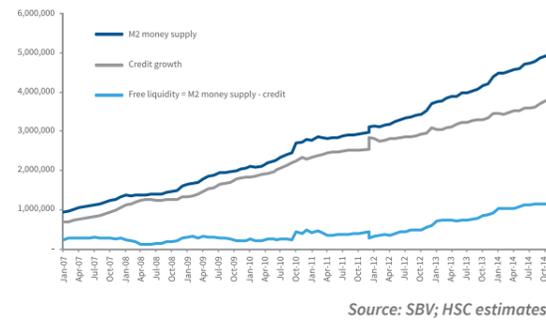
M2 money supply vs. y/y growth



HSC forecast 18.5% growth in M2 money supply for 2015, a marginal improvement on the 18% level recorded for 2014. We expect continuity in SBV's policy of ensuring sufficient liquidity for the macro economy and preserving the stability of the financial system.

Money supply has been loose since 2011, and it is clear from recent developments that the Government is also trying to accelerate credit growth into 2015 in order to boost GDP growth and return macro economic growth rates to long term norms.

Money supply vs. credit growth vs. free liquidity



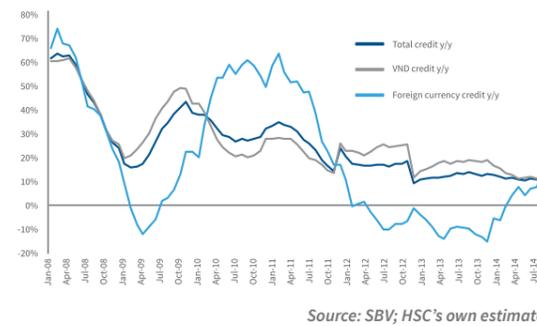
The current level of M2 money supply may be sufficient to support such growth. Over the last few years, the gap between credit growth and M2 growth has been widening, allowing a sharp recovery in both equity and bond market prices. However, the third major asset class, property, has remained flat in the last year.

Going forward, the authorities might choose to:

- (a) Maintain this liquidity gap and so continue to increase M2 growth as credit growth expands, an outcome that would be welcomed by the markets but would carry clear risks of creating a future asset price bubble; or
- (b) Place a theoretical ceiling range on M2 growth and allow credit to accelerate towards it without catching up completely, a move which could revive economic growth faster, although it may dampen the recovery in the markets in the short term.

1.3. Credit growth of 15.5% forecast for 2015, compared to our estimate of 13.5% for 2014

Total credit growth vs. VND credit growth vs. foreign currency credit y/y



We anticipate an acceleration in credit growth to 15.5%, driven by demand from SOEs and FDI industries, as well as from some domestic private companies, especially those in real estate and construction, where we expect to see a greater appetite for working capital loans in 2015.

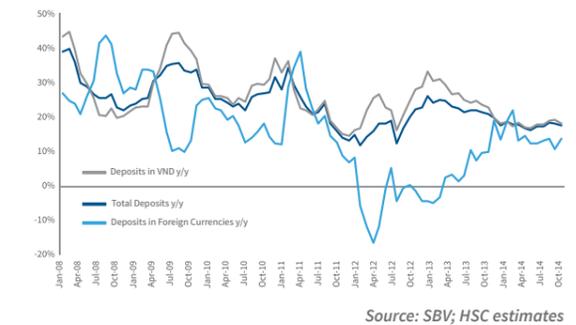
As at the end of November 2014, credit growth was up 10.2% since the start of the year, and up 14.6% compared to 2013; VND credit growth was estimated to have increased 9.7% since the start of the year and 14.5% compared to 2013; and foreign currency credit growth saw corresponding increases of 13.3% and 15.5%.

Looking into 2015, we expect the usual slow start to credit demand in the first half of the year, followed by an acceleration up to 15.5% for the full year, due to:

- (a) An underlying gradual pick-up of cyclical demand;
- (b) Increasing demand for foreign currency loans due to a rally in FDI-driven trade; and
- (c) A likely acceleration in loan rescheduling as Circular 02 comes into full effect and bank restructuring activities peak.

1.4. Deposit growth of 19% forecast for 2015, a slight increase on our estimate of 18.5% for 2014

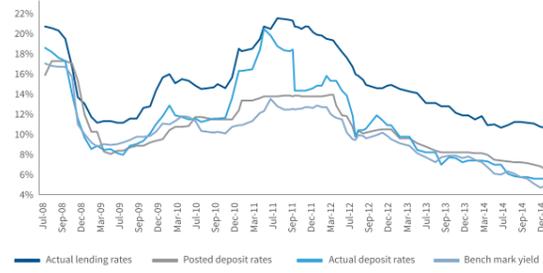
Vietnam deposit growth y/y



Owing to the Government's continued commitment to ensuring ample liquidity in the banking system, deposits have grown at a fairly consistent pace over the last two years or between 20-23%, which is of course a targeted range. Monetary policy is likely to continue within this range in 2015. VND deposits grew at a steady 18% throughout 2014. In contrast, foreign currency deposits have been volatile; having declined during much of 2012 and early 2013, foreign currency deposit growth rapidly increased to 22% in March 2014, before slowing markedly to average just under 14% for the year.

1.5. Interest rates have fallen further than expected, and may drop a little more

Deposit rates vs. lending rates vs. benchmark bond yields



Source: SBV; Reuters; HSC's own collection

From 2005-2010 we became accustomed to fairly short interest rate cycles. The current cycle has therefore been surprisingly long, with rates falling to far lower levels than expected.

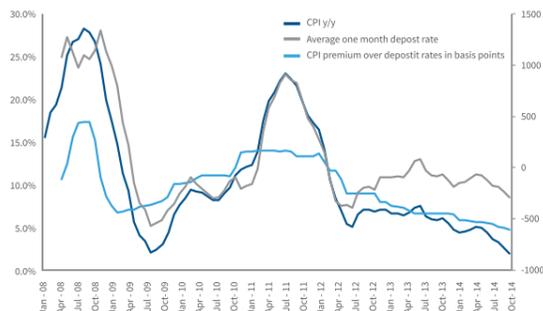
This cycle has been lengthened by the unexpected and rapid deceleration of CPI since the end of Q2/2014, due to lower commodity prices globally, as a result of:

- (a) The appreciation of the US dollar, which is inversely correlated to commodity prices as most commodities are denominated in dollars; and
- (b) The dramatic fall in crude oil prices, partly due to the dollar appreciation, but mainly due to an oversupply arising from the unexpected demand weakness in the key economies of China, Japan and the EU.

We are calling a trough (another one) for CPI sometime in Q2/2015. Given the fairly moderate trend for CPI in 2015, we feel that interest rates will rise gradually thereafter.

1.6. Deposit rates will bottom by Q2/2015 before a modest rebound

CPI vs. short term deposit rates



Source: HSC's own collection

One of the biggest surprises of the last six months of 2014 was the continued decrease in interest rates, far beyond our earlier predictions, and the resultant steady decline in short term deposit rates provided by the major banks who dictate rates in Vietnam. HSC projects that average weighted deposit rates will fall steadily until Q2/2015 before bottoming out at around 5.8%, and then rebound to around 6.5% by the end of 2015, following the path of inflation.

Deposit rates of varying maturities

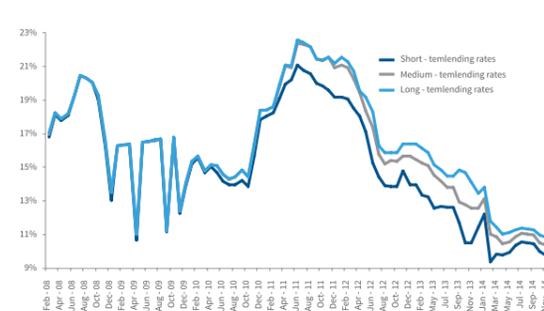


Source: HSC's own collection

Since the summer of 2014, deposit rates have continued a steady decline, led by short term rates. Spreads between maturities are widening, partly as banks price in more risk at various maturities. The spread between short and medium term deposit rates (six months) widened further at the end of 2014 to 100 bps (compared to 87 bps at the end of Q2/2014), while the spread between medium term and long term deposits (12 months) widened almost identically, from 86 bps to 100 bps. Looking back to 2012, however, reveals that medium and long term rates have actually been narrowing.

Short-term deposit rates have already dropped below 5%, and, given the likelihood that CPI might end up below 2% for the year, plus the current wide spread between short term deposits and annualised CPI, there is clearly scope for short term rates to fall further.

Short, medium and long term lending rates



Source: HSC's own collection

We expect deposit rates to begin to rise again by the end of March, driven by our annualised inflation forecasts of three consecutive months of 0.5% increases in Q1/2015.

We estimate lending rates will dip underneath 10% before reaching a trough in Q2/2015; we expect them to recover to 10.5% or so by the end of 2015, following the same trend as deposit rates, albeit at a safe distance. Spreads between lending and deposit rates two narrowed to 292 bps early in the year, before widening back to 406 bps in November 2014. The long term trend, however, appears to be towards narrower spreads, as greater efficiency and consolidation takes hold in the sector.

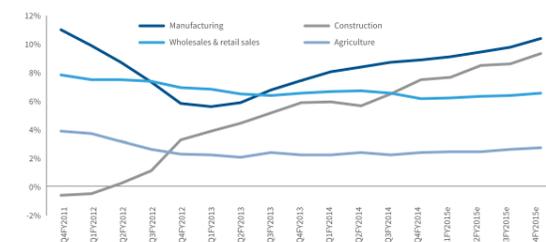
Average interest rate spreads



Source: HSC's own collection

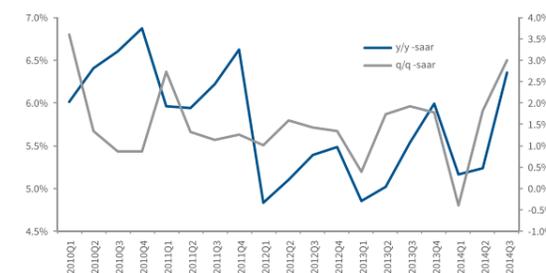
1.7. GDP growth of 6% forecast for 2015, with growth potential facing oil-powered headwinds

4 quarter MA for key GDP segments



Source: GSO; HSC calculation

GDP - SAAR quarterly and y/y



Source: GSO; HSC calculation

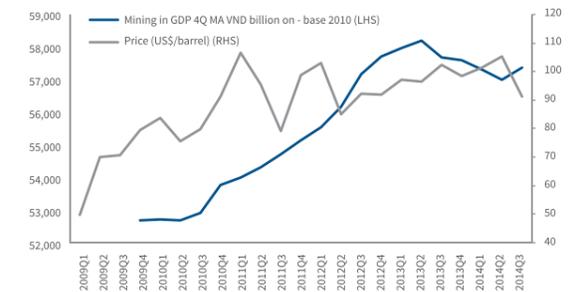
HSC assumes 2015 GDP will increase 6%, driven by an acceleration in manufacturing growth, a recovery in construction, and steady growth in the agriculture and services sectors. However, we also predict that oil-related activities (including mining) will act as a drag on an otherwise positive outlook. The official forecast for 2015 is slightly higher, at 6.2%, yet crude oil prices have fallen a lot further since then.

We had originally hoped to go for a more aggressive number this year as most of the macro indicators suggest that the economic recovery is gathering speed. Inflation is the lowest we have seen, credit growth is the fastest since 2010, and exports are popping. However, while we envisage a pick-up in most GDP segments in 2015, we expect reduced activity in the mining segment as a result of low global commodity prices.

How much of a drag on 2015 GDP will the domestic oil industry be?

Oil & Gas production accounts for about 80% of the mining segment. The sharp drop in prices at the end of 2014 is bound to have a major impact on GDP and other indicators in 2015.

Mining segment 4Q MA in GDP series vs. oil prices



Source: GSO; Bloomberg; HSC calculation

There are two main factors driving the GDP contribution from the oil & gas industry: price and volume. We expect low oil prices to continue throughout 2015. In terms of volume, we believe a production cut is unlikely due to four main reasons:

- (a) Vietnam's oil is relatively cheap;
- (b) A lot of Vietnam's oil is extracted under JV, and, reaching an agreement to cut production with Vietnam's JV partners would be complex and time-consuming;
- (c) There would be a significant loss of incremental tax revenues resulting from a production cut; and
- (d) Closing and reopening fields is costly business in itself.

Therefore, in our base case scenario, we expect a drag effect from lower prices only.

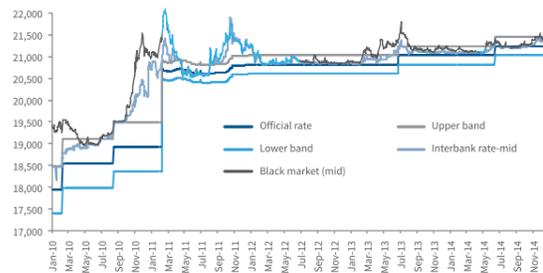
1.8. VND depreciation of up to 2% expected in 2015; we have seen 1% already

Apart from adjusting the reference price, the SBV retains several policy options in its toolkit, which has been in regular use over the past few months. To name but a few: building sufficient reserves to withstand pressure against the VND for a sustained period, in parallel with a sensible monetary policy; injecting supply; discouraging banks from speculating against the VND; encouraging import/export companies to recycle their foreign currencies promptly through the interbank market; and taking a flexible stance on regulations affecting currency market dynamics and administrative guidance.

The SBVs decision to extend Circular 29, governing eligibility for US dollar denominated loans, into 2015, falls into the category of flexible management of the regulatory environment; however, the SBV has re-confirmed its long term goal of replacing most US dollar dominated loans with interbank forex US dollar buy/sell transactions.

Having adjusted the reference rate once already in 2014, the SBV followed by injecting supply into the interbank market. This was especially apparent in the beginning of December. Unsurprisingly, as soon as 2015 began, the SBV announced a 1% downward adjustment in the VND/USD reference price from VND21,246 to VND21,458 effective from January 7th. The most important single factor behind the need for a currency devaluation came from the return to a trade deficit in Q4/2014, amounting to an estimated US\$1.05 billion for the quarter. Furthermore, banks added to this by attempting to close their current open positions before the year-end, contributing to currency volatility.

Currency exchange rate - VND vs. US\$

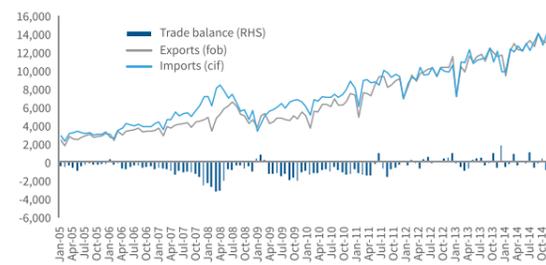


Source: SBV; Reuters

HSC recognises the SBV's flexible strategy aimed at keeping the currency market stable and exports competitive, given the strong US dollar. We estimate that the current level of reserves to be US\$32.5-33.0 billion, equivalent to 11.4 weeks import cover. This is slightly below the minimum recommended cover level. Our macro team estimates that a 1% depreciation could add about 0.2%-0.3% to annualised CPI over the next few months, which could arguably be a welcome outcome, helping to turn around the disinflationary mindset that took hold last year.

1.9. A return to a trade deficit in 2015 for the first time since 2011

Trade balance



Source: GSO; Customs

In 2015, HSC expects growth in imports and exports of 9% and 7% respectively, resulting in a trade deficit on Vietnam's current account of US\$1.17 billion, compared to a US\$1.73 billion surplus in the preliminary 2014 numbers.

The main factors responsible for the reversal are oil, a slowdown in smart phone demand growth, and Xiaomi, together with an increase in FDI businesses setting up shop here. Vietnam's trade surplus in 2014 was mainly driven by the increase in exports from FDI companies. However, mobile and electronic components, a significant portion of FDI-related exports, not expected to increase significantly in 2015 given slowing growth in global demand for smart phones, and Samsung losing market share to the fast rising Chinese smart phone player, Xiaomi.

At the same time, imports are expected to grow much faster in 2015 to supply machinery and raw materials to the new FDI businesses. FDI would also receive a boost if any of the numerous, much-anticipated trade agreements are signed in 2015. These include tie-ups with the EU; the Republic of Korea; the Customs Union of Russia, Belarus and Kazakhstan; the ASEAN Economic Community; and possibly even the long awaited TPP.

Vietnam trade balance

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014e	FY2015f
Exports (FOB)	48,436	62,455	57,094	72,235	96,608	114,300	132,033	150,075	160,580
Imports (CIF)	62,476	80,338	69,162	84,839	106,043	113,150	132,033	148,346	161,697
Trade balance	-14,040	-17,883	-12,068	-12,603	-9,434	1,151	0	1,729	-1,117
y/y % Change									
Exports (FOB)		28.9%	-8.6%	26.5%	33.7%	18.3%	15.5%	13.7%	7.0%
Imports (CIF)		28.6%	-13.9%	22.7%	25.0%	6.7%	16.7%	12.4%	9.0%

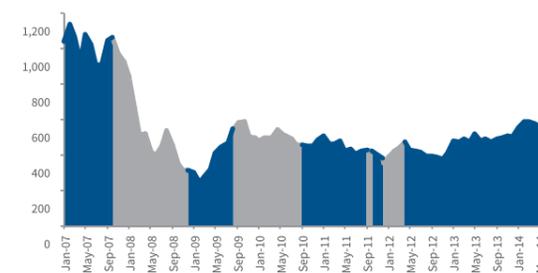
1.10. A narrowing of the balance of payments surplus to around US\$6 billion in 2015

We expect 2015 to be the fourth year of surplus in a row, driven by a combination of a positive current and capital account although it has been the case for many years some drag effect from the errors and omissions line. Compared to 2014, we expect a narrower surplus, reflecting a tightening in the trade balance and a more conservative assumption for Foreign Institutional Investment ("FII"), while we assume the errors and omissions line will remain high given an increase in speculative activities over the last year or so.

2. MARKET FORECASTS AND TRENDS TO WATCH OUT FOR IN 2015

2.1. The VN index may hit 650 by the 2015 year-end

VN Index - Bull vs. Bear



Source: SBV; HSC calculations

650 was also our target for 2014, and, while we did hit a high of 640 in October, the market closed out the year well below this level. 650 represents almost exactly 14% upside from current levels, and is based on our belief that a combination of positive liquidity, SOE restructuring and top line earnings growth will provide support to the market, and overcome some near term headwinds.

However, the dynamic supporting the stock market is not as strong as it was between 2012 and 2014, for a number of reasons: the degree of free liquidity flowing into the market will be less than before; major themes such as FOL and TPP will not be providing us with much traction; core earnings growth will not yield much by way of EPS growth; and valuations are now reasonable rather than cheap. It also may be fair to say that the world is a more uncertain place in 2015, with less risk appetite for emerging and frontier markets in general.

We estimate that the forward PE multiple of the market is currently around 13.1x; we consider fair value to be around 14.8x, which represents a discount that is justified by the less advanced development of both the economy and the equity capital markets in Vietnam, especially evident in the lack of stock market access issue.

2.2. Stock market demand and supply both likely to increase; supply may have the edge

We expect free liquidity to continue to expand, given that our forecast for M2 money supply (18.5%) exceeds our forecast for credit growth (15.5%). However, we have two caveats:

- (a) The gap will narrow by 200-250bps compared to 2014, leaving less free liquidity expansion; and
- (b) The stock and bond markets will have to share more of this with the third great asset class in the economy - real estate. As a result, while we will see index growth this year, it will be more limited with relatively less new liquidity flowing compared to 2014.

Supply is also likely to increase further, continuing the trend from 2014. The Government is determined to meet its 2015 deadline for SOE restructuring, and it is a long list.

In addition, there is a requirement for those banks trading on the OTC market to either list or merge; although this may not necessarily result in capital raising events, we do suspect that some banks will come to the markets looking to raise money.

Taking into consideration the IPO pipeline and the likelihood of corporate actions by large companies (especially banks), we forecast a 25-35% increase in supply in 2015 (we are including IPOs, even though they won't all list for a year or two as they all drink at the same investor watering hole).

There were a significant number of SOEs that came to the IPO market in 2014 with a size of US\$50 million or more. A total of 21 companies listed on both exchanges in 2014 compared to 15 in 2013, and we can expect a similar result in 2015 with 20-25 new names expected to list.

Large SOEs IPOed in FY2014

Name	Date	Stock exchange	No of shares auctioned	Total outstanding shares	of OS % auctioned	Reference (price VND)	Avg successful (price VND)	of shares % sold	Market cap at avg successful (price VNDmn)
Vinatex	22-Sep-14	HSX	121,999,150	500,000,000	24.4%	11,000	11,000	22.12%	5,500,000
Sasco	18-Sep-14	HSX	31,097,900	131,500,000	23.65%	10,000	19,330	23.65%	2,541,895
Vietnam Airlines	14-Nov-14	HSX	49,009,008	1,410,184,000	3.48%	10,000	22,307	3.48%	31,456,974
Vocarimex	25-Jul-14	HSX	37,901,500	121,869,775	31.1%	11,300	13,428	31.1%	1,636,467
PVCFC	11-Dec-14	HSX	128,951,300	529,400,000	24.4%	12,000	12,251	24.4%	6,485,679
Dowaco	17-Nov-14	HSX	18,153,600	100,000,000	18.2%	10,100	12,227	18.2%	1,222,700

Source - HSX

2.3. Foreigners will be steady net buyers, but lack of liquid choices is a major issue

Foreigners bought VND 3,031 billion (US\$144 million) worth of stock in 2014, a decrease of 55.5% on 2013. Total foreign buying was up 52.4%, while total selling was up 68.3%. However, with overall HSX market turnover surging by 130% last year, their rate of participation lagged the overall market.

The pace of buying in recent years has been steady rather than spectacular, as a result of four main factors:

- A lack of overall liquidity. Daily turnover has improved but the HSX/HNX is still a dwarf compared to most regional markets;
- A lack of choice. Aside from the FOL issue, there is a lack of depth and diversity in the market, with few consumer stocks, few large industrials and no telcos to date;
- A lack of derivative products to provide hedging or arbitrage opportunities; and
- Vietnam's MSCO Frontier Market status limits the type of participants from overseas.

Vietnam is on a watch list for mainstream players. We believe that as long as the market remains reasonably valued, has decent liquidity and boasts some good earnings stories, foreigners will continue to be net buyers. Therefore, our outlook for net FII is a case of "same as 2014".

HOSE Net foreign buying vs net buying as % of total



Source: HSX

Foreign net buying of equities (FY2007-2012 YTD)

	HSX	HNX	Total	Total in US\$ million
FY2007	22,875	2,865	25,740	1,225.69
FY2008	5,827	554	6,381	303.84
FY2009	3,177	370	3,547	168.89
FY2010	15,367	823	16,190	770.97
FY2011	1,263	642	1,905	90.71
FY2012	3,321	1,083	4,404	209.73
FY2013	5,502	1,304	6,806	324.09
FY2014	2,154	877	3,031	144.33

Source - stock exchanges

2.4. Restructuring & consolidation will come to the fore in 2015

SOEs are being restructured while private sector businesses are being consolidated. The process of privatising SOEs is a long, drawn-out affair and will still be a work in progress five years from now. While we have seen a slew of auctions, in general the stakes being sold, especially in the case of larger corporations, typically amount to less than 20%.

SOE divestment of noncore assets (FY2013-2015)

Year	SOEs divestment (Million VND)	as % of the total	Notes
2013	965	0.004%	
2014	2,410,000	10.71%	Listed positions mostly
2015	20,089,035	89.28%	Most if this is bank holdings
Total	22,500,000	100.00%	

Sector	Divestment breakdown (million VND)	as % of the total	Notes
Banks	14,900,000	66.22%	A lot of bank supply will come this year
Real estate	5,070,000	22.53%	This is most likely land rather than product
Insurance firms	1,540,000	6.84%	
Investment funds	518,000	2.30%	
Securities	472,000	2.10%	A lot of this has been divested already
Total	22,500,000	100.00%	

Source - government websites; various media

SOE restructuring can come in three forms: the sale of noncore assets; equitisations of SOEs through the auction process; and the introduction of strategic partners.

According to the agreed targets, SOEs must sell a colossal VND22.1 trillion (US\$938 million) worth of non-core assets in 2015, which would mark a 817% increase on 2014. In order to fulfil the target, HSC believes that unless the SOEs take large provisions to write down valuations, and are allowed to sell assets at market values even when these involve a major haircut to current book values, we will not see any huge leap in the level of divestments in 2015.

Given the small stakes on offer in most of the SOE IPOs to date and in the pipeline, their main purpose may well be as a price point exercise in anticipation of a sale of a larger stake to a strategic partner.

Strategic partners are required to help prepare these companies for life as an equitised business. Few, if any, have consolidated accounting or ERP, and their operational environments are very different from a normal commercial business. Many have dozens of subsidiaries or associate firms; they are simply not ready for life as a listed company. And, despite a government ruling requiring listing 12 months after equitisation, in most cases the process takes much longer, especially as any penalties encountered for missing the deadline are paltry. Once listed, however, we suspect Government holdings in many of these businesses will be reduced through further auction processes. Here, the stakes on offer should be more meaningful, attracting larger institutions; but we may have to wait several years for this.

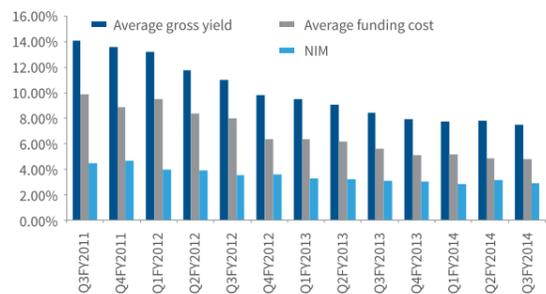
2.5. Growth & recovery expected in real estate and banks

Growth & recovery will be another key theme of 2015, relating specifically to two sectors: real estate & banks. The earnings story in manufacturing is already a year or two old. While secular growth continues in sectors such as consumer, pharmaceuticals and seafood, the big earnings stories for 2015 will be year two of the real estate recovery and year one of the selected banks recovery.

Taking the real estate market first (see separate sections on banks below), we sense a strong cyclical recovery taking place. All residential housing segments in both Ho Chi Minh City and Hanoi have shown substantial improvement in both unit sales and prices, even in 2014. And with a large increase in the pipeline for this year, we can expect this trend to accelerate. Retail sector demand has also been strong; however, the office segment has not shown the expected pick-up, with demand and supply apparently fairly well-balanced for now, although spare capacity is indeed limited.

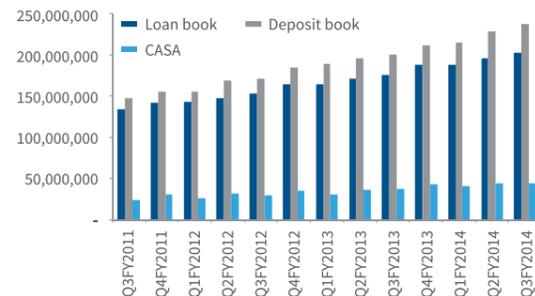
2.6. Banks have turned a corner. However, the sector may fluctuate this year as earnings are not yet supportive.

Listed banks gross yields vs. funding cost vs. NIM



Source: Bank financial statement

Listed bank loan book vs. deposit book vs. CASA accounts

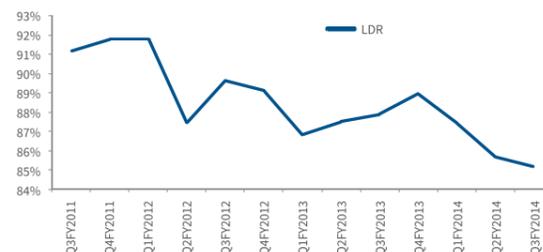


Source: Bank financial statement

In the banking sector, the picture is more nuanced, as it is difficult to see much pre-tax profit growth occurring in 2015. We do expect some improvement in operating profits, but this will be largely offset by higher provisioning. In simple terms, 2015 will be the year in which we will turn the corner in the long running underperformance of the sector. We expect an acceleration in many key areas: credit growth; NIMs; provisioning; declared NPLs; M&A and some new listings. The slow but steady pace of restructuring will be replaced by a hive of activity, leading to a very different banking sector at the end of 2015, and setting the stage for a sharp growth in pre-tax profit for some banks in 2016. Indeed, the market has already begun to price this in.

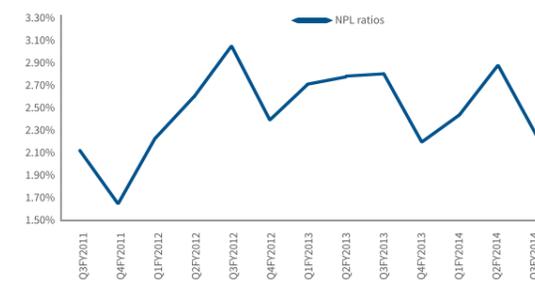
The slow burn NPL crisis has dogged the sector, and, indeed, the wider economy, since 2008. However, the scale of the issues surrounding the banking sector are well known and the solutions in hand. From this year on, a few large banks will return to normalised lending, and more banks will join them next year. VAMC appears to be having some effect in terms of separating banks from some of their bad debts, and four years of incremental provisioning has reduced bad debts to far more manageable levels.

Listed bank Loan to deposit ratios



Source: Bank financial statement

Listed bank posted NPL ratios



Source: Bank financial statement

2.7. VAMC and NPLs – a work in progress

The total number of bad debts swapped by the VAMC in 2014 reached VND 98 trillion by November, an increase of 89.2% on the VND 52 trillion swapped in the first half of the year and so reflecting a faster pace of swaps in the second half. The main outcome of this acceleration has been to reduce reported NPLs, which totalled 3.9% at the end of October 2014.

HSC estimates that the total level of NPLs written off since 2012 amounts to VND168,880 billion, or VND59,500 billion per annum, which means that on average 1.4% of the total loan book has been written off each year over the past four years.

This suggests that it will take another 3.8 years to write off the bulk of the NPLs (including VAMC

2.8. Three major FTA trade agreements will be signed this year. However, TPP remains tantalisingly out of reach

FTAs likely to be signed by Vietnam in 2015

Country	Partner	Timing	Exports to (as % of total)	Notes
Vietnam	EU	Q1/2015	18.4%	Vietnam's key exports include textiles and garments; footwear and seafood
Vietnam	South Korea	Q1/2015	5.5%	South Korea has a big surplus so the key here is parts and raw materials for FDI
Vietnam	Russian Customs Union	1-H 2015	1.6%	Agricultural products including seafood account for a third of exports here

Source - Various media

FTAs help Vietnam by boosting exports of key goods, and by encouraging FDI as foreign firms take advantage of lower tariffs. The most headline-grabbing FTA currently being negotiated is the TPP, which to date has made much progress on many issues. However, on auto trade and agricultural imports, the key stumbling blocks between the US & Japan, there has been little progress to report. These last major hurdles have detained us for a year already.

There are three other free trade agreements (FTA) far along the pipeline, with the EU, the Russian Customs Union and the Republic of Korea, and we expect all of them to be signed in the first half of the year. Combined, these FTAs will cover about a quarter of Vietnam's traded goods, with bilateral trade growing rapidly.

There are other positive signs too. Loan to deposit ratios (LDRs) have come down and banks have had more than ample funding for several years. In general, a capital call in the future is less likely to be driven by the need for plugging holes in balance sheets, and more likely a signal that a bank wishes to accelerate credit growth. As loans carry higher yields than alternatives such as bonds and inter-bank loans, this should also trigger a recovery in NIMs

swaps), assuming that the underlying collateral has an average secondary market value of 20-25% (in other words, we assume banks will need to provision and write-off 75-80% of their NPLs).

To speed up the process, the SBV is proposing the Government approves an increase in VAMC's chartered capital to VND2 trillion from the current level of VND500 billion. This would enable the VAMC to increase its scope of activities, and also perhaps to buy and sell bad debts, instead of merely swapping NPLs as it currently does. It might be argued that the current capital base is sufficient if it is to continue to act purely as an agent. However, that role is overly restrictive and is considered to be one of the reasons why the agency has been slow to settle NPLs.

The most important upcoming FTA by far is currently being negotiated with the EU, with the final round of talks in March 2015. This would attract boost FDI from EU companies, and would increase the trade surplus between Vietnam and the EU by another US\$500 million according to Vietnam's WTO Centre.

Negotiations with the Republic of Korea and the Russian Custom's Union are both very close to completion, which will encourage in the former case greater South Korean FDI, and in the latter case a boost to Vietnam's agriculture, seafood, textile & garment, and wood products sectors.

2.9. Stock market reform – FOL and other issues

The stock market - a possible future pathway

	Probability	Notes
FY2015		
Exchange merger	Likely	Awaits a final proposal being sent to the PM
FOL - opening up for brokers?	Possible	Opening up the FOL fully in the brokerage sector could be possible
FY2016		
Derivative market set up	Likely	This is well under way. Index futures and some commodities first
NVDR structure given go ahead	Possible	HSX has done a lot of work investigating NVDRs
FY2017		
NVDR introduced to the market	Possible	They need to do something to improve liquidity for foreigners
Vietnam moves from MSCI frontier market to emerging market status	Possible	Only then can Vietnam realistically expect an upgrade

Source - all future dreams are HSC's alone

In 2014 we came close, but in the end, nothing happened. Vietnam desperately needs earnings multiple expansion, but only by solving the market access for foreigners issue, and moving our status from MSCI frontier to MSCI emerging markets, can we hope to begin to close the valuation gap with comparable regional markets such as the Philippines and Indonesia, which trade on 16-18x forward PE.

If foreigners were freely able to buy and sell what they wanted on the Vietnamese markets, valuations would increase as a simple outcome of demand and supply dynamics. We have always held reservations over opening up the FOL, and have instead long-championed NVDRs as offering the best way forward in terms of solving the foreign access problem without surrendering control of the key parts of the economy. The HSX has a working group which has been trying to produce a working framework and proposal for how NVDRs might be introduced here; we suggest that NVDRs could be introduced by 2017, thus paving the way for an upgrade from the MSCI.

In the meantime, the FOL proposal remains officially under consideration, with no timeline attached. The authorities may consider relaxing the limits for the brokerage sector at some point, which apparently could be within the power of the SSC itself without recourse to higher officials. The urgency of this issue will not go away. With the FOL of 14 out of the top 50 stocks by market capitalisation closed, there is limited choice for the larger foreign funds. A de facto foreign board has appeared to exist for some time in certain names, but most funds prefer not to have to pay a premium to buy stock.

2.10. Key risks faced by Vietnam in 2015

INTERNAL RISKS

Public debt to GDP ratio

Public debt as a proportion of GDP has increased significantly from 51.7% in 2010 to 60.3% currently. The target for 2015 was set at 64%, very close to the National Assembly's mandated ceiling of 65%.

Several factors lie behind this rapid increase in debt:

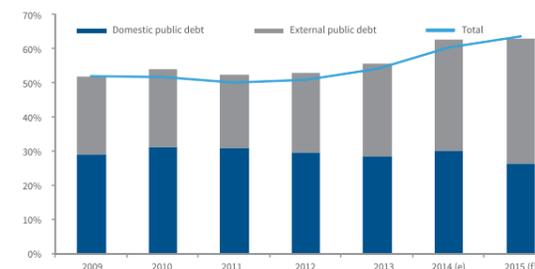
- (a) Vietnam has run a budget deficit of 4.0-6.3% since 2010 (per the Government definition), and so has required debt funding to bridge the gap;
- (b) The deepening of the local bond market has facilitated more bond issuances; and
- (c) Lower interest rates since 2011 have enabled the Government to issue a lot of cheap short-term debt.

The fiscal environment has been soured somewhat by falling oil prices, with related revenues accounting for just over 12% of Government revenues. This could result in more borrowing than planned, and a greater risk of hitting the ceiling towards the end of the year.

VAMC's ballooning balance sheet

Only a small percentage of the VAMC's swapped debt has been resolved, while targets for debt settlement in 2015 are very modest. This raises the spectre of a rapidly growing VAMC balance sheet, which is unsustainable in the long term. HSC has long held the view that only accelerated provisioning by banks will speed things up; liberalising the rules allowing foreigners to buy more types of debt will help, but not enough.

Public & publicly guaranteed debt as % of GDP



Source: MOF; HSC collection

EXTERNAL RISKS

Global currency crisis

We see a global currency crisis as the biggest external risk in 2015. However, for reasons provided earlier, we believe the knock-on effects of a currency crisis in other parts of the world would not necessarily have a fundamental impact on Vietnam, although it might affect trade flows for a period.

Hard commodity price meltdown

Few hard commodities in Vietnam are exported. On the other hand, lower commodity input prices should benefit both local manufacturers and consumers. So the negative consequences for Vietnam of a further drop in commodity prices would mainly flow from weaker overseas demand for Vietnamese goods as economic conditions in some overseas markets deteriorate.

China slows further

The effect on Vietnam here is less clear. Vietnam's last-stop-in-the-supply-chain relationships with many Chinese-based factories operated by global and regional manufacturing giants means it may depend more on global demand than Chinese demand.

PRIVATE CLIENT DIVISION

Growth in both financial results and awareness

The Private Client Division increased revenue by 76% to reach VND 464 billion, a record achievement for the division in both absolute and growth terms. Thanks to the significant increase in trading activities on the Vietnamese stock market during the period, these results equated to a marginal decrease in HSC's retail investors' market share to 7.4% (2013: 7.5%). This is a strong defensive performance, and has enabled HSC to maintain a leading position in an increasingly competitive retail brokerage environment. Furthermore, the division grew profit before tax by 110% to reach VND 273 billion, 57% of the Company's total profit before tax. The division continued to advance the skills and services offered by its staff through several training and development initiatives, and has also been able to improve its processes and policies through an internal audit conducted on the division during the period, the first such review performed by the Company's newly established Internal Audit Function. The resulting recommendations are currently being implemented to ensure transparency, accountability and operational efficiency.



Investment in people bears fruit

The large increase in revenue has been generated by growth across the division's two main revenue streams - brokerage income and margin income. Private Client matched trading value increased 112% to VND 110 billion (2013: VND 52 billion), as retail investors increased their trading activities, driven by lower interest rates and perceived opportunities in a volatile market. As a result, brokerage income increased by 95% to VND 211 billion. Margin income increased by 64% to VND 247 billion, as HSC's position as a market leader enabled a premium to be commanded on margin lending rates.

Average headcount slightly increased in the period to 189 (2013: 160), as the division expanded to meet the significant growth in demand. One of the division's most important KPIs, revenue per headcount, increased by 42% to over VND 1 billion in 2014, evidence of a leaner, more productive workforce. The division continues to invest in and develop the expertise of its staff, to ensure depth and quality of service for a client base that is increasingly demanding more sophisticated advice alongside traditional brokerage services.

Related achievements in the period include regular in-house presentations on technical issues, provided by external lawyers, for all employees in the division, as well as the further development of soft skills for managers and supervisors, in collaboration with the Dale Carnegie Institute.

These programs have been implemented in the southern offices, and the division aims to expand them to cover all of its branches. The training statistics are as follows:

Items	2013	2014
Number of workshops / training courses	32	33
Training hours	56	87
Participation	323	886

Corporate governance achievements

During 2014 the division cooperated closely with the IT Function to implement the developments in service offering mentioned above, as well as in the program for the virtualisation of servers to provide additional security in the event of server breakdown. The division has also developed a set of human-resource-based KPIs to add to the existing financial performance KPIs. The additional performance indicators relate to the development of technical and soft skills in Private Client Division employees.

The division also cooperated closely with the newly established Internal Audit Function in the review of internal controls and systems, and has fully committed to the implementation of all of the Internal Audit team's recommendations to ensure robust policies and procedures are in place going forward.

Building for the future

The division is currently experiencing a new phase of expansion, in terms of both market coverage and depth of service, in order to maintain and increase HSC market share. Two new transaction offices were opened in January 2015, in Ho Chi Minh City and Hanoi, with further openings planned. The division will continue to enhance the knowledge and expertise of existing team members as well as newcomers, ensuring a premium service is consistently provided to all clients.

“ The division is currently experiencing a new phase of expansion, in terms of both market coverage and depth of service ”



HSC was awarded Best Brokerage House in Vietnam in 2014 by The Asset

INSTITUTIONAL CLIENT DIVISION

Another positive year

In 2014 the Institutional Client Division felt its peers catch up slightly in what was a difficult year for foreign transactions, which lagged behind domestic sources in driving market growth. The division still made important contributions of VND 104 billion and VND 37 billion towards the Company's revenue and pre-tax profit respectively in 2014, and held the number two position in the market with a dominant 28.5% share (2013: 32.1%). The market continued to become more competitive as it gradually adopts international best practices, a trend welcomed, and, indeed, driven by this division, which is poised to benefit significantly from Vietnam's improving credibility as a venue for institutional finance.

Business as usual in a redefined market environment

The decline in revenue in the year was due to a fall in extraordinary income as fewer one-off transactions occurred compared to 2013; the division facilitated one secondary placement in 2014, compared to two in 2013 in what was a very eventful year. Recurring commission income increased 23% in 2014, underperforming the foreign trading value in the market, which grew 62% to VND 88 billion.

The strategic decision to establish an early foothold in the fixed income market by dedicating resources is now beginning to reap rewards, as the market for Vietnamese Government bonds has become increasingly liquid throughout 2014 as interest rates have fallen. This market, while less developed than equities, has much promise, and has seen renewed interest from international investors searching for yield. The division continues to work with leading global financial institutions as well as domestic investors in providing broad access to fixed income products.

Strength in corporate governance

The division deals predominantly with large, reputable, global clients with well-developed corporate governance standards and transparent procedures, and so operates to the highest international standards as a matter of course. The division acts as a pure institutional agency broker, and does not engage in proprietary trading to facilitate business with clients. Positions are always responsibly managed, compliance is routinely monitored, and rigorous processes around recruitment are employed to ensure the division's representatives are the best in the industry.

One of the division's most important KPIs is the staff retention rate, which continues to be one of the highest in the industry. The division strives to ensure its employees are well-treated, well-trained and have accessible channels of communication within the organisation. In addition to on-the-job training, one of the typical activities is the division's daily teleconference of which the objectives are to share latest information on the market, and review significant developments throughout both teams in the Southern and Northern offices.



HSC's representative at the Bloomberg Influential Summit 2014

Having successfully merged the research and institutional brokerage departments in HSC a few years ago, the division is able to offer an in-depth, high quality service to clients, who routinely come into contact with divisional representatives from both the sales and research teams. All staff are closely mentored to be able to provide this direct service to the highest quality, as this is increasingly demanded by clients.

Another very important requirement for institutional investors is corporate access, and the division has again been very active in providing this through various programs. In 2014, the division arranged 78 trips to enable both domestic and international investors to visit leading Vietnamese companies. This value-added activity will continue in 2015. This year will also see the first review of the division's systems and controls by HSC's Internal Audit Function, which is expected to result in improvements in the division's policies and procedures.

Closing remarks

Daily trading activity has increased as investors have perceived opportunities in volatile stock prices. This volatility is in part driven by the dominance of retail investors in trading volumes, and the Institutional Client Division looks forward to growing the proportion of institutions in the trading mix in order to increase stability, as Vietnam progresses slowly towards emerging market status.

However, declining liquidity in blocks of blue chip stocks is acting as a brake on further institutional investment, so all new IPOs of companies with attractive fundamentals are welcomed, as promised by the Vietnamese Government in large numbers in 2015.

“ In 2014, the division arranged 78 trips to enable both domestic and international investors to visit leading Vietnamese companies. This value-added activity will continue in 2015 ”

While relatively small within HSC in terms of headcount, the Institutional Client Division contributes disproportionately to the Company's revenues. It has continued to grow recurring income even as the market has redefined itself once again. For the markets to develop further, there needs to be progress in several areas, including exchange rate controls, administrative requirements and trading liquidity. Some progress is being made, and the division intends to recruit further to ensure it remains in a strong position to benefit if and when institutional investment in Vietnamese bonds and equities grows.

CORPORATE FINANCE DIVISION



HSC's Analyst Briefing

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Review of Operations

Strategy & Macro Report

Private Brokerage Division

Institutional Brokerage Division

Corporate Finance Division

Treasury Proprietary Investment Function

2014: a redefinition of strategy

2014 was a year in which the Corporate Finance Division restructured its operations. It has been forced into action after underperforming against expectations. The division recorded a loss of VND 3 billion in 2014, as revenue more than halved to VND 11 billion compared to the year before, largely due to a shortfall in the number and size of M&A transactions resulting in fee income falling short of expectations. Several transactions that were expected to complete during the year failed to progress as expected due to circumstances beyond the control of the division. It included a change of heart on the part of the vendor in one scenario, and extended negotiation periods in others. In addition, there was staff turnover at a senior level, and the division was subsequently restructured.

Historically, the Corporate Finance Division has been dependent upon its core competencies of M&A advisory and capital transaction processing services, with a minority of income coming from other streams such as mezzanine financing. 2014 was another slow year for M&A in Vietnam, with only a handful of transactions of a smaller size. In M&A, success in completing transactions is largely dictated by the outcome of negotiations between the vendor and the buyer, and frequently there is a wide gap in expectations between the two sides. In addition, many of the larger corporates are still government-owned; privately-owned companies are in most cases too small or are in disorderly financial situations. Most of the revenue from M&A

transactions is generated from contingent “success” fees, which only become due after the transaction has completed. This factor has significant implications on the division’s income. Without the income generated from closing transactions, the smaller amounts earned on process administration activities, including equitisation and listing work, are not sufficient to maintain profitability in the division. HSC therefore reached a conclusion during the period that the division required restructuring to obtain greater control over its revenue streams, as well as to develop the Company’s corporate access capabilities.

The new direction

The focus of the division’s activities has been moved towards a more lucrative and controllable range of revenue streams. This has been accompanied by a change of leadership, with the CEO, Johan Nyvene, temporarily taking on the role of Head of Corporate Finance Division, in order to ensure that a smooth and successful transition is effected.

The new areas of focus are intended to look beyond the division’s traditional offerings and take advantage of the skills and networks that have been developed by the Company, as a leading securities firm with significant market shares and capabilities in both institutional and retail placements. These are important advantages over many rivals in an increasingly competitive environment. The two main business offerings to be focused on going forward are:

Full suite of IPO and public listing services

The division is offering a complete range of services in relation to IPOs and public listings of shares. This includes capital raising and distribution of shares to the market, as well as the traditional services of underwriting, auction management, documentation production and all related process management requirements. The IPO concept is something of a misnomer in Vietnam’s corporate finance environment, as although a large number of SOEs have been equitized and some have been listed, liquidity as well as share price optimisation have not been achieved in many cases. The division aims to build its capabilities around this anomaly and target those corporate entities even when they have already been listed.

Strategic advisory services

The division provides a range of advisory services covering the whole corporate finance spectrum. This includes restructuring, acquisitions and disposals, and management consultancy services, as well as capital market requirements such as Investor Relations services, share liquidity management and related administrative assistance.

In focusing on these two business areas, the division aims to align its offerings more closely with the needs of current and future clients. There is increasing demand for both IPO and strategic advisory services as Vietnam’s equitisation programme moves forward, and as listed corporates continue to struggle in an unpredictable stock market. With more than 200 companies remaining for equitisation in 2015 (besides the 300 companies that have been equitized since the beginning of 2014), as well as just under 700 listed corporates seeking to protect and increase their respective share prices, the division offers a range of relevant services to assist these companies in achieving their goals in this redefined market landscape. By focusing on these services, greater control over and visibility of fee income is expected.

Aside from these strategic changes to the division, there have also been structural changes to increase the efficiency and effectiveness of the division. Internal reporting lines have been developed to cover business functions (financial analysis, administration), geographical regions (HCMC, Hanoi) and industry sectors. Each director has also been tasked with the management of a number of specific industries (twelve in total are targeted). Directors will also be assigned project ownership responsibilities over each transaction or project from initiation to completion. These changes have been designed to improve internal cooperation, accountability and transparency, as well as deal origination and marketing coordination capabilities.

The key strategic consideration in approaching these business areas is the further development of HSC’s corporate access capabilities. Through the proactive management of key industries and select industry leaders, the division aims to penetrate a targeted list of corporates in order to present and represent them in the market both domestically and internationally. There will also be a closer alignment with the brokerage function in both private and institutional investor segments. These are strengths that the Corporate Finance Division has not taken advantage of sufficiently to date.

Looking forward

The redesigned division will focus its energies on the two areas described above, but will also continue to carry out its traditional activities where there is significant potential in execution, high probability in deal completion and of course attractive income generation prospects. The division is currently working on a number of M&A transactions with a view to completion in 2015, and expects to engage with clients in 2015 on both the buy and sell-side where appropriate. The division will also seek to take advantages of opportunities to put HSC’s balance sheet to work, where it adheres to the regulatory and legal requirements of the SSC.

The division is seeking to increase headcount in 2015, and is placing a strong internal emphasis on training. It will prepare for succession, as the appointment of the CEO as head of this division is only intended to be temporary until the desired changes have been successfully enacted. The more diversified service offering should enable the division to take advantage of opportunities in the market, while mitigating the risk of external events significantly impacting financial performance. Furthermore, the restructured division should be able to make better use of the Company’s resources and knowledge, in order to deliver a more relevant, efficient and effective service.

“ The new areas of focus are intended to look beyond the division’s traditional offerings and take advantage of the skills and networks that have been developed by the Company ”

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Corporate Finance Division

TREASURY PROPRIETARY INVESTMENT FUNCTION

Strong returns alongside well-managed risk

In 2014, the Treasury Proprietary Investment Function has again been an active and responsible manager of the Company's financial resources, operating in both the fixed income and equities markets. The function's success is evident in its performance in the period; it generated profit before tax of VND 193 billion on revenue of VND 253 billion, contributed 40.1% and 30.4% to the Company's profit before tax and revenue respectively.

Equity Investment has been the best-performing revenue stream, generating VND 136 billion, an increase of 60%. Opportune equity investments have been made on occasion where the function has perceived market prices not reflecting true value. These decisions are always supported by thorough internal research activities, and all positions are governed by a risk management policy that compels the function to exit any investment if losses exceed 10% of the total invested capital. Due to wise investing to date, this policy has not yet had to be enacted.

Fixed Income has also seen a healthy year of trading, with bond investments generating VND 117 billion in revenue, with demand driven by falling interest rates and low inflation. HSC is a certified Primary Dealer, authorised to participate in the primary market of Government bonds, and the function has helped to create markets for these products at weekly auctions, in compliance with strict internal risk management policies. The function does not invest in corporate or Government-guaranteed bonds, as these are deemed to be too illiquid with insufficient information available; only transactions in lower-risk short-term Government Treasury bonds are considered. In managing its fixed income activities, the function keeps itself informed of live prices, macro-economic events, and regulatory developments affecting the market, on a daily basis. New regulations affecting the function's activities have included Resolution 78, which limits Government bond issues in 2015 to those with maturities of five years or longer; and SBV's Circular 36, which regulates investment in Government bonds.

The function is unofficially acting as the liquidity provider for the newly established ETF market, with the expectation of becoming official, contractual liquidity providers in 2015. The function also

continues to work very closely with the SSC and other government authorities to promote new financial products, including stock index futures, bond futures, when-issued bonds, zero-coupon bonds, and cover warrants.

Corporate governance developments

In 2014, the function implemented the new, firm-wide Limit of Authority Policy, which ensures appropriate authorisations are obtained for every transaction. The function is participating in the plan to automate procedures as per the objectives obtained from the completion of the corporate BPI project; it has completed the definition of all of the function's internal procedures, and is currently in the process of mapping these procedures into a computerised program to enable automation and reduce human error. Rigorous internal controls are in place to ensure investment activities are completely separated from brokerage activities within the Company, in accordance with international best practice.

To ensure that international standards are consistently met, the function's employees regularly attend international industry events and workshops. In 2014, three members of staff travelled to the Republic of Korea with the SSC to attend an event on derivatives products and to visit the State Depository, the Korea Exchange and other Korean securities firms. Staff also attended an event on futures trading platforms in Hong Kong. The function continues to maintain constant dialogue with the SBV and the Ministry of Finance with regards to new regulations, seminars and industry developments.

Going forward

All opportunities in 2015 and beyond will be considered and managed on a risk-return basis, where high risk transactions will be avoided, including those deemed to carry significant reputational, legal, operational or counterparty risk. The function will seek to progress with the automation and standardisation of procedures and processes to ensure internal operations are low-risk and efficiently executed. The function expects to work closely with the Internal Audit Function in 2015 when they will carry out an audit of its internal controls, including the full implementation of any recommendations arising as soon as practically possible.



**REFORMING
CORPORATE
GOVERNANCE**

BOARD OF DIRECTORS



MR. DO HUNG VIET

- Chairman
- Independent member of the Board of Directors

Date of appointment:	30 June 2007
Date of reappointment:	08 April 2011
Duration:	7 years 6 months
Age:	60 years old
Education level:	Bachelor of Economics – Faculty of Banking
Employment history:	
2011 – present	Chairman of the Board of Directors of HSC
2010 – present	Vice Chairman of Vietnam Association of Securities Business (VASB)
2007 – 2011	Vice Chairman of the Board of Directors of HSC
2006 – 2010	Member of the Supervisory Board of VASB
2003 – 2006	Director of HSC
1998 – 2002	Fund Manager of HCMC Investment Fund for Urban Development (HIFU)
Present positions:	
At listed companies:	Chairman of the Board of Directors of HSC
At other companies:	None



MR. LE ANH MINH

- Vice chairman
- Non-executive member of the Board of Directors

Date of appointment:	30 June 2007
Date of reappointment:	08 April 2011
Duration:	7 years 6 months
Age:	45 years old
Education level:	Master of Business Administration
Employment history:	
2010 – present	Deputy CEO cum CFO of Dragon Capital Group (DCG)
2002 – 2010	Director of Dragon Capital Group (DCG)
1998 – 2002	CFO of Coca Cola South East Asia Inc.
1993 – 1996	Deputy Managing Director of Dai Nam Commercial J.S Bank
1991 – 1993	Project Director of Peregrine Vietnam Company
Present positions:	
At listed companies:	Vice chairman of the Board of Directors of HSC Member of the Board of Directors of Vietnam Dairy Products JSC (Vinamilk)
At other companies:	Deputy CEO cum CFO of Dragon Capital Group (DCG)



MR. HOANG DINH THANG

- Member
- Non-executive member of the Board of Directors

Date of appointment:	30 June 2007
Date of reappointment:	08 April 2011
Duration:	7 years 6 months
Age:	52 years old
Education level:	Doctor of Economics
Employment history:	
2003 – present	Manager of Planning Department at Hochiminh City Finance and Investment State-owned Company (HFIC)
1997 – 2003	Deputy Manager of Planning Department at Hochiminh City Investment and Fund for Urban Development (HIFU)
1993 – 1997	Investment Specialist, IMC Company
1990 – 1993	Deputy Head of Investment Department, Liksin Company
Present positions:	
At listed companies:	Member of the Board of Directors of HSC
At other companies:	Manager of Planning Department at Hochiminh City Finance and Investment State-owned Company (HFIC)



MR. JOHAN NYVENE

- Member
- Executive member of the Board of Directors

Date of appointment:	30 June 2007
Date of reappointment:	08 April 2011
Duration:	7 years 6 months
Age:	49 years old
Education level:	Bachelor of Banking and Finance
Employment history:	
2007 – present	CEO of HSC
12/2014 – present	Managing Director - Head of Corporate Finance Division of HSC
2010 – present	Vice Chairman of CEO Club
2005 – 2007	Branch Manager of HSBC in Hanoi
1998 – 2005	Director of Global Banking at HSBC in HCMC
1990 – 1998	Director of International Banking at Corestates – First Union Bank, Philadelphia, USA
Present positions:	
At listed companies:	CEO, Managing Director – Head of Corporate Finance Division of HSC
At other companies:	None



MR. NGUYEN THANH LIEM

- Vice chairman
- Non-executive member of the Board of Directors

Date of appointment:	08 April 2011
Duration:	3 years 8 months
Age:	56 years old
Education level:	Master of Business Administration
Employment history:	
2010 – present	Deputy Director of Hochiminh City Finance and Investment State-owned Corporation (HFIC)
2007 – 2009	Deputy Director of Hochiminh City Investment and Fund for Urban Development (HIFU)
2006 – 2007	Head of Pricing, Department of Finance
2005 – 2006	Director of Property Evaluation and Auction Center
1994 – 2004	Head of district budget management, Head of Asset, Head of Budget, State Department of Finance
Present positions:	
At listed companies:	Vice chairman of the Board of Directors of HSC
At other companies:	Deputy Director of Hochiminh City Finance and Investment State-owned Corporation (HFIC)



MR. PHAM NGHIEM XUAN BAC

- Member
- Independent member of the Board of Directors

Date of appointment:	02 December 2002
Date of reappointment:	30 June 2007
Date of second reappointment:	08 April 2011
Duration:	12 years and 1 month
Age:	53 years old
Education level:	Master of Business Administration, Bachelor of Law
Employment history:	
1999 – present	CEO of Vision & Associates Company
1989 – 1999	Deputy Director of Invest Consult Group Vietnam
Present positions:	
At listed companies:	• Member of the Board of Directors of HSC
At other companies:	• CEO of Vision & Associates Company • Chairman of the Board of Managing Partners of Vision & Associates Legal • Chairman of the Board of Directors of Cong Huong JSC • CEO of Song Xuan Company Limited



MR. TRINH HOAI GIANG

- Member
- Executive member of the Board of Directors

Date of appointment:	08 April 2011
Duration:	3 years 8 months
Age:	45 years
Education level:	Master of Business Administration
Employment history:	
2007 – present	Deputy CEO - Chief Operating Officer of HSC
2010 – present	Vice Chairman of Vietnam Bond Market Association
2005 – 2007	Corporate Finance Associate Director of Dragon Capital Markets Limited (DC)
2003 – 2005	Studied MBA in the US, Fullbright Scholarship
2001 – 2003	Credit Officer of Vietcombank
1995 – 2001	Foreign Exchange Dealer of Vietcombank's Treasury
Present positions:	
At listed companies:	Deputy CEO - Chief Operating Officer of HSC
At other companies:	None

Secretary of the Board of Directors

MS. THAN THI THU DUNG

Date of appointment:	16 March 2006
Duration:	8 years and 8 months
Age:	40 years old
Education level:	Bachelor of Economics
Employment history:	
2007 – present	Secretary of HSC
2010 – present	Secretary of the Board of Directors of Saigon Health Investment Corporation
2005 – 2007	CEO Assistant at Hoang Lan Ltd. Company
Present positions:	
At listed companies:	Secretary of the Board of Directors of HSC
At other companies:	None

SUPERVISORY BOARD



MR. VO VAN CHAU

- Chairman of the Supervisory Board

Date of appointment: 02 December 2002
 Date of first reappointment: 30 June 2007
 Date of second reappointment: 08 April 2011
 Duration: 12 years 1 month
 Age: 61 years old
 Education Level: Bachelor of Economics
Employment history:
 10/2014 – present Member of the Board of Directors, CEO of Kienlong Bank
 2013 – 10/2014 Consultant to the Board of Management of Kienlong Bank
 2009 – 2013 Consultant to the Board of Management of TrustBank
 2002 – 2009 General Director of Phuong Dong Commercial Bank
 1993 – 2002 Branch Director of Asia Commercial Bank
Present positions:
 At listed companies: Chairman of the Supervisory Board of HSC
 At other companies: Member of the Board of Directors, CEO of Kienlong Bank



MR. DOAN VAN HINH

- Member of the Supervisory Board

Date of appointment: 30 June 2007
 Date of reappointment: 08 April 2011
 Duration: 7 years 6 months
 Age: 61 years old
 Education level: Bachelor of Economics
Employment history:
 2007 – 08/2014 Chief Financial Officer of Saigon Co-op J.S Investment and Development Company
 1997 – 2007 Chief Accountant of Saigon Co-op
Present positions:
 At listed companies: Member of the Supervisory Board of HSC
 At other companies: None

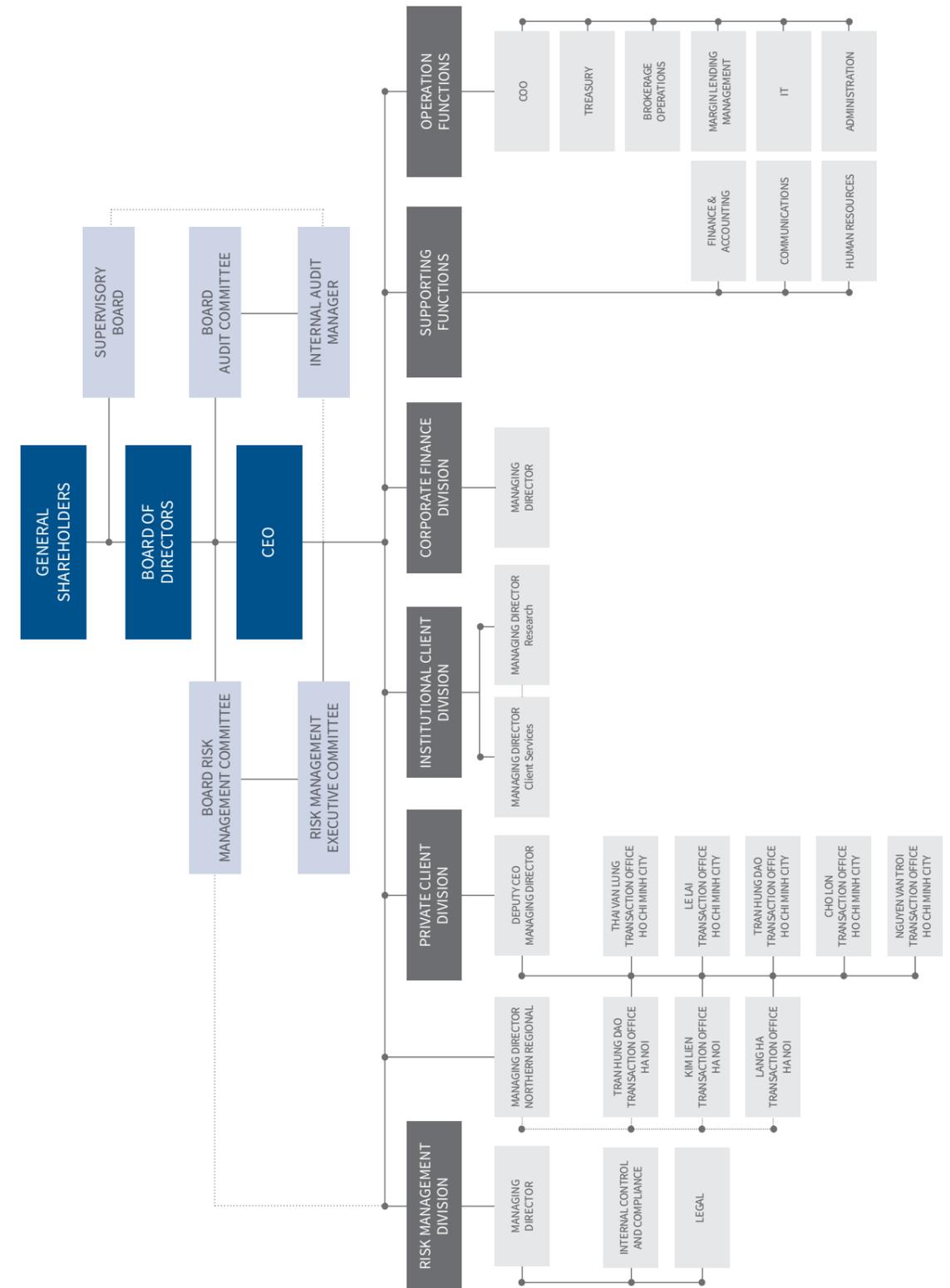


MS. DANG NGUYET MINH

- Member of the Supervisory Board

Date of appointment: 26 April 2013
 Duration: 1 year 8 months
 Age: 27 years old
 Education level: Bachelor of Economics and Business Administration
Employment history:
 2014 – present Associate Director of Dragon Capital Markets Limited (DC)
 2012 – 2014 Senior Financial Analyst of Dragon Capital Markets Limited (DC)
 2009 – 2012 Financial Analyst of Dragon Capital Markets Limited (DC)
Present positions:
 At listed companies: Member of the Supervisory Board of HSC
 At other companies: Associate Director of Dragon Capital Markets Limited (DC)

ORGANISATION CHART



MANAGEMENT TEAM



MR. JOHAN NYVENE

- Chief Executive Officer

Date of appointment:	15 May 2007
Age:	49 years old
Education Level:	Bachelor of Banking and Finance
Employment history:	
2007 – present	CEO of HSC
12/2014 – present	Managing Director - Head of Corporate finance division
2010 – present	Vice Chairman of CEO Club
2005 – 2007	Branch Manager of HSBC in Hanoi
1998 – 2005	Director of Global Banking at HSBC in HCMC
1990 – 1998	Director of International Banking at Corestates – First Union Bank, Philadelphia, USA



MR. TRINH HOAI GIANG

- Deputy CEO
- Chief Operating Officer

Date of appointment:	15 May 2007
Age:	45 years old
Education Level:	Master of Business Administration
Employment history:	
2007 – present	Deputy CEO – COO of HSC
2010 – present	Vice Chairman of Vietnam Bond Market Association
2005 – 2007	Corporate Finance Associate Director of Dragon Capital Markets Limited (DC)
2003 – 2005	Studied MBA in the US, Fulbright Scholarship
2001 – 2003	Credit Officer of Vietcombank
1995 – 2001	Foreign Exchange Dealer of Vietcombank Treasury



MR. FIACHRA MAC CANA

- Managing Director
- Co-head of Institutional Client Division

Date of appointment:	01 March 2008
Age:	50 years old
Education Level:	Bachelor of Commerce
Employment history:	
2008 – present	Managing Director of Research Department - Co-head of Institutional Client Division of HSC
2007 – 2008	Head of Research and Brokerage Division of VinaSecurities
2006 – 2007	Head of Research Department of VinaCapital
2003 – 2004	Co-founder of JCN network - a leader in Japanese corporate news
1997 – 2003	Head of Research for Japanese Equities at WestLB AG



MR. ARNOLD V. PANGILINAN

- Managing Director
- Head of Risk Management Division

Date of appointment:	12 August 2013
Age:	50 years old
Education Level:	Bachelor of Business Administration
Employment history:	
2012 – present	Managing Director – Head of Risk Management Division of HSC
2010 – 2011	Chief Financial Officer of JSM Indochina Ltd
2008 – 2010	Compliance/Risk Manager, Controller of Indochina Capital Advisors Ltd / Indochina Capital Corporation
2003 – 2008	Chief Financial Officer of DHL-VNPT Express Ltd
1997 – 2002	Financial Controller/Compliance Manager of HSBC Vietnam
1995 – 1997	Financial Controller/Administration Manager of Ing. G. Rodio Spa - a leading Italian construction firm

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Board of Directors

Supervisory Board

Organisation Chart

Management Team

Securities Services Function

Information Technology Function

Risk Management Division

Shareholders' Information

Report of the Board of Directors

Report of Supervisory Board

Internal Audit Function



MR. LE CONG THIEN

- Deputy CEO
- Managing Director - Head of Brokerage and Sales, Private Client Division

Date of appointment:	12 August 2013
Age:	46 years old
Education Level:	Master of Business Administration
Employment history:	
2012 – present	Deputy CEO - Managing Director - Head of Brokerage and Sales, Private Client Division of HSC
2010 – 2012	Managing Director - Head of Brokerage and Sales, Private Client Division of HSC
2008 – 2010	Head of Small to Medium Enterprise Banking of ANZ Vietnam
2007 – 2008	General Director of Cho Lon Securities J.S. Company
2004 – 2007	Head of Commodity and Trade Finance/ Chief Manager of ANZ Vietnam
1998 – 2004	Trade Sales Manager/Assistant Vice President; Relationship Manager of Citigroup/Citibank N.A HCMC, Vietnam
1996 – 1998	Relationship Manager of Deutsche bank AG HCMC, Vietnam
1992 – 1996	Credit officer of Vietcombank HCMC, Vietnam



MR. JOHAN KRUMER

- Managing Director
- Co-head of Institutional Client Division

Date of appointment:	26 July 2007
Age:	51 years old
Education Level:	Master of Finance
Employment history:	
2007 – present	Managing Director - Co-head of Institutional Client Division of HSC
2005 – 2007	Deputy Director of Krediet bank Luxembourg (KBL), Monaco
2000 – 2005	Senior Private Banker ABN at AMRO Bank N.V., Monaco
1995 – 1999	Founder and Managing Director - Institutional Clients at Asian Pacific Partners B.V. Amsterdam
1994 – 1995	Senior Sales Manager (Europe) - Institutional Clients at Mees Pierson Securities Asia N.V., Amsterdam
1988 – 1993	Senior Investment Advisor Institutional Clients at Pacific Basin Invest Securities B.V. amsterdam



MR. BACH QUOC VINH

- Managing Director
- Head of Northern Region

Date of appointment:	17 August 2007
Age:	40 years old
Education Level:	Bachelor of Finance
Employment history:	
2007 – present	Managing Director - Head of Northern Region of HSC
2000 – 2007	Unit Manager of Northern branch and Branch Manager of General Agency franchise of Prudential at Nghe An and Ha Tinh
1997 – 2000	Sales Manager - Coca Cola Hanoi

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Management Team

SECURITIES SERVICES FUNCTION

Adopting International Best Practices

The main objective of the Securities Services Function is to ensure the Company meets international best practice standards, while complying with all domestic laws and regulations, around account management, custodian and cash transfer services. Every year, the function seeks to upgrade current procedures to international best practices where these differ, and 2014 was no exception. Several upgrades to both front and back office systems have been completed in the period, and new products have been introduced for clients, using an applied framework to ensure confidentiality and integrity in all services provided. The function has also progressed with the standardisation of internal processes and procedures to improve the safety, efficiency and transparency of all of its activities, as per the objectives of the *BPI project*.

Success In Standardisation Activities

One of the function's outstanding achievements in 2014 was the standardisation of its IT-related services. This has been a comprehensive process, covering all of the function's activities, including internal processes and the provision of products and reports to clients. The function now uses an *IT Service Management System*, in adherence to ISO 20000 (which reflects best practice guidance contained within the ITIL framework), and a *Security Management System*, in adherence to ISO 27001, which together cover all of the function's IT-related activities.

In terms of support for HSC's front office activities in 2014, the function worked with the IT and Private Client divisions on the introduction of new, proprietary trading platforms for mobile and online applications.

These collaborations are expected to continue into 2015 as further usability is introduced for clients. The standardised IT systems adopted have enabled these platforms to operate effectively and securely.

This year, the function has also introduced fund distribution services, allowing clients access to a number of Vietnam-based mutual funds. HSC is also now an authorised participant of the first domestic ETF in Vietnam, launched in 2014, and so the function provides services to fund management companies in the subscription and redemption of fund certificates. This is an ongoing process, where HSC's activities will continue to develop in 2015.

With regard to back-office activities, the function has cooperated with the VSD to standardise and automate all procedures involved in transactions undertaken with them, in adherence to ISO 15022. These transactions relate to all of HSC's trade in securities, and the function's objective is to make these day-to-day activities faster, more efficient and lower risk. This was the first phase of a large project, which is scheduled for completion by the end of 2015. The function also developed a new set of activity reports for clients, reflecting all relevant transactions, which follows international best practices.

A Growing Maturity

The areas of priority for the Securities Services Function in 2015 are the continuing improvement of its internal processes following the results of the BPI project completed in 2014, as well as the introduction of further services for increasing client control of investments to keep pace with global trends in retail securities markets. The function aims to drive forward improvements to clients' security and user experience in trading, by responding to, adapting to and adopting best industry practices.

INFORMATION TECHNOLOGY FUNCTION

Effective, efficient and up-to-date IT systems are essential for any contemporary financial services firm. In 2014, the IT Function completed phases in several projects for both front and back offices, and in the process redefined its own understanding of what is required to ensure secure, fit-for-purpose IT architecture is in place across the Company.

All of the function's enterprise IT activities are governed by the international COBIT 5 framework. In accordance with this framework, the function is divided into the following teams:

Business Development (BD)

The BD team is responsible for the design of IT services, bespoke to the specific needs of the user groups within HSC. In general, the implementation of these designs into applicable software is outsourced to specialist providers.

Operations

The Operations team pursues IT resource optimisation and continuity across the Company, ensuring the technology designed by the BD team is used efficiently and effectively.

Security

The Security team is charged with risk optimisation, so that the deployed IT services are utilised in ways that reduce all related risks to appropriate and manageable levels.

Having completed the design of HSC's enterprise security architecture in 2013 through the adoption of the global standard ISMS for the IT security management framework, as well as completing a gap analysis which identified where improvements were required, the function is now ready to embark on the implementation phase. In addition, the function is also focusing its effort towards the application of ITIL practices, an internationally recognised set of recommendations for IT service management that aims to align IT services with the strategic objectives of the Company. HSC plans to work with a reputable advisor on the design and implementation of this program, with the completion of the first phase expected in Q2/2015.

With the successful completion of the BPI project throughout the Company, the function has commenced the design phase for the process of mapping all business procedures onto a computerised program. This helps to automate its internal controls to mitigate the risk of non-compliance and human error, which will prioritise internal audit outputs and move onto other internal procedures. The function has recently established the governance process for this stage, which is expected to be fully defined by Q3/2015.

The function successfully upgraded and officially launched HSC's new website in December 2014. The revamped site applies responsive web design principles, and has been restructured to meet international standards and integrate with modern usability features. This is a major achievement for HSC in the application of new technology to provide more relevant, accurate and accessible information, on a transparent and timely basis, to our clients, shareholders and partners.

In supporting the front office, one of the function's most significant achievements this year has been the launch of HSC Trade Pro, a trading platform for online and mobile applications, in January 2015. The function spent much of 2014 preparing for this, and has been rewarded with a smooth and successful launch. HSC Trade Pro has been co-developed by HSC together with an international pioneer of online trading solutions, designed specifically for the securities market in Vietnam. Brokerage clients can now enjoy access to financial markets from their l pads remotely, on intelligently designed, information-centric displays. With comprehensive, responsive and easy-to-use features, it aims to enhance investor's mobility, user-experience and trading performance. The function continues to develop HSC's technological offering to extend this functionality to iOS and Android devices, with roll-out expected in Q3/2015.

Towards the end of 2014 the function initiated the development of an automated Customer Relationship Management system. This will have several significant advantages: improved customer service through enhanced activity monitoring of both the Company's clients and brokers; enhanced data access across HSC; and enhanced marketing capabilities. Phase I of this program focuses on the Private Client Division, and is scheduled for completion in Q2/2015.

Finally, the function has moved to the virtualisation of servers, to improve information security and energy efficiency, in line with international best practice. The function is also seeking approval from the Board for the construction of an off-site Disaster Recovery Site, which is scheduled for operation in Q4/2015. This will mitigate the risk of extraordinary events adversely impacting HSC's business.

Going forward, the function will seek to expand its IT governance practices by increasing the frequency of strategic IT discussions involving management-level representatives to a quarterly basis by the end of 2015. This, together with the projects mentioned above, should ensure that the function continues to develop HSC's IT infrastructure in line with international standards.

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Board of Directors

Supervisory Board

Organisation Chart

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Information Technology Function

Risk Management Division

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Report of Supervisory Board

Internal Audit Function



HSC Trade Pro - online trading platform

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Information Technology Function

RISK MANAGEMENT DIVISION

2014 was the year in which the Risk Management Division became fully aware of its corporate governance objectives and how to ensure the organisation operates effectively from both a financial and a risk management perspective. Since the establishment of this division in 2013 as an outcome of the ERM process, it has devised a strategy to strengthen the Company from internal controls, compliance and legal perspectives, in conjunction with PwC acting as consultants, which has redefined HSC's understanding of and approach to managing risk. This strategy is now in action as the Company has established three lines of defence against corporate governance weaknesses that could impact risk:

- Managerial awareness at the operations level;
- The activities of the Risk Management Division;
- The newly established Internal Audit Function.

The Risk Management Division plays an essential role as the second line of defence in HSC's overall Risk Management strategy. Through the Chief Risk Officer and Head of Division, Mr. Arnold V. Pangilinan, the division is heavily involved in the Company's decision making process at a strategic level. It has established a risk management framework, made up of the three lines of defence described above, segregations of duties and adequate internal controls, to support the Company in achieving the following key business objectives:

- Apply Risk Management principles systematically in all important business decisions across the Company;
- Ensure the risk identification processes in the Company are fully transparent;
- Comply with all regulatory requirements across the Company, and respond quickly to changes as mandated by various regulatory bodies; and
- Support other business functions in the enhancement and efficiency of their own policies and procedures to ensure risks are well-managed.

These objectives and the division's success in implementing them to date demonstrate HSC's continual commitment to improving its corporate governance culture.

The significant policies and programs implemented by the Risk Management Division in 2014 were as follows:

Enterprise Risk Management (ERM) Manual

The ERM Manual formalises the *Company's Enterprise Risk Profile*, and sets its *Risk Management Framework and Policy*. Decision makers across the Company can now revert to the *Risk Management Framework* to assist them in making operational decisions, together with the following Risk Management tools:

- **A Risk Identification** is a process that involves finding, recognising, and describing the risks that could affect the achievement of the Company's objectives. It is used to identify possible sources of risk in addition to the events and circumstances that could affect the achievement of objectives, as well as potential consequences
- **A Risk Register** in which risk can be identified, assessed, monitored and reported, available for all risk owners and the Board
- **A Risk Matrix and Risk Heat Map** to enable more effective communication of risk issues during strategic risk reviews

Internal Control Policy

Internal control and compliance audits are regularly conducted across the business. This is in addition to the regular internal and compliance audit of the Operations, Retail and Finance/Accounting functions, thus covering the majority of the Company's inherent and residual risks.

Anti-Money Laundering Policy

HSC is committed to the highest standards of Anti-Money Laundering. The members of the Board and all employees are required to adhere to these standards to protect the Company and its reputation from being misused for money laundering or other illegal purposes.

Best Execution Policy

This policy has been designed for every employee in the Company with responsibilities for dealing in financial instruments and executing orders on behalf of clients, to ensure that when executing orders all reasonable steps are taken to optimise the result for the client, while simultaneously limiting the risks faced by the Company.

Various HR/Accounting Policies

The Risk Management Division has assisted the HR department in designing appropriate risk-aware policies, covering Business Expense, Travel and Entertainment, Employee Welfare, Corporate Card Usage and Spending Limits.

As a result of implementing these policies and programs, the risk culture of the entire organisation has been redefined. Several functions are now incorporating the risk element factors in carrying out their day-to-day business activities. For example, using the ERM Manual, the scope, order and timetable of the first phase of work to be carried out by the Internal Audit Function was designed, covering the period 2014-16. The function aims to ensure that all functions incorporate these tools into their decision making as a matter of course.

The division has established (but not yet formalised) a set of internal KPIs to measure the success of its activities. The main KPIs, together with performance against them in 2014, are as follows:

KPI	Performance
SSC Camel Assessment Rating (Decision 617/QD-UBCK)	As per SSC's Camel rating, HSC obtained a mark of 92.9% (B+) in its 2014 Half-Yearly Report
External Audit Findings	No major issues found. All recommendations have been or are currently being implemented.
Internal Audit Findings	Two functions audited in 2014 - Margin Lending and Private Client Brokerage. No major issues found. All recommendations have been or are currently being implemented.

In its review of HSC's regulatory compliance, the SSC noted that HSC is a leading firm in the implementation of securities-related regulations (Circular 210, Decision 105, Decision 637 and Decision 09).

In 2015, the division aims to establish a more comprehensive *Risk Parameter*, which will involve the formalisation of *Risk Appetite and Risk Tolerance Statements*. These will then be used to establish *Key Risk Indicators* ("KRIs") for the Company, which will be important tools used by the Board and senior management in decision making processes.

The expected timelines are:

- Q1/2015: Commencement of the consultation process, at Board-level, in respect of formal policy statements of HSC’s Risk Parameter, Risk Appetite, Risk Tolerance, KRIs and related risk management policies;
- Q2/2015: Board approval sought for the risk-related statements to be formalised into policy documentation;
- Q3/2015: The cascading of relevant information down the organisation, together with training programs to be conducted by the Risk Management Division for the affected divisions and functions; and
- Q4/2015: Implementation and monitoring of the approved policies and programs.

The related risk management policies covered in the consultation process above include: Risk Identification / Escalation Process, Fraud Control Policy, Personal Account Dealing Policy, Insider Trading Policy and Conflict of Interest Policy.

In 2014, the division has successfully introduced a risk-aware culture throughout the Company, including the successful implementation of several significant risk management tools. The division will continue to assist HSC’s business divisions in achieving their financial targets without sacrificing the integrity of risk mitigation, control, monitoring and reporting.

HSC’s key risks and how these are managed

Below is an overview of the main strategic, operational, compliance and financial risks that HSC faces, together with how these are managed. While these risks are considered the most relevant to HSC, there may exist additional risks not mentioned here that may have a similar or more severe impact on the Company.

Market Risks

Possible Impact: The Company’s markets may decline, temporarily or structurally, and changes in market conditions may lead to increased competition. These risks can be caused by economic downturns, Government austerity programs, changes in political priorities or in legislation and

regulations, political instability, consolidation of clients and changes in tendering procedures. This all may result in lower revenues and margins.

Mitigation: HSC values close client relationships and strict compliance according to regulatory requirements. The Company’s proximity to both its clients and its regulators enables it to anticipate changes in market conditions at an early stage and to adjust to strategic and long term developments in a timely fashion.

Strategic Risks

Possible Impact: Growth through acquisition is part of HSC’s long-term strategy and it involves several risks. Balance sheet misrepresentations, insufficient backlog and unforeseen claims may have an adverse effect on revenues and margins. Integration risks and lack of retention of key people may negatively impact performance.

Mitigation: Acquisition processes are managed carefully by the Board and by local management. This includes a thorough analysis of strategic fit, an assessment of management and reputation, and extensive due diligence, including review of backlog and human resources policies. Contracts include representations, warranties and escrows to cover guarantees, while employment and non-compete contracts, as well as stock options (ESOP), are used for retention purposes for key employees.

Reputational Risks

Possible Impact: The Company operates its business under the name of HSC. HSC has been the recipient of many accolades, both locally and internationally, which has allowed us to build a strong brand. However, as a consequence, any reputational damage may have an impact beyond local markets and could potentially seriously affect HSC’s reputation and business. Reputational issues are typically linked to other risks faced by the Company, such as mistakes in trading, non-compliance with laws and regulations or business principles, health & safety issues, and client or supplier issues.

Mitigation: HSC has quality systems in place, a compliance program, a code of conduct, a client focus program and criteria for selection of partners, all aimed at minimising the risks of business failures and reputational issues.

In addition, external communication on major events or issues is centralised at the CEO’s discretion and in consultation with the Board.

Project Risks

Possible Impact: HSC works on certain projects annually to efficiently serve its internal and external clients. Although in most cases project risks are limited, projects may incur serious cost overruns, delays, errors and/or omissions, which may lead to substantial claims, while contractual conditions may result in significant liabilities.

Mitigation: Risk management involves project and client approval procedures, including a go/no go process and review of contract conditions; regular project reviews; selection, training and performance reviews of employees; procedures for project management; quality management systems; procedures for claims reporting and management; and a global insurance policy.

Project risks and claims are assessed on a periodic basis, and, if required, provisions are taken to cover risks. All claims with a potential impact above a certain size or limit are monitored at a corporate level (BRMC, Supervisory Board, and Board Audit Committee) and discussed quarterly at Board meetings.

IT Risks

Possible Impact: IT is fundamental to HSC’s daily operations and is critical to supporting its processes as well as its service portfolio. Client and market developments will increasingly rely on providing services to clients with integrated IT tools, applications or services (on-line trading). Communication and collaboration with all stakeholders require properly structured and effectively operating ICT systems that cater to the needs of an increasingly mobile, technology-savvy and socially connected workforce. HSC must guard against the risks of loss or corruption of critical and confidential data, disruption of productivity and unreliable reporting of financial information, which could all have significant financial and reputational repercussions.

Mitigation: Mitigation runs through three lines: People, Process / Structure and Technology. The first line of defence is People, both HSC’s staff and those of partners. Risk awareness surrounding IT use, (social) network use, and the proper guarding of access to the Company’s networks is the most important element in this defence. HSC’s people and partners are bound by confidentiality across the networks and communications channels used by the Company. This is governed by HSC’s *General Business Principles, Public Disclosure Policy, Media Manual and Social Media Policy*. The second line of defence, Process / Structure, relates to both preventive and repressive controls. The most important elements of this are signature authority to IT-related investments and expenses (including client-facing Internet and Communication Technology); physical and logical security; backup of data; data restore testing; business continuity plans and disaster recovery testing. Operating Process / Structure often requires specific technology which is procured in close cooperation with technology providers. HSC’s commitment to robust IT information security, the third line of defence, is evidenced by its strict adherence to ISO/IEC 27001:2005 Certificate requirements in data confidentiality, integrity and availability.

Compliance Risks

Possible Impact: Failure to meet regulatory compliance may expose the Company to fines, other penalties and reputational risks. As a leading securities firm, HSC may be subjected to strict scrutiny from its regulators, who expect the Company to lead the market in regulatory-related corporate governance.

Mitigation: HSC has General Business Principles and related policies and procedures in place, as well as a compliance and internal control program, which includes stimulating awareness of employees regarding business dilemmas and monitoring and reporting on compliance, integrity and other issues. The Chief Risk Officer and the Risk Management Division are pro-actively assisting the Company and its employees with compliance awareness initiatives in respect of any existing and newly issued regulations which are relevant to the Company’s business operations.

SHAREHOLDER'S INFORMATION

DETAILS OF INSIDE SHAREHOLDERS AND SPOKESPERSON

No.	Name	Position	Number of shares owned as of 07 March 2014		Number of shares changed in shareholders' term		Number of shares owned as of 08 January 2015	
			Quantity	Percentage	Quantity	Percentage	Quantity	Percentage
A BOARD OF DIRECTORS								
1	Do Hung Viet	Chairman	117,968	0.09%	100,000	0.08%	17,968	0.01%
2	Nguyen Thanh Liem	Deputy Chairman	-	-	-	-	-	-
3	Le Anh Minh	Deputy Chairman	43,968	0.03%	-	-	43,968	0.03%
4	Hoang Dinh Thang	Member	-	0.00%	-	-	-	-
5	Pham Nghiem Xuan Bac	Member	663,175	0.52%	303,175	0.24%	360,000	0.28%
6	Johan Nyvene	Member	511,666	0.40%	-	-	511,666	0.40%
7	Trinh Hoai Giang	Member	404,635	0.32%	280,970	0.22%	123,665	0.10%
TOTAL			1,741,412	1.37%	584,145	0.46%	1,057,267	0.82%
B MANAGEMENT TEAM								
1	Johan Nyvene	CEO	-	-	-	-	-	Same as A6
2	Trinh Hoai Giang	Deputy CEO	-	-	-	-	-	Same as A7
3	Le Cong Thien	Deputy CEO	214,125	0.17%	-	-	214,125	0.17%
TOTAL			214,125	0.17%	-	-	214,125	0.17%
C SUPERVISORY BOARD								
1	Vo Van Chau	Head of Supervisory Board	17,322	0.01%	-	-	17,322	0.01%
2	Doan Van Hinh	Member of Supervisory Board	4,687	0.0037%	-	-	4,687	0.0037%
3	Dang Nguyet Minh	Member of Supervisory Board	-	-	-	-	-	-
TOTAL			22,009	0.0137%	-	-	22,009	0.0137%
D CHIEF FINANCIAL OFFICER - SPOKESPERSON								
1	Lam Huu Ho	Chief Financial Officer	83,853	0.07%	-	-	83,853	0.07%
2	Pham Thi Phuong Lan	Spokesperson	57,500	0.05%	-	-	57,500	0.05%
TOTAL			2,118,899	1.67%	584,145	0.46%	1,434,754	1.13%

Notes: *Mr. Johan Nyvene - Member of Board of Directors and CEO has dual citizenship: (1) US nationality named Johan Nyvene, (2) Vietnamese nationality named Nguyen Quoc Huan. All shares of HCM which Mr. Johan Nyvene is holding belongs to a securities account named Nguyen Quoc Huan

SHAREHOLDER STRUCTURE WITH MAJOR SHAREHOLDERS AND SECURITIES

No.	Object	Number of stocks as of 08 Jan 2015	Percentage of ownership	Quantity	(*) Shareholder structure	
					Organisation	Individual
1	Major Shareholders (above 5% ownership, not classified as Securities Companies)	-	-	-	-	-
	Domestic	-	-	-	-	-
	Foreign	-	-	-	-	-
2	Securities Companies (above 5% ownership)	76,778,810	60.33%	2	2	-
	Domestic	37,500,000	29.47%	1	1	-
	Foreign	39,278,810	30.87%	1	1	-
3	Securities Companies (less than 5% ownership)	24,141,799	18.97%	46	46	-
	Domestic	1,767,903	1.39%	17	17	-
	Foreign	22,373,896	17.58%	29	29	-
TOTAL		100,920,609	79.30%	48	48	-

SHAREHOLDER'S EQUITY RATIO

No.	Category	Stocks	Percentage of ownership	Number of shareholders	(*) Shareholder structure	
					Organisation	Individual
1	State Shareholders	37,500,000	29.47%	1	1	-
2	Major Shareholders (above 5% ownership)	39,278,810	30.87%	1	1	-
	Domestic	-	-	-	-	-
	Foreign	39,278,810	30.87%	1	1	-
3	Treasury Shares	27,175	0.02%	-	-	-
4	Other Shareholders	50,450,773	39.64%	3,618	103	3,515
	Domestic	27,388,677	21.52%	3,507	68	3,439
	Foreign	23,062,096	18.12%	111	35	76
TOTAL		127,256,758	100.00%	3,620	105	3,515
Including: Domestic		64,915,852	51.01%	3,508	69	3,439
Foreign		62,340,906	48.99%	112	36	76

SPECIAL SHAREHOLDERS

No.	Name of Organisation/Individual	Number of stocks	Percentage of Ownership	Percentage of representative	Trasfer restricted stocks
A. State Shareholder cum Strategic Shareholder (with above 5% ownership)					
1	HCMC Finance and Investment State-owned Company (HFIC) Representatives	37,500,000	29.47%	-	-
1.1	Nguyen Thanh Liem	26,250,000	-	20.63%	-
1.2	Hoang Dinh Thang	11,250,000	-	8.84%	-
TOTAL A:		37,500,000	29.47%	29.47%	-
B. Major Shareholder cum strategic Shareholder (with above 5% ownership)					
2	Dragon Capital Markets Limited (DC) Representatives	39,278,810	30.87%	-	-
2.1	Le Anh Minh	19,639,405	-	15.43%	-
2.2	Johan Nyvene	19,639,405	-	15.43%	-
TOTAL B:		39,278,810	30.87%	30.87%	-
TOTAL (A+B):		76,778,810	60.33%	-	-

SHARES

Total number of shares	127,256,758
Type of outstanding shares	Common
Par value	VND 10,000/share
Treasury shares	27,175
Number of outstanding shares	127,229,583
Number of transferable shares	126,041,583
Number of restricted transferable shares	1,188,000

TREASURY SHARES

Category	Number of treasury shares at 01 January 2014		Number of treasury shares change * in term		Number of treasury shares at 31 December 2014	
	Quantity	Percentage	Quantity	Percentage	Quantity	Percentage
Number of treasury shares	7,038	0.006%	20,137	0.016%	27,175	0.021%

Notes: * In 2014, HSC has recovered 20,000 shares of one (01) off staff involved in the program ESOP 2013 pursuant to regulations on issuing shares for major officers and acquired 137 odd lot shares from Investors.

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Board of Directors

Supervisory Board

Organisation Chart

Management Team

Securities Services Function

Information Technology Function

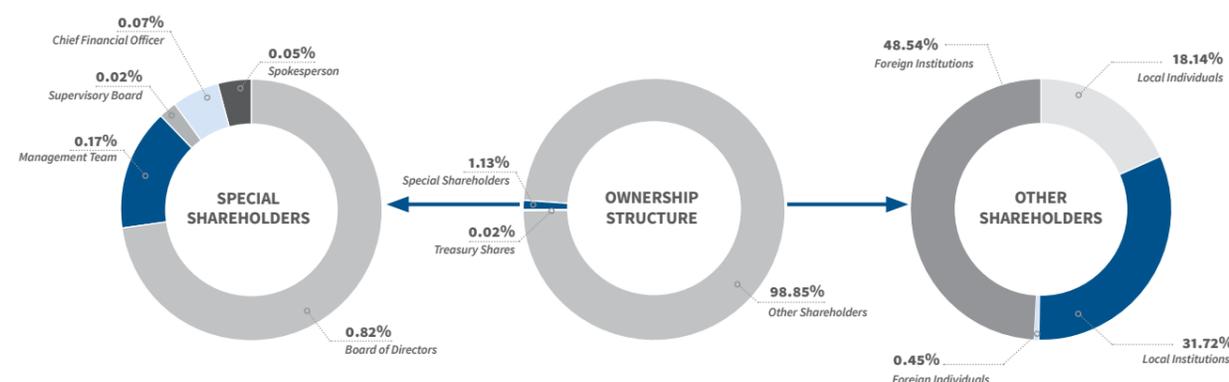
Risk Management Division

Shareholders' Information

Report of the Board of Directors

Report of Supervisory Board

Internal Audit Function



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Shareholders' Information

REPORT OF THE BOARD OF DIRECTORS

1. ASSESSMENT OF THE BOARD OF DIRECTORS ON THE OPERATIONS OF HSC IN 2014

1.1 Assessment of the Board of Directors on the Company's performance

In 2014, the stock market of Vietnam expanded, despite several ostensibly negative macroeconomic developments which affected the market's growth, such as the East Sea dispute, the fall of global oil prices and the adjustment of monetary policy. However, in terms of the index growth rate, the level of stability, and the volume of market transactions, the stock market showed positive signs when both the VN Index and the HNX Index peaked during 2014 at 641 points and 93 points respectively, representing the highest values recorded on each exchange for the past six years and three years respectively.

Owing to these positive market developments, together with the support of the shareholders and the ongoing efforts of the entire Company, HSC successfully achieved positive business results compared to other firms in the industry. This is demonstrated especially in profit after tax for the period, which increased 33% to reach VND 376 billion, equivalent to 110% of the plan set by the AGM FY2013 ("the Plan").

Although the Company's brokerage market share fell short of the 2014 target, HSC is always confident with its strategy of sustainable development.

The market share of the Private Client Division marginally decreased to 7.4% from 7.5% in 2013, while the Institutional Client Division saw its share fall to 3.0%, significantly lower than the target of 4.1%. This was due to a drop in foreign trading value in the overall market to just under 10%, far below the Company's expected figure of 14%.

In addition to the core brokerage divisions, HSC focused on other business lines to ensure diversification of revenue streams. Of these lines, the Equity Investment Function performed most impressively in 2014, generating VND 135 billion of revenue, an increase of 60% compared to 2013.

Effective corporate governance is essential to the Company's long-term profitability and operational efficiency, and has been vital in enabling the Company to achieve and even outperform targets set in the Plan. HSC strives to augment the Company with strong corporate governance credentials, in accordance with international best practices, by promoting the awareness and efforts of all employees, members of the Board of Directors and members of the Supervisory Board. In addition to complying with all laws and regulations, HSC has commenced the implementation of processes constructed from the BPI project; supervised and managed closely the risk management activity. To this end, the Company has established an Internal Audit Function to regularly audit each business unit in the Company. Furthermore, the Company seeks to provide relevant, accurate and transparent information on a timely basis to its stakeholders, and to undertake effective corporate social responsibility ("CSR") activities.

HSC focuses on improving the quality and diversification of its products and services. The Company is fully aware of the emerging trend for new derivative products, and in 2014, HSC pioneered transactions in domestic ETF fund certificates as one of the founding members and Authorised Participants of the VFMVN30 ETF. HSC is also carrying out research and preparing IT systems for derivative products, to be introduced to the market in the future. In early 2015, HSC launched HSC Trade Pro, an online trading application for the iPad, boasting comprehensive functionality and easy to use, responsive features to enable investors to manage and execute transactions more efficiently and effectively. Also in early 2015, HSC also launched a new website, adhering to responsive web design principles and compatible with electronic devices such as smartphones, laptops and tablets; further illustrating the Company's ongoing commitment to providing information and support to clients and partners in the most convenient manner, taking advantage of technological progress where appropriate.

In addition to business development and corporate governance, HSC is also aware of its social responsibilities in building a well-treated, contented workforce, and contributing to the society of Vietnam, especially in fostering future leaders. In 2014, HSC signed a strategic cooperation agreement with the Ho Chi Minh City University of Economics and Law. Accordingly, HSC will sponsor the University with VND 500 million for a five-year partnership from 2014 to 2019, including the support of FESE, its virtual stock exchange. This will provide opportunities for students to gain exposure to stock markets and should also strengthen relations between the Company and the University, which helps to enhance quality of human resources. In addition, HSC also supports AIESEC, the international student organisation; several career orientation workshops; and the Youth Unions at reputable educational institutions such as Ho Chi Minh City Open University and the University of Foreign Trade Ho Chi Minh City.

The effectiveness of the efforts described above is demonstrated in the awards and accolades received by the Company in 2014, including receiving the "Best Brokerage House in Vietnam" and "Best M&A House in Vietnam" awards at the "Asset Triple A Country Awards 2014" competition organised by *The Asset Magazine*; and being included in the "Top 50 Listed Companies in Vietnam" by *Forbes Vietnam*. Many other awards and accolades were received in the period, as detailed in the Awards section on page 14.

1.2 Assessment of the Board of Directors on the performance of the Management Team

In 2014, the Board of Directors supervised the activities of the CEO and Management Team relating to the implementation of resolutions of the FY2013 AGM, as detailed below.

1.2.1 Methods of supervision

The Board of Directors and the Supervisory Board thoroughly understood the operations of the

“ 2014 was a positive year for HSC in terms of both financial performance and corporate governance ”

Company, enabling them to assist the CEO and the Management Team in the fulfilment of their respective responsibilities.

Representatives of the Board sub-committees regularly reported at the meetings of the Board of Directors, as follows:

- The Board Risk Management Committee reported crucial risks arising during each quarter, and suggested practical solutions to mitigate these risks; and
- The Board Internal Audit Committee reported on the internal audits conducted in the quarter, including audit findings and recommendations.

The Board of Directors and the Supervisory Board assessed the feasibility of the action plan and all recommendations, seeking to provide more practical solutions where applicable.

The Board of Directors issued resolutions after each periodic meeting and upon request, to approve the business results for the most recent quarter. The Board also contributed valuable knowledge and input relating to the markets which were taken into account in formulating business plans for the subsequent quarter; communicated strategic plans in order for the CEO and Management Team to implement accordingly; and reviewed other issues under its authority.

1.2.2 Results of supervision

2014 was a positive year for HSC in terms of both financial performance and corporate governance.

Revenue and profit achievements

Unit: VND million

Target	2014	2013	% Change	Plan 2014	% Completion of the Plan 2014
Revenue	831,135	634,760	31%	744,761	112%
Profit before tax	481,447	375,428	28%	437,810	110%
Profit after tax	376,152	282,174	33%	341,492	110%

Corporate governance achievements

- Establishment of the Board Internal Audit Committee and approval of the Internal Audit Charter and Internal Audit Manual; and
- Strengthening of risk management activities through the implementation of the BPI project.

1.2.3 Conclusion

In accordance with the Charter of the Company, as well as with all other internal regulations, the Board of Directors delegates power to the Management Team to carry out the day-to-day operational activities of the Company and implement strategic decisions and business plans as approved by the Board of Directors and at AGMs. Through the supervision of quarterly reports on business performance and the Company's day-to-day operations, as well as extraordinary reports, the Board of Directors evaluates that the CEO and Management Team have executed their duties in compliance with prevailing laws; the Charter of the Company; the decisions of the AGM and the Board of Directors; and with professionalism and integrity, thus protecting the interests of the Company and its shareholders. The CEO and Management Team exceeded the Plan in 2014 in terms of financial performance, and successfully moved the Company in a sustainable direction, strengthening both corporate governance and risk control and management mechanisms in the process.

1.3 Plans and strategies of the Board of Directors

While 2015 could potentially be a difficult year for the economy as a whole, the stock market will still have opportunities to grow. Low interest rates, declining inflation, continuing GDP growth and improving governance are all good signs for the stock market in 2015. This promises to be the last year in the equitisation of SOEs, which should increase supply for the stock market once these enterprises are listed. Moreover, the growing diversity of derivative products on offer may significantly increase the liquidity of the stock market in 2015. Therefore, in order to increase efficiency in the management of shareholders' equity, as well as to maintain HSC's position as a leading securities company in Vietnam, the Board of Directors will focus on the following activities in 2015:

- Development of a five-year strategic plan for the period 2015–2020;
- Strengthening and promotion of the development of core businesses by expanding the operational network and diversifying products and services;

- Improvement of corporate governance and enhancement of the role of governance and risk management in finance management, accounting and enterprise risk management, by increasing the capabilities of the committees under the Board of Directors;
- Continuing to enhance transparency in business operations, and extending the influence of independent members of the Board of Directors;
- Driving forward with the standardisation of all procedures and processes performed in the Company, in order to ensure efficiency in operations and full compliance with laws, especially in relation to information security, risk management, internal controls, internal audit and margin lending;
- Increasing the efficiency in using capital through the promotion of the strengths of current products and services, as well as through the research and development of new products and services to meet both international standards and customer needs;
- Research, preparation and implementation of derivative products in order to expand growth opportunities in the near future;
- Promotion and enhancement of corporate values based on sustainable development through the creation of a strategic CSR development plan;
- Acceleration of the implementation of a succession development plan at a management level; and
- Maximising profitability for shareholders in balance with the responsible and sustainable management of the Company.

2. REPORT OF THE BOARD OF DIRECTORS IN 2014

2.1 The Board of Directors

2.1.1 Introduction of the Board of Directors

In accordance with the provisions of the Law on Enterprises and the Charter of HSC, the Board of Directors is the governing body of the Company which has ultimate decision-making authority, and it is empowered on behalf of the Company to carry out its duties and fulfil its obligations to the shareholders, which are not necessarily under the jurisdiction of the AGM. In 2014, HSC's Board of Directors carried out its duties in accordance with the provisions of the Company Charter and Corporate Governance Regulations, with seven members, including two independent members, three non-executive members and two executive members.

The independent members are Do Hung Viet (Chairman of the Board of Directors) and Pham Nghiem Xuan Bac (Member). Two of the three non-

executive members are Nguyen Thanh Liem (Vice Chairman of the Board of Directors) and Hoang Dinh Thang (Member), are authorised representatives of Ho Chi Minh City Finance and Investment Company ("HFIC"), the major state-owned shareholder owning 29.47% of charter capital. Le Anh Minh (Vice Chairman of the Board of Directors) is the authorised representative of Dragon Capital Markets Limited, the major foreign shareholder, owning 30.87% of charter capital. The remaining two executive members are Johan Nyvene (CEO) and Trinh Hoai Giang (Deputy CEO).

2.1.2 Committees under the Board of Directors

In order to improve the efficiency of corporate governance in accordance with prevailing regulations and international standards, the Board of Directors established two committees under the Board of Directors, as detailed below, whose duties are to consult and assist the Board of Directors in maintaining and reinforcing the internal control environment of the Company.

Board Risk Management Committee

Le Anh Minh is the Chairman of the Board Risk Management Committee. The other members of the committee are two independent members of the Board of Directors, as detailed below.

No.	Name	Positions
01	Le Anh Minh	Vice Chairman of the Board of Directors; Chairman of the Committee
02	Do Hung Viet	Chairman of the Board of Directors; Member of the Committee
03	Pham Nghiem Xuan Bac	Member of the Board of Directors; Member of the Committee

Board Audit Committee

Do Hung Viet is the Chairman of the Board Audit Committee. The other two members are Hoang Dinh Thang, a non-executive member, and Dang Nguyet Minh, a member of the Supervisory Board, as detailed below.

No.	Name	Positions
01	Do Hung Viet	Chairman of the Board of Directors; Chairman of the Committee
02	Hoang Dinh Thang	Member of the Board of Directors; Member of the Committee
03	Dang Nguyet Minh	Member of the Supervisory Board; Member of the Committee

2.1.3 Activities of the Board of Directors

In accordance with the provisions of the Company Charter, in 2014, the Board of Directors arranged quarterly meetings to discuss and reach consensus on important decisions within the authority of the Board of Directors. As a result, they were able to provide strategic direction to the commercial operations of the Company, in response to market conditions. The Board of Directors held eleven such meetings in total during the period, including seven office meetings and four meetings in form of the collection of written opinions. At these meetings, the Board of Directors announced quarterly business results and market commentary, reviewed strategic plans for the subsequent quarter, and approved other matters under their authority. Members of the Board of Directors participated in, contributed opinions to and voted on resolutions, which were approved when there was agreement from over half of the total number of board members. All office meetings held by the Board of Directors included the presence of the Chairman of the Supervisory Board and/or members of the Audit Committee as observers.

Meetings of the Board of Directors in 2014

No.	Board members	Position	Meetings attended	Reasons for absence
01	Do Hung Viet	Chairman	10/11	90% Medical reason, authorised
02	Le Anh Minh	Vice Chairman	11/11	100%
03	Nguyen Thanh Liem	Vice Chairman	10/11	90% On business trip, authorised
04	Pham Nghiem Xuan Bac	Member	11/11	100%
05	Hoang Dinh Thang	Member	10/11	90% On business trip, authorised
06	Johan Nyvene	Member	11/11	100%
07	Trinh Hoai Giang	Member	11/11	100%

Issues approved in the resolutions of the Board of Directors

Session	Resolution number	Number of Participants	Content
Session 1 15 January 2014	01/2014/NQ-HĐQT	6/7 Observer: Supervisory Board	Reporting of financial results in 2013 Forecasting of the Plan for 2014 Approval of Corporate Risk Management Manual Reporting of risk management activities through establishing Internal Audit Function and selecting KPMG as co-sourcing internal auditor Approval of the establishment of the Board Internal Audit Committee under the Board of Directors Approval of the meeting schedule for the Board of Directors in 2014
Session 2 21 February 2014	02/2014/NQ-HĐQT		Approval of the time, venue and content of the FY2013 AGM and the main content of the reports to be presented at the meeting
Session 3 28 February 2014	03/2014/NQ-HĐQT		Approval of the loans and credit limits at the Ho Chi Minh City Development Joint Stock Commercial Bank (“HD Bank”) and the Bank for Investment and Development of Vietnam (“BIDV”)
Session 4 21 March 2014	04/2014/NQ-HĐQT	5/7 Observer: Supervisory Board	Forecast of the revised business plan for 2014 Approval of the second dividend for the 2013 financial year Presentation to the AGM on the topic of foreign ownership limits Approval of the content of HSC’s loan agreement and limit with HD Bank Adjustment to the total transaction value of margin lending
Session 5 08 May 2014	05/2014/NQ-HĐQT	7/7 Observer: Supervisory Board	Approval of the short-term credit facility provided by the Joint Stock Commercial Bank for Foreign Trade of Vietnam to HSC
Session 6 30 May 2014	06/2014/NQ-HĐQT		Approval of the selection of external auditors for the 2014 financial year
Session 7 02 July 2014	07/2014/NQ-HĐQT	7/7 Observer: Supervisory Board	Reporting of financial results for the first six months of 2014 Preparation of forecasts for the last six months of 2014 Approval of the plan for the establishment of transaction offices in provinces across the country

Session	Resolution number	Number of Participants	Content
Session 8 03 October 2014	08/2014/NQ-HDQT	7/7 Observer: Supervisory Board	Reporting of financial results for the first nine months of 2014 Approval of company policy relating to minor investments in IT systems in 2015; major investments are subject to approval from the Board of Directors Approval of the operational ethos of the Board Audit Committee and Internal Audit Charter Approval of the content of the loan agreement with Vietnam Maritime Commercial Joint Stock Bank Agreement on the consultancy services provided by Dragon Capital Markets Limited in relation to the Company's operational activities, as per HSC's business licence
Session 9 17 October 2014	09/2014/NQ-HDQT Collecting written opinion		Approval of the establishment of the Nguyen Van Troi transaction office at room 02, ground floor, CentrePoint Building, 106 Nguyen Van Troi Street, Ward 8, Phu Nhuan District, Ho Chi Minh City
Session 10 01 December 2014	10/2014/NQ-HDQT	7/7 Observer: Supervisory Board	Approval of the establishment of Lang Ha transaction office at level 6, Vinaconex building, 34 Lang Ha Street, Lang Ha Ward, Dong Da District, Hanoi
Session 11 22 December 2014	11/2014/NQ-HDQT	7/7 Observer: Supervisory Board	Approval of the expected financial results of the Company for 2014 Formulation of the business plan for 2015 Approval of the remuneration plan for 2014 Approval of the credit limits relating to margin lending Approval of the rate, payment method and the time of payment of the first advanced dividend in 2014

Decisions issued in 2014

No.	Decision's number	Date	Content
01	01/2014/QĐ-HDQT	16 June 2014	Decision on the arrangement of business trips abroad for employees

2.1.4 Activities of non-executive members of the Board of Directors

The current structure of the Board of Directors ensures the balance between executive and non-executive members, in which one-third of the total members of the Board of Directors are independent members. The independence of the members complies with the provisions of the Charter of the Company. This compliance assists the Board of Directors in reaching objective and independent decisions.

Most non-executive members are also members of sub-committees under the Board of Directors. Therefore, besides the universal duties of the Board of Directors, such members are responsible for assigned works at their respective sub-committees.

2.1.5 Activities of the sub-committees of the Board of Directors

The Board Risk Management Committee

The Board Risk Management Committee assists in supervising: (i) The structure of corporate risk management; (ii) Regulations and guidance on governance and risk evaluation; (iii) Levels of risk tolerance; (iv) The liquidity management and capital raising activities of the Company; and (v) The efficiency of the Head of Risk Management Division.

The Risk Management Division identifies and reports the major risks faced by the organisation on a quarterly basis, together with an action plan and other findings, to the Board Risk Management Committee.

On a monthly basis, the Risk Management Executive Committee reports all transactions occurring in that month to the Board Risk Management Committee.

The Board Risk Management Committee arranges meetings to approve transactions within its authority whenever required.

The Board Internal Audit Committee

The Board Internal Audit Committee was established at the beginning of 2014 and has completed and submitted its Operating Principles and Charter for the Board of Directors' approval.

The Board Internal Audit Committee continues to cooperate on internal audit activities with KPMG Vietnam, as per a three-year partnership ending in 2016. During this partnership, the Internal Audit Function, as well as the Board Internal Audit Committee, will be trained by KPMG in the design of internal audit plans, and both counterparties will jointly implement the annual, semi-annual or irregular internal audits. At the end of this partnership, HSC expects to have an independent and fully capable Internal Audit Function that reports directly to the Board Internal Audit Committee.

In September 2014, the Internal Audit Function commenced two internal audits, on the procedures and processes involved in margin lending and private client brokerage activities. These audits completed in November 2014 and January 2015 respectively. The Internal Audit Function submitted a report of audit findings and recommendations to the CEO and the Board Internal Audit Committee, after discussing with and incorporating feedback from the respective function heads.

2.1.6 Chairman of the Board of Directors

The separation of the roles of Chairman and CEO demonstrates a clear division of duties between

the two functions, to ensure the independence of the Board of Directors and Management Team. This separation ensures the dispersion of power, and greater accountability and integrity in the decision-making processes carried out by the Board of Directors.

The Chairman, Do Hung Viet, is an independent member of the Board of Directors and was formerly the CEO of the Company during its first years of existence. Do Hung Viet was appointed to the Board of Directors in 2007, and is now serving his third term on the board.

2.1.7 Appointment of members of the Board of Directors

The selection and the appointment of new board members were implemented in accordance with the official process, as described clearly and transparently in the Charter and Corporate Governance Regulations of the Company.

In the event of changes to members during the term, the Board will nominate and appoint temporary members as required by the Charter and Corporate Governance Regulations of the Company. These members will be proposed at the subsequent AGM for official approval.

In 2014, there were no changes to the Board of Directors of HSC.

2.1.8 Participation of members of the Board of Directors in corporate governance programs

All members of the Board of Directors participated in all activities relating to the governance of the Company and possessed certificates of corporate governance, except for Pham Nghiem Xuan Bac, who did not have the opportunity to take part in the program during the period.

2.1.9 Assessment of the operational effectiveness of the Board of Directors

The Board of Directors performed the following main actions in 2014, which collectively ensured a significant increase in the depth and quality of corporate governance mechanisms at HSC:

- Maintainance of the periodic activities appropriate to the Company Charter, including ensuring the number of meetings, as well as the number of Board member attendees, meet the minimum legal requirements, while also promoting the efficiency of meetings;
- Ensuring the roles of independent and non-executive members were clearly defined in order to maximise interests of minority shareholders;
- Supervising the implementation of the resolutions of the Board of Directors and the 2014 AGM;

- Directing and supervising the implementation of various important projects of the Company, including those relating to risk management, internal audit, and improvements to business procedures;
- Establishment of the board sub-committees in compliance with the business requirements of securities firms. The board sub-committees completed the drafting of their Operating Principles and Charters during the period. The sub-committees periodically reported to the Board of Directors. Every member of the sub-committees proactively fulfilled their duties and made useful contributions throughout the period.

2.2 Transactions, remuneration and benefits of the Board of Directors, Management Team and Supervisory Board

2.2.1 Remuneration of the Board of Directors and Supervisory Board

The operating fund of HSC's Board of Directors and Supervisory Board in 2014 amounts to one percent of profit after tax, as approved at the AGM FY2013.

Remuneration payments to members of the Board of Directors and Supervisory Board comply with Resolution 12/2011/NQ-HĐQT of the Board of Directors, dated 21 December 2011, on the approval of remuneration for the Board of Directors and Supervisory Board.

Remuneration of the members of the Board of Directors in 2014

Unit: VND

No.	Name	Position	Specialisation	Executive role	Remuneration level per month (after tax)
01	Do Hung Viet	Chairman	√		Salary receiving
02	Le Anh Minh	Vice Chairman			10,000,000
03	Nguyen Thanh Liem	Vice Chairman			10,000,000
04	Pham Nghiem Xuan Bac	Member			10,000,000
05	Hoang Dinh Thang	Member			10,000,000
06	Johan Nyvene	Member		√	Salary receiving
07	Trinh Hoai Giang	Member		√	Salary receiving

Remuneration of the members of the Supervisory Board in 2014

Unit: VND

No.	Name	Position	Specialisation	Executive role	Remuneration level per month (after tax)
01	Vo Van Chau	Chairman			10,000,000
02	Doan Van Hinh	Member			6,000,000
03	Dang Nguyet Minh	Member			6,000,000

Based on the remuneration presented above and the prevailing number of members of the Board of Directors and Supervisory Board at certain times, the payment of remuneration and operating expenses to the members of the Board of Directors and Supervisory Board specifically are detailed below.

Summary of remuneration of the Board of Directors

- Total members: seven, including one member with a specialist role (the Chairman) and two executive members receiving salaries.
- Total remuneration: VND 559,999,992 (including personal income tax).

Summary of remuneration of the Supervisory Board

- Total members: three.
- Total remuneration: VND 322,666,664 (including personal income tax).

Table detailing remuneration and operating expenses of the Board of Directors and Supervisory Board in 2014

No.	Content	Amount (VND)
	Operating fund of the Board of Directors and Supervisory Board at the beginning of 2014	211,345,155
	Operating fund of the Board of Directors and Supervisory Board in 2014 (1% of 2013 profit after tax)	2,821,743,107
01	Remuneration of the Board of Directors & Supervisory Board in 2014	882,666,656
02	Other operating expenses	1,564,190,358
	Operating fund of the Board of Directors & Supervisory Board carried forward at the end of 2014	586,231,248

2.2.2 Regulation of bonuses to the members of the Board of Directors and Supervisory Board

Besides the regulation of remuneration to the members of the Board of Directors and Supervisory Board as presented above, the non-executive independent members of the Board of Directors and Supervisory Board do not receive any amount as bonuses from the rewarding fund of the Company.

2.2.3 Regulation of the business expenses of the members of the Board of Directors and Supervisory Board

At present, the Company incurs the business expenses (including those relating to the use of company cars; telephones; social, medical and other insurance; the annual health check, and other items specified in the internal regulations of the Company) of the Chairman of the Board of Directors only. Only the business travel expenses of other members of the Board of Directors and Supervisory Board are incurred by the Company.

2.2.4 Share trading transactions of internal shareholders

Share trading transactions

In 2014, HSC recorded the following transactions of HCM shares:

No.	Transactor	Relationship with internal shareholders	Number of shares owned initially		Number of shares owned in the end period		Reasons for increase, decrease (purchase, sell, convert, reward)
			Number of shares	Percentage (%)	Number of shares	Percentage (%)	
01	Pham Nghiem Xuan Bac	Member	663,175	0.52	412,635	0.32	250,540 shares decrease after sales from 05 to 25 March 2014
			412,635	0.32	392,630	0.31	20,005 shares decrease after sales from 28 April to 15 May 2014
			392,630	0.31	360,000	0.28	32,630 shares decrease after sales from 13 June to 11 July 2014
02	Cong Huong JSC.	Company related to Pham Nguyen Xuan Bac	631,672	0.49	731,672	0.57	100,000 shares increase after purchases from 05 to 25 March 2014
			731,672	0.57	751,672	0.59	20,000 shares increase after purchases from 28 April to 14 May 2014
			751,672	0.59	751,672	0.59	Registered to buy 100,000 shares from 13 June to 11 July 2014 but no purchases made due to inappropriate price
			751,672	0.59	651,672	0.51	100,000 shares decrease after sales from 14 August to 12 September 2014
03	Trinh Hoai Giang	Member of the Board; Deputy CEO	404,635	0.31	123,665	0.09	280,970 shares decrease after sales on 21 March 2014
04	Do Hung Viet	Chairman	117,968	0.09	17,968	0.01	100,000 shares decrease after sales from 17 September to 02 October 2014

OTHER TRANSACTIONS

No	Related party	Relationship	Content	Value (VND)
01	Dragon Capital Markets Limited	Strategic shareholder	Consultancy fee for advisory services relating to HSC's commercial operations	10,710,271,469

2.3 Dividend plan in 2014

At the FY2013 AGM, shareholders approved a share dividend rate of 12% (approximately equivalent to VND 1,200 per share) for the 2014 financial year.

The Company issued the first cash dividend advancement of 2014 at a rate of 5% (approximately equivalent to VND 500/share), which was paid to shareholders on 29 January 2014, as announced by the Board of Directors in Resolution 11/2014/ NQ-HDQT dated 19 December 2014.

In order to maintain an attractive equity return rate for HSC's shareholders, the Board of Directors will submit a proposal to the April 2015 AGM to approve a higher rate for the second cash dividend payment relating to the 2014 financial year, in comparison to the Plan as approved at the FY2013 AGM.



HSC Annual General Meeting FY2013

REPORT OF THE SUPERVISORY BOARD

2014 was an eventful and surprising year for Vietnam's stock market, with a doubling of trading activity and value. Accompanying this, there has been an increase in intensity of competition among securities firms, which has impacted upon HSC's business performance; HSC's brokerage market share fell year-on-year for the first time in the six years from 2008. However, perhaps more importantly, HSC has made significant progress in developing systems of risk management, control and supervision to support its sustainable development objectives.

1. ACTIVITIES OF THE SUPERVISORY BOARD

The Supervisory Board consists of three members, including two independent members, who all act as shareholders' representatives, supported by the Management Team and the Board of Directors. The Supervisory Board examines and supervises commercial operations, and advises on risk management and corporate governance issues at HSC. In 2014, the main areas overseen by the Supervisory Board were:

- The activities of the Board of Directors, including the implementation of resolutions passed at the FY2013 Annual General Meeting ("AGM");
- Business activities and the production of financial statements in 2014; and
- Internal audit activities in 2014.

1.1. Supervising the activities of the Board of Directors, including the implementation of resolutions passed at the FY2013 AGM:

The Supervisory Board participated fully in all quarterly and on-demand meetings of the Board of Directors. The Board used its clear understanding of HSC's business performance to advise the Board of Directors and the Management Team on the implementation of strategic objectives approved at the AGM on April 2014. Strategic plans were discussed in a detailed and open manner, and were only approved once a unanimous consensus was obtained.

The core matters discussed in the Board of Directors' meetings included the Company's capital structure; the appropriate margin lending limits in light of the development of the market; the expansion of business activities; and investment in IT systems. Other related activities of the Supervisory Board include closely supervising the implementation of the *Business Process Improvement* ("BPI") project; reviewing and advising on the findings of the Internal Audit Function; and advising the Management Team on medium and long term strategic issues. The advice and supervisory activities of the Supervisory Board, and its role as a representative of investors, were all respected by, and considered in the decisions of the Board of Directors.

1.2. Supervising business activities and financial performance in 2014

In 2014, the Supervisory Board organised regular meetings with HSC's independent auditors, Ernst & Young Vietnam, to discuss the statutory audit scope, audit findings and other relevant matters. The Supervisory Board has found HSC's business activities to be transparent, and no significant violations relating to accounting, commercial operations or internal processes were identified. Moreover, the Supervisory Board requested the independent audit to consider all tax-related policies, and to notify HSC in a timely manner of all requirements, in order to avoid any potential tax arrears cases as arose during inspection last year. For the reporting year, Ernst & Young Vietnam only provided audit services to HSC; no advisory services were provided. The total cost of the audit in 2014 amounted to VND 842 million (including VAT).

In addition, the Supervisory Board analysed the quarterly financial statements, semi-annual review reports, audit reports of 2014 and financials presented at the meetings between the Management Team and the Board of Directors. The Supervisory Board acknowledged that HSC's financial position was healthy throughout the period:

- a) HSC's business results in 2014 reflected a high growth rate and an increase in key profitability ratios, and exceeded the targets approved at the AGM (as presented at the beginning of this Annual Report); and
- b) HSC's Liquid Capital Safety Ratio, as well as other key liquidity and solvency ratios, all exceeded minimum requirements throughout the period.

Basic financial ratios:

No	Key ratio	FY2014	FY2013
1	Liquid Capital Safety Ratio	798%	950%
2	Liquidity Ratio		
a	<i>Current ratio (times)</i>	2.5	3.1
b	<i>Total Debt/ Total Assets Ratio (times)</i>	0.4	0.3
3	Capital Structure		
a	<i>Owner's Equity/ Total Equity (times)</i>	0.6	0.7
4	Profitability ratios		
a	<i>ROAE</i>	16.3%	12.8%
b	<i>ROAA</i>	10.8%	9.0%

1.3. Supervising internal audit activities in 2014

In fulfilling objectives set from the end of 2013, the Supervisory Board focused on supervising the establishment and activities of the Internal Audit Function. The Supervisory Board acknowledged the results achieved as follows:

- Establishment of an Internal Audit Function: Completion of documents providing the basis for operations of the function, including key employees' responsibilities, the Internal Audit Charter and the Internal Audit Manual. The documents were officially approved by the Board of Directors on 10 March 2014.
- Identifying risks of HSC's operating procedures: Documenting and collecting information obtained from interviews and surveys relating to internal control-based risks, prioritising risks and confirming the results with the Management Team and the Board of Directors.
- Designing an internal audit plan for the 2014-2016 period: Based on the risk assessments referred to in section 1.3.2, the Internal Audit

Function linked key risks with HSC's relevant business procedures, and on this basis, proposed a suitable internal audit plan for the succeeding three years. Accordingly, in the 2014-2016 period, the Internal Audit Function Department of HSC, assisted by KPMG, will conduct audits of fifteen business areas. Of these areas, five were assessed to have a relatively high level of risk and so are to be audited annually; five were assessed to have a mid-level risk, and are to be audited on a biennial basis; and five areas were deemed to be of low-level risk, and so were recommended to be audited every three years.

- Completing internal audits of margin lending and private brokerage activities: After reviewing the two audit results, the Supervisory Board found that key findings mainly related to processes and procedures at these functions and the rigorous implementation of them. The Supervisory Board recognises that the Management Team acknowledged these findings, and outlined specific timelines and appropriate action plans in response to them.

2. REMUNERATION AND OPERATING COSTS OF THE SUPERVISORY BOARD AND EACH MEMBER

In 2014, the Supervisory Board received remuneration for each member (after deduction of income tax) as follows:

- Vo Van Chau: VND 10 million / month
- Doan Van Hinh: VND 6 million / month
- Dang Nguyet Minh: VND 6 million / month

3. PLAN OF THE SUPERVISORY BOARD FOR 2015

Based on the three-year plan referred to above, the Supervisory Board continues to accompany and supervise the Internal Audit Function in the audits of the following business areas:

No	Business area to be audited	Expected time for audit
1	IT Function	7 January 2015 – 10 March 2015
2	Anti-money laundering policies and processes	2 February 2015 – 13 February 2015
3	Brokerage services for institutional clients	2 March 2015 – 8 May 2015
4	Strategic planning	11 May 2015 – 10 July 2015
5	Process of human resources management	13 July 2015 – 11 September 2015
6	Treasury proprietary investment	14 September 2015 – 13 November 2015
7	Margin lending (for the second time)	16 November 2015 – 13 January 2016

In addition, the Supervisory Board will continue to oversee the improvement of HSC's risk management framework, as well as the development of the Company's long-term strategic plans. The Supervisory Board will seek to improve its own operating processes in order to continually meet international corporate governance standards and practices.

The Internal Audit Function was established in late 2013, with the main objectives of evaluating and improving the effectiveness of risk management, internal controls, and governance processes in HSC. The head of the Internal Audit Function reports directly to the Board Audit Committee, and administratively to the CEO, helping to preserve the function's independence and ensure that audit findings are reviewed at the highest level. The function has had a successful start in its first full year of existence, a period in which it has established the basis for its operations and laid out the three-year (2014-2016) audit plan. Throughout this process, the function worked closely with KPMG, the consulting partner for all of HSC's internal audit activities, and this partnership will continue going forward. The execution of the internal audit work plan commenced in 2014 with reviews of the two highest risk areas in the business, and the function has planned its risk-based program of activities through to 2016 to ensure the entire organisation's significant risk areas are brought within the scope of internal audit activities.

Before embarking on its operations, the function achieved two essential milestones in 2014. Firstly, the Internal Audit Charter, the formal document defining the function's mission, scope of work, responsibilities and authority, was established. The Internal Audit Manual, an internal document detailing the policies, procedures, tools and templates for the efficient and effective functioning of the Internal Audit Function, was subsequently produced. These documents were approved by the Board Audit Committee and enabled the function to commence its work program.

In 2014, the Internal Audit Function reviewed the internal controls involved in margin lending and retail brokerage activities, as these were prioritised as the highest risk areas for HSC. The two audits were completed successfully, thanks in no small part to the support of senior management and the cooperation of all divisional representatives involved. While noting adequate controls have been in place, the function recognised opportunities for improvements to further enhance the efficiency and effectiveness of operations in certain areas, for example in the formalisation of policies and procedures, refinements to user access controls and Limit of Authority policy. The function ensured its recommendations were in line with best practices by using KPMG as co-sourcing internal audit partners, who provided expert input at a senior level as well as professionals to carry out fieldwork. All audit findings have been accepted by the respective divisional heads, and are either already fully implemented or in the process of being implemented.

“ In 2015, the function plans to deliver more audits across the Company to enhance its internal control environment ”

In 2015, the function plans to deliver more audits across the Company to enhance its internal control environment. Once the execution of the 2015 internal audit program has been completed, the function will be in a position to perform an audit on HSC's corporate governance processes. This is expected to take place in early 2016.

To fulfil these objectives, the function plans to grow the department through increasing headcount, and two new members have already been added to the team in 2015. The function will also continue to use KPMG as co-sourcing internal audit services provider, to ensure all recommendations are benchmarked with international standards around internal controls, risk management and corporate governance.

It is clear that there is a high level of awareness of risk across HSC, aided by the progressive corporate culture and effective lines of communication throughout the organisation, as established by the Board of Management and senior management, as well as the ongoing work of the Risk Management Division. However, HSC is also very aware that there is much still to do to ensure that operations are always up to the highest level of integrity and transparency, and so this function's internal audit activities are valued highly and have been well received. The function has experienced open and productive communication with all divisions worked with so far, and it looks forward to continuing to enjoy such openness in the expanded work program across the whole organisation in 2015.

2014 Sustainability Report

1. OUTLINE OF THE SUSTAINABILITY REPORT

1.1. Introduction

In 2014, HSC implemented schemes to improve the sustainability credentials of its business operations. This 2014 Sustainability Report reviews the effectiveness of these sustainable development activities, as well as bringing to attention areas where the Company can improve its sustainability performance. HSC will continue to prioritise sustainability concerns in its decision-making processes, and promote sustainable development throughout the Company, the society and the environment it operates in.

This is the first year for which HSC has prepared a Sustainability Report in compliance with Global Reporting Initiative (“GRI”) guidelines. The report was developed in adherence to the “In accordance - Core” criteria set out in Global Reporting Initiative’s *G4 Sustainability Reporting Guidelines*, and focuses on the following categories of disclosures: *Economic Performance; Labour Practices and Decent Work; Training and Education; Product and Service Labelling; and Local Communities*.

This report was developed by HSC’s Sustainability Report Group, which includes members of the Communications Department, Accounting Department, Human Resources Department and the Board Secretary, the most relevant functions in HSC for data and information relating to sustainable development activities. This report is the result of the Company’s participation in the *Business Transparency Program (“BTP”)*, a sustainability reporting training scheme operated by GRI and provided by PwC, GRI’s certified training partner in Vietnam

Details behind HSC’s sustainable development activities are posted on the Company website here <https://www.hsc.com.vn/vn/csr/policy>

1.2. Scope of report

HSC’s 2014 Sustainability Report is a supplementary document, attached to the Company’s 2014 Annual Report and Financial Statements 2014 of the company. The financial data used in the Sustainability Report has been taken from the audited financial statements for 2014, as presented in the Annual Report.

This report details HSC’s achievements in sustainable development in the period, as well as its related objectives of HSC for the future. The report covers data and activities across the entire business, including a head office and transaction offices across the country. The “market” concept is limited to Vietnam’s economy, while the “local community” concept generally refers to the Vietnamese people, especially younger generations, and their interactions in Vietnam’s society.

The implementation of sustainable development activities is closely related to HSC’s Corporate Social Responsibility (“CSR”) strategy, as driven by the Company’s mission and vision, and is framed within full compliance with corporate governance policies and national and international provisions, including those on competition, human rights and environmental law.

1.3. Contact

For further information and comments in relation to HSC’s 2014 Sustainable Report, please contact:

Ms. Pham Thi Phuong Lan, Communications Director
(+84 8) 3823 3299 (Ext.107)

lan.ptp@hsc.com.vn

*Level 5 & 6, AB Tower, 76 Le Lai Street,
Ben Thanh Ward, District 1, Ho Chi Minh City*



REEVALUATING
OUR GROWTH



HSC Company Trip in 2014

2. OVERVIEW OF SUSTAINABLE DEVELOPMENT AT HSC

2.1. Model for sustainable development

In line with global trends, Vietnamese enterprises are becoming increasingly concerned with the concept of “sustainable development” in relation to their business activities. This concept covers the economic, social and environmental aspects of commercial operations, with an emphasis on long-term considerations. As one of the most prestigious financial institutions in Vietnam, HSC recognises its own responsibilities in pursuing sustainable corporate objectives, as defined by the Company’s vision and mission.

2.1.1. Impact, risk and opportunity

Securities service is still a nascent industry in Vietnam but it makes a significant contribution to the national economy. Through its activities, HSC as one of the leading securities firm

- Creating stable jobs for employees;
- Contributing to the development of the securities and financial services industries;

- Supporting investors in improving investment efficiency;
- Mobilising capital for the economy;
- Assisting businesses in using capital more efficiently;
- Strengthening corporate governance and transparency in business operations; and
- Creating opportunities for youth development and supporting communities.

HSC enjoys business development opportunities as a result of its competitive operations, strong corporate governance, and skilled employees. At the same time, the Company faces both internal and external risks, including compliance risk, strategic risk, project risk, IT risk, reputational risk and market risk. For more about these and other risks faced by HSC and how they are managed, please see the Risk Management section of the 2014 Annual Report, page 54 - 57.

Identifying impacts, risks and opportunities enables HSC to accurately assess its current situation, and hence to develop an appropriate model for sustainable development.

2.1.2. Objectives of sustainable development

HSC determines the direction of sustainable development based on its vision: “To become one of the country’s most admitted, trusted, and valued financial institutions, and be an active contributor to the economy and community of Vietnam”. The Company’s sustainable development model is based on our impacts on three key areas: the Company, the market and the society it operates in. This model is shared with stakeholders, and fulfils the role of the “compass” for all activities of HSC.

HSC’S SUSTAINABLE DEVELOPMENT MODEL



- Achieving stable growth
- Providing benefits to staff
- Developing teams
- Managing risk and compliance
- Increasing transparency



- Assisting shareholders and providing professional services to investors/ clients
- Contributing to market development
- Increasing capital raising channels
- Participating in regional economic development



- Financial responsibility to the Government
- Sharing with the community
- Protecting the environment

2.2. Overview of HSC's sustainable development achievements in 2014

Vietnam's economy and society developed in 2014 within the context of the slow recovery of the global economy, which in itself presents several significant risks to Vietnam's economic development. Domestic macroeconomic policies were implemented to stabilise and improve the business environment and boost growth. 2014 was a successful year for HSC in several respects; revenue and profitability grew, corporate governance strengthened and the Company's developed its sustainability agenda. The positive impacts on the Company, its markets and society produced by HSC's activities in 2014 are detailed below.

2.2.1. Positive impacts on the Company

- VND **831** billion in revenue, a 31% increase compared to 2013;
- Financial safety ratio of **798%**, almost four times higher than SSC's minimum requirement;
- VND **144** billion spent on employees' salaries, insurance and allowances;
- **100%** of employees participated in the annual health examinations at reputable hospitals, and are enrolled, together with their close relatives, in the Company's health insurance programs;
- **740** employees enrolled in professional training courses;
- The successful implementation of several important risk management policies and programs, including: *the Risk Management Manual, Internal Governance Policy, Anti-Money Laundering policies, Best Execution Policy and other HR and accounting policies*;
- The commencement of the design phase for the process of mapping all business procedures onto a computerised program, which helps to automate its internal controls to mitigate the risk of non-compliance and human error;
- The commencement of the program for the virtualisation of servers to improve information security and energy efficiency.

2.2.2. Positive impacts on the market

During 2014, HSC actively participated in a wide range of activities which involved the sharing of information and knowledge with investors and organisations, both local and foreign, at international conferences and forums. These included:

- Cooperating with Dragon Capital and the Vietnam Business Forum to contribute ideas for the improvement of governmental regulations and decisions, especially to increase the effectiveness and transparency of legal documents in the securities and wider financial services sectors;
- Participation in and the supply of our experts to act as panellists at Business Insights Vietnam 2014, a forum organised by Channel News Asia magazine in Ho Chi Minh City at which new models for sustainable development in Vietnam were discussed;
- Participation in Vietnam CEO Forum 2014 discussions;
- Being one of the two founding members and Authorised Participants of the first domestic ETF in Vietnam, helping to improve the liquidity of Vietnamese stocks;
- As a co-founder and active member of the VBMA, which celebrated its fifth anniversary in 2014, HSC has regularly participated in the body's periodic meetings, and has actively contributed to initiatives to develop Vietnam's bond market;
- As an active member of the Index Committee, HSC has regularly contributed ideas in relation to new product development, including stock index futures and other derivative products;
- The launch of new trading applications designed for personal devices; and
- The arrangement of quarterly Analyst Conferences, attended by financial journalists and investment funds, to help provide useful, reliable information to local and foreign investors.

2.2.3. Positive impacts on society

- VND **214** billion of taxes and fees paid to the Government, amongst the largest state contributions made by Vietnamese companies;
- VND **500** million of support provided to the Ho Chi Minh City University of Law and the virtual stock exchange FESE, for five years from 2014 to 2019, including cash, scholarships and recruitment training programs;
- Over **500** domestic and international college students attended the "Vietnam Youth to Business 2014 - Young Generation and Business Vietnam 2014" forum, arranged by AIESEC, an international student organisation, for the sixth consecutive year. HSC participated as a strategic partner and panellist; and
- Almost **3,000** college students joined career days at Foreign Trade University and Open University, with HSC participating in these events to introduce compelling career opportunities to attendees.

2.3. Sustainability governance structure

HSC identifies sustainability issues by actively and proactively communicating with stakeholders to identify their concerns, and where necessary designing suitable solutions that fit with HSC's sustainability strategy and comply with laws, regulations and internal policies. The method of identification of the key issues is described in details in the next section of the report.

The Board of Directors is responsible for the Company's sustainability strategy. The CEO and the Management Team develop sustainability targets and design and implement plans to achieve these targets; they are also responsible for cascading the strategic plans throughout the organisation, and for ensuring sustainability considerations are taken into account in decisions made by every division and function of the Company, according to the following model:

HSC SUSTAINABILITY GOVERNANCE MODEL



All activities of HSC are governed by specific policies and business procedures, which have been designed to assist employees in carrying out their duties and to ensure compliance with regulations and applicable law. These policies and procedures are based on international standards such as the Coso framework and ISO 31000, as well as compliance with laws such as *Decision No. 105/QĐ-UBCK relating to risk management systems in securities firms, Circular 121/2012/TT-BTC relating to corporate governance in public companies, and Circular 210/2012/TT-BTC relating to the establishment and operation of securities firms.*

HSC's Internal Control Function within its Risk Management Division of HSC regularly reviews these policies and procedures, identifies significant risks involved and seeks to ensure these are suitably mitigated. These reviews include appropriate recommendations where necessary. In addition, the Risk Management Division monitors changes to laws and regulations, and makes recommendations for relevant departments to update procedures accordingly. The newly-established Internal Audit Function, which reports directly into the Board Audit Committee, provides a further layer of mitigation against the risk of internal control deficiencies.

2.4. Stakeholder engagement and identifying report content

HSC acknowledges that all of its activities affect stakeholders both inside and outside of the Company, including employees, shareholders, clients, partners, government bodies and associations, the press and local community. In order to ensure sustainable development in all relationships, HSC regularly communicates with stakeholders through the following activities:

EMPLOYEES	CLIENTS/ INVESTORS
<ul style="list-style-type: none"> Quarterly team briefings; Company excursions; Direct meetings to exchange ideas via programs such as <i>Luncheon with the CEO</i> and <i>Happy Lunch</i>; Information exchanged via the Company intranet, telephones and emails; and Internal training programs. 	<ul style="list-style-type: none"> Workshops; Meetings to exchange ideas and for HSC to provide consultancy services; Call centre, Help centre and Services Department support; Client support via HSC's website here https://www.hsc.com.vn/vn/help-center; Regular emails detailing business results, account changes and other useful information; and Letterboxes provided for comments and suggestions, located in the Transaction Offices.
SHAREHOLDERS	THE PRESS
<ul style="list-style-type: none"> Annual General Meeting; Direct meetings; Phone contact with the Investor Relations department; Q&A on the Investor Relations page on the HSC website here https://www.hsc.com.vn/vn/investor/info-request/ir-contact; and Regular emails detailing business results and other useful information. 	<ul style="list-style-type: none"> Press conferences and interviews; HSC participation in forums and workshops organised by the press industry; Quarterly Analyst Briefings to present HSC's financial results and strategic updates; Regular phone and email contact with HSC's Communications Department; Q&A on the HSC website, Communications page: https://www.hsc.com.vn/vn/media/contact; and Press releases as required.

GOVERNMENT OFFICES AND ASSOCIATIONS

- Participation in conferences and workshops organised by the Government, its ministries and other governmental bodies;
- Participation in market-building boards and teams at events arranged by the Government; and
- Participation in the activities of several associations & clubs, including Vietnam Association of Securities Business ("VASB"), Vietnam Bond Market Association ("VBMA"), Vietnam Business Council for Sustainable Development ("VBCSD") and CEO Club.

LOCAL COMMUNITY

- Support for youth activities through young persons and students organisations and universities;
- Participation in community development activities, including those providing assistance for disadvantaged people; and
- Participation in environmental and community activities organised by NGOs and non-profit organisations.

In order to provide relevant report content, HSC consulted with its stakeholders in order to identify their significant concerns and expectations for the Company. Based on these interactions, HSC determined the key issues to be included in the 2014 Sustainability Report and to drive sustainable development activities going forward.

The consultation methods HSC applied were as follows:

- Interviews with a number of stakeholders such as clients/ investors for CSR-related actions, the press, and government bodies/ associations to collect their evaluations of sustainability in HSC's activities;
- Conduction of an online survey at: <http://khaosathsc.info.tm/> to help employees, customers and major shareholders evaluate and comment on the sustainable development activities of HSC, which included questions relating to economic efficiency, adequate information about products, services, compliance policy, employee policy, contributing to the local community and possible improvements; and

- Review and analysis of comments and feedback obtained through the Company's website and Help Centre.

The key stakeholders identified include shareholders, clients/ investors, government bodies/ associations, employees, of which shareholders and clients/ investors all have high levels of interest in HSC and also have a significant influence on HSC, while employees, governmental bodies/ associations and local community have an intermediate level of influence on HSC but a high level of interest in the Company. The levels of influence and levels of interest of key stakeholders is modelled by the matrix below:

Stakeholders influence and interest matrix

LEVEL OF INTEREST IN HSC ↑ HIGH		<ul style="list-style-type: none"> Governmental bodies and associations Employees Local community 	<ul style="list-style-type: none"> Shareholders ClientS/Investors
		The Press	
	LOW		HIGH
	LEVEL OF INFLUENCE ON HSC →		

Key sustainability issues matrix

IMPORTANCE TO STAKEHOLDERS ↑ HIGH			Economic performance
		Labor practices and decent work	Training and education Product and Service Labeling Local Communities
	LOW		HIGH
	IMPORTANCE TO HSC →		

To evaluate the sustainability issues raised by key stakeholders, HSC assigned each stakeholder a relative weighting based on an analysis of the results of the above interest/influence model. As a result of this analysis, shareholders and investors/ clients were assigned double the weighting of employees, governmental bodies/ associations and local community. The amount of responses from each stakeholder group was also taken into account; as 60% of the survey responses were received from employees and shareholders, these were given a higher weighting. The results of this evaluation process are detailed in the Key sustainability issues matrix on page 83.

Results of the consultation process

Stakeholder	Concerns	HSC responses	Report content	Corresponding GRI indicators
Employees	Salary and welfare policy	Ensure salaries and welfare policies are reasonable for all employees	Positive impacts on the Company	EC3 LA1
	Training and team development policy	Organise periodic team-development and training activities for all employees		LA10 LA11
Shareholders	Dividend	Maintain a stable dividend rate	Investors' well-being	EC1
	Stock price	Improve corporate governance to ensure business growth is coupled with effective risk management		PR3
	Information transparency	Provide accurate, relevant, transparent information on a timely basis		
Clients/ Partners	Quality of products and services	Improve the quality of products & services and adhere to international best practices	Clients' well-being	PR3
Governmental bodies/ Associations	Compliance with regulations and laws	Effective risk management and corporate governance	Risk Management section in the Annual Report	EC1 SO1
	Market development solutions	Actively contribute market solutions	Contributing to the market's development	
	Contribution to Government revenues	Meet tax liabilities on a timely basis	Financial responsibility to the Government	
Local Community	Develop the younger generation	Actively support youth nurturing programs	Sharing with the community	SO1
	Assist the disadvantaged in society	Periodically organise philanthropic activities		

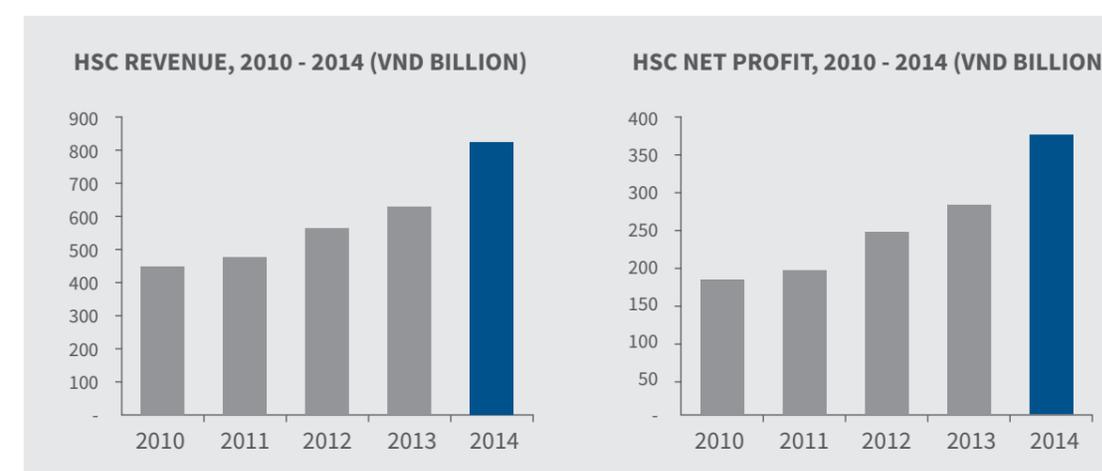
3. REVIEW OF SUSTAINABILITY DEVELOPMENT ACTIVITIES AT HSC

3.1. Positive impacts on the company

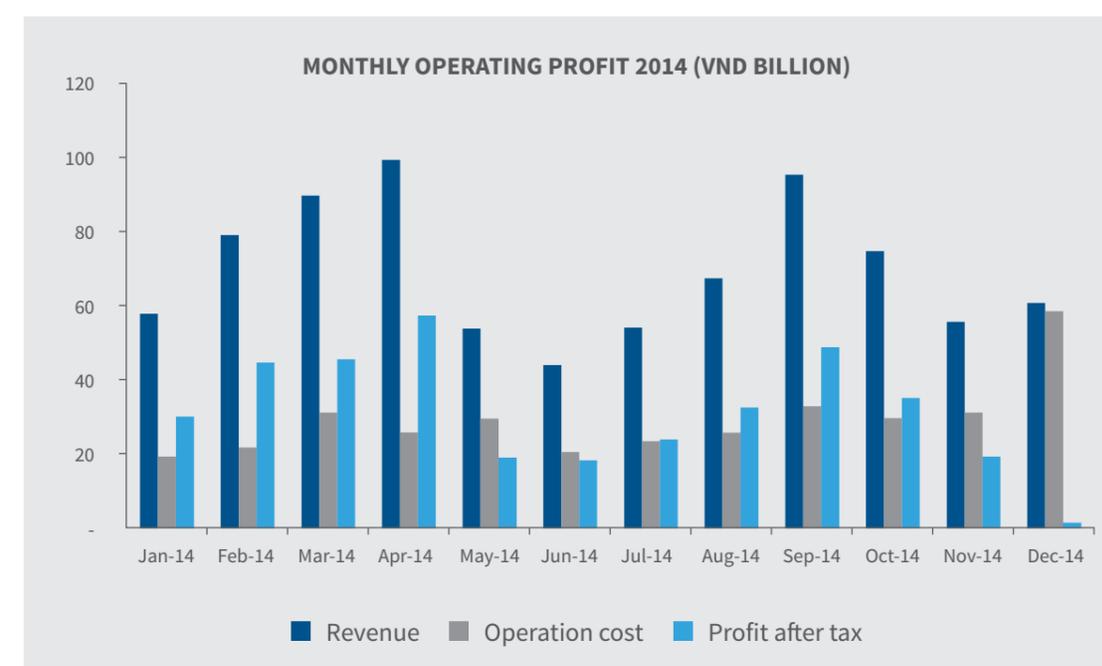
3.1.1. Stable growth

In 2014, HSC experienced growth on three main fronts. It has expanded the scale of its operations, actively participated in the development of new financial products to help grow its markets, and increased revenue and profit to record levels.

Revenue in 2014 increased 31% to reach VND 831 billion; the compound annual growth rate ("CAGR") over the previous five years was 11%. Profit after tax increased 33% to reach VND 376 billion, contributing to a CAGR of profit over the previous five years of 6%. Growth in financial performance enables the provision of competitive salaries and benefits for employees.



HSC's economic growth indicators in 2014 are analysed in more details in the *Review of operations* in the Company's 2014 Annual Report, page 16 - 25.



Year (VND billion)	2010	2011	2012	2013	2014
Total assets	2,525	2,628	3,199	3,128	3,859
Shareholders' equity	1,589	2,029	2,163	2,247	2,358
Short-term assets	2,336	2,356	2,585	2,768	3,729
Long-term assets	189	272	614	360	130
Current liabilities	934	387	926	880	1,501
Non-current liabilities	2	212	110	-	-
Rate of return					
Net Profit/Total Assets (ROAA)	7.9%	7.5%	8.5%	8.9%	10.8%
Net Profit/ Shareholders' equity (ROAE)	11.7%	10.7%	11.8%	12.8%	16.3%
Earnings per share (EPS)	3,044	2,920	2,474	2,241	2,956
Liquidity ratio					
Quick ratio	2.5	6.1	2.8	3.1	2.5
Current ratio	2.5	6.1	2.8	3.1	2.5
Capital structure					
Total debt/Total equity	58.9%	29.5%	47.9%	39.2%	63.7%
Shareholders' equity / Total equity	62.9%	77.2%	67.6%	71.9%	61.1%

Alongside growth in revenue and profit, the Company's total liabilities and total assets have also increased, at a CAGR over the previous five years of 9% and 13% respectively. Overall, the rate of return KPIs have consistently improved in this period, and are among the highest in Vietnam for securities companies, demonstrating HSC's effective use of capital.

The majority of HSC's assets are short-term in nature with high liquidity, and so solvency indicators have remained above 2.5 over the last five years.

As the Company enjoys abundant capital, it is able to meet ongoing capital requirements for brokerage activities and investments, and take advantage of favourable market conditions, in order to increase the efficiency of its use of capital.

3.1.2. Employee remuneration

HSC's steady growth over recent years has enabled it to provide competitive salaries, remuneration and other benefits.

The Company's salary payment policy requires salary to be tied to divisional performance and individual performance, while always in compliance with government regulations. To establish a motivational basis for rewarding employees in a competitive and fair manner, HSC has designed and implemented a management system utilising a Management by Objective methodology. This involves the identification of objectives and the measurement of results against these objectives to form the basis for important decisions such as salary, remuneration, training and development. The performance of all of HSC's employees is evaluated on an annual basis.

In 2014, HSC incurred over VND 144 billion in employees' salaries, insurance and remuneration, as detailed below:

Salaries, insurance and remuneration expenditure in 2014	VND 144,839,369,084
Salaries	61,788,882,505
Social insurance, health insurance and union fee	9,479,205,000
Unemployment insurance expenses	410,005,000
Remuneration	73,161,276,579

Total expenditure on employee welfare reached VND 1.3 billion, including pensions, insurance expenses, transportation fees, personal care fees and unemployment insurance.

3.1.3. Employee welfare

HSC believes that its people are the most significant factor in achieving its objectives, and so it commits significant resources to building an effective workforce. The Company's Welfare Policy has been written to be at least equal to, and in many areas more extensive than the Welfare Law of the Government in terms of providing benefits and rights to employees, in order to motivate and establish productive, progressive relationships with staff.

HSC staff are entitled to premium benefit packages, including annual health-check; 24-hour accident and healthcare insurance; travel insurance; holidays, outing, sporting and community activities; competitive holiday entitlements; and marriage, parental, birthday and funeral leave.

One of the Company's most integral welfare programs is the *Employee Stock Ownership Program ("ESOP")*, introduced in 2007. As a pioneering Vietnamese enterprise in implementing this program, HSC considers ESOP to be an effective instrument for retaining talent.

In 2014, HSC extended its annual leave policy to help employees improve their work-life balance. The Company's healthcare programs were also enhanced. Alongside the Healthcare Insurance Policy prescribed in the Company's Labour Code, HSC provides the opportunity for employees to have annual health-check at internationally recognised hospitals.

In order to alleviate the financial concerns of employees who are unfortunate enough to encounter accidents and/or serious sickness requiring high treatment costs in excess of their ability to pay, HSC partners with reputable insurance companies to provide premium insurance for employees and their relatives. Since 2011, HSC has contracted with the following insurance providers to bring new benefits for employees: (1) Gras Savoye Willis Vietnam, one of the country's leading brokerage insurers, a partnership between Gras Savoye (the largest insurance group in France) and Willis (the third largest insurance group in the world); and (2) Groupama, the second largest insurance company in the world with more than 100 years of operational experience in France.

HSC has also founded football clubs, including those providing tennis, soccer, badminton, yoga and gym facilities, to help improve staff health, wellbeing and fraternity. The Company has organised well-attended sporting events, involving many of its employees across all levels, with Dragon Capital Fund, the Ho Chi Minh City Finance and Investment State-owned Company, Viet Fund Management, Vietnam Securities Depository, Ho Chi Minh City Stock Exchange and Hanoi Stock Exchange, as well as with several news agencies and clients.

3.1.4 Nurturing human capital

Organisation Development

HSC organises many cultural activities throughout the year. In 2014, these included the Company Trip, team briefings, Luncheon with the CEO, and activities relating to anniversary celebrations, International Women's Day, Children's Day and the Mid-Autumn Festival. These activities are designed to strengthen internal cooperation, facilitate exchanges between all employees of the Company, and to help build and maintain a productive working environment.

The annual *HSC Company trip*, which incorporates the annual review, team building activities and the end-of-year party, took place in Da Nang in 2014 and was themed "HSC's calibre". It was attended by more than 430 employees from HSC transaction offices across the country. Through this program, HSC members experienced team building activities based on "calibre" themes of self-respect, self-confidence and pride.

Recruitment, talent development and succession planning

HSC's recruitment policies adhere to a strict qualifications-based process. Only candidates with strong qualifications and credentials are considered for available positions in the Company.

One of HSC's sustainable development objectives is to improve the quality of human resources. Therefore, since 2010, HSC has implemented programs relating to professional training, leadership development and succession planning for senior management positions. In 2014, as HSC enjoyed the benefit of a stable, well-trained workforce, the numbers of basic training courses and participants fell. Emphasis in 2014 was placed on advanced professional and leadership training, due to the importance attributed by the Company to its leadership culture.

Training indicators	2011	2012	2013	2014
Number of courses	105	68	101	41
Internal training	22	9	30	11
Securities certificates	33	34	40	18
External training – Professional and skills development	50	25	31	12
Number of participants	377	211	1,139	740

Workforce statistics

In 2014, the size of the workforce did not change significantly, as the rates of new hires and leavers were similar. The gender ratio in the workforce remained close to 50%, with males accounting for 54% and females 46%, due to a recruitment policy embracing gender equality. In terms of education, employees with university degrees and higher reached 90%, demonstrating the high quality human resource making up the workforce.

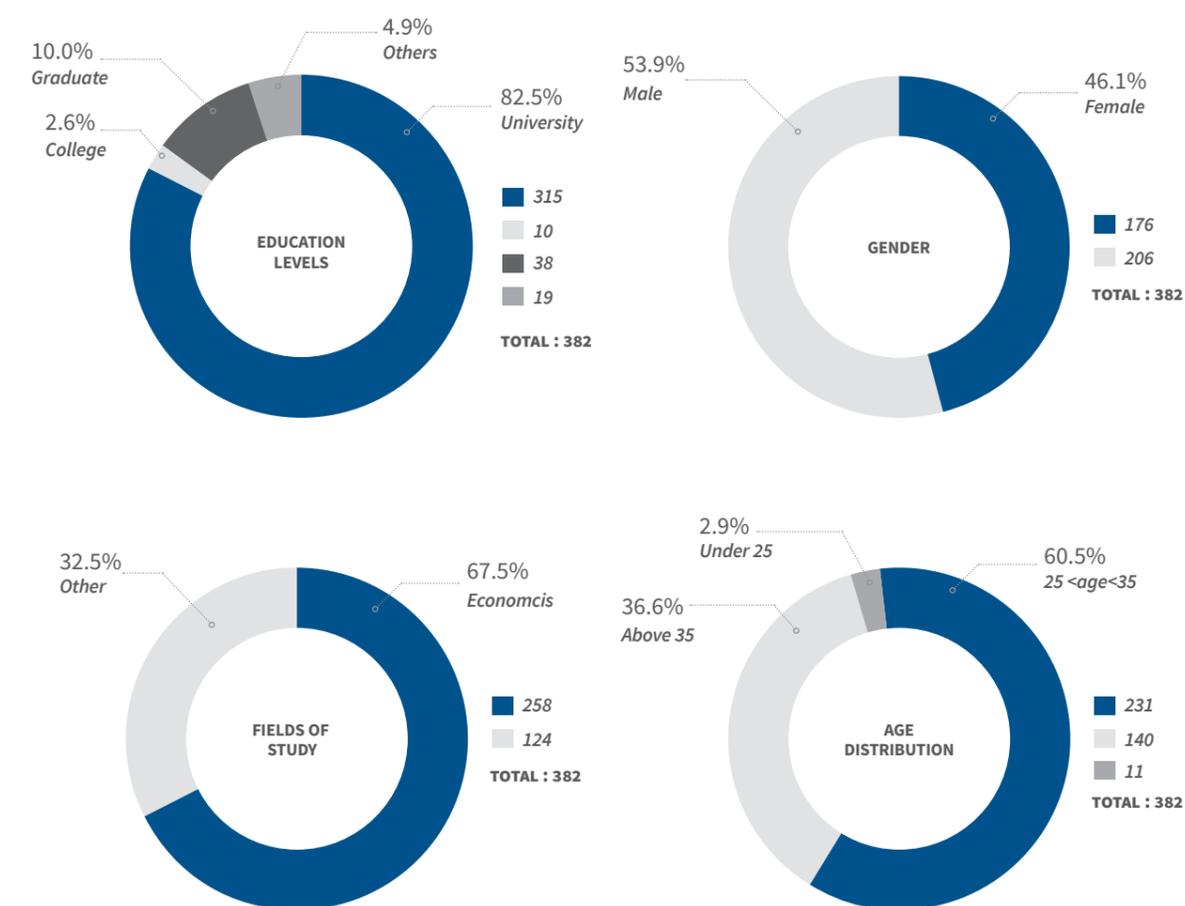
Human resource structure by gender and geographical location

Gender	Hanoi		Ho Chi Minh city		Total	Percentage
	Number	Percentage	Number	Percentage		
Female	48	12.6%	128	33.5%	176	46.1%
Male	85	22.3%	121	31.7%	206	53.9%
Total	133	34.8%	249	65.2%	382	100%

New employee hires and employee turnover, by age and gender in 2014

Statistical data 2014		Age				Gender		Total
		<25	25-30	30-40	>40	Male	Female	
Total employees	Number	11	120	196	55	206	176	382
	Ratio	2.9%	31.4%	51.3%	14.4%	53.9%	46.1%	100.0%
New employee hires	Number	5	23	8	1	17	20	37
	Ratio	1.3%	6.0%	2.1%	0.3%	4.5%	5.2%	9.7%
Employee turnover rate	Number	2	17	14	2	15	20	35
	Ratio	0.5%	4.5%	3.7%	0.5%	3.9%	5.2%	9.2%

WORKFORCE STATISTICS BY:



3.2. Positive impacts on the market

3.2.1. Investors' well-being

As of 08 January 2015, HSC has 3,620 shareholders, of which 105 are institutional and 3,515 are individual.

HSC has adopted a dividend policy that has been designed to ensure a regular, stable income to shareholders. It seeks to pay a consistent dividend rate each year, in cash, of over 12%.

HSC focuses significant resources on Investor Relations to preserve its shareholders' rights to access relevant, accurate and timely information about the Company. Investor Relations at HSC is managed by the Communications Department and led by the Communications Director, who is also authorised to directly disclose information.

Through the AGM and Annual Report, shareholders are fully informed of HSC's operating results and activities, as well as any strategic developments, including those related to sustainability.

Besides traditional Investor Relations channels, HSC has introduced several new communication channels, in line with international best practice. HSC arranges face-to-face meetings with investors and the media on a regular basis to analyse the Company's quarterly financial updates and deliver accurate, relevant and timely information to stakeholders. HSC has also built and continually updates its shareholders' contact details database, to ensure information is effectively communicated. HSC is always very happy to meet with, discuss issues with and answer questions from its investors.

In 2014, HSC launched its upgraded website www.hsc.com.vn, as part of a program to enhance the Company's Investor Relations functionality and service quality. The website is considered by the Company to be an essential and convenient tool in providing timely information to stakeholders, and so ShareInvestor, a leading provider of Investor Relations services in the region with significant experience in more developed markets including Singapore, Thailand and Malaysia, has been selected as an external specialist to assist in the management of the Company's online Investor Relations.

The new website has a responsive web design and a bespoke interface enabling it to be compatible with different platforms and applications, including those used by smart phones, laptops and tablets. In

addition to the new interface, HSC has also updated the website structure in line with international standards, integrating modern features to increase interaction with shareholders and investors. The Investor Relations section provides access to financial statements, semi-annual reports and annual reports, outstanding financial information, corporate governance reports, ownership structure information, dividend history, information relating to shareholders' meetings, and other information disclosures, all of which are regularly updated.

Annual reports are provided in both HTML and PDF formats, allowing investors to easily read online or download information as required. Functionality and user experience are enhanced through the availability of content in both English and Vietnamese languages; an easy-to-use website search engine; and a clear "Information Request" section, which includes a contact form as well as answers to frequently asked questions.

3.2.2. Clients' well-being

Providing diversified and professional services

HSC provides a range of financial services to individual, institutional and corporate clients. The Company adheres to high standards of professional ethics, helping to ensure that all of its client-facing activities are conducted responsibly and effectively by a dedicated team of professionals.

• Services for individual clients

- **Securities brokerage:** In order to fully understand the financial capacity, risk acceptance level and any other relevant needs of HSC's clients, and to enable them to consistently provide effective, bespoke solutions, the Company's brokers maintain regular contact with clients via phone and email.
- **Fund certificates distribution:** HSC offers a range of funds to its clients, allowing them the flexibility to select desired levels of market exposure and to take advantage of the diversification built into these products.
- **Securities services:** HSC provides account management functionality to international standards, with transactions and relevant information being continuously updated, managed and monitored.

- **Funding services:** Owing to the robustness of its balance sheet and IT systems, HSC is able to provide a range of approved financial instruments that can simplify and expedite the process of raising capital for its clients.

- **Research centre:** Many prestigious organisations across the world have voted HSC's research team as the best in Vietnam. The strength of HSC reports is built around in-depth analyses, up-to-date information and sensible forecasts based on comprehensive macro-economic, sector and company research. The top 70 listed and OTC stocks are closely monitored with rated reports and detailed earnings models. Products provided to clients by the HSC Research Team include:

- Strategy reports, published 3-4 times a year, including analysis and forecasts for macroeconomic, stock market and investment strategy;
- Macro reports, published periodically as well as when required by market developments;
- Company reports, including ranking reports of the top 70 listed and OTC stocks, divided into eight main industries: real estate; financial services; consumer goods; agriculture; manufacturing; technology; energy; and logistics. Company reports provide in-depth analyses of stock value, risk, volatility of stock price and business outlook. HSC's analysts also closely monitor daily information relating to the companies and assess any impact on share value. The analysts also conduct analyses of periodic financial reports, corporate visits, and interviews with management teams, corporate clients and industry specialists, in order to construct a comprehensive view of the enterprise. Company reports are published on a quarterly basis as well as when required by market developments;
- Technical reports, analysing market trends through the VN Index and HNX Index, from long-term, medium-term and short-term perspectives; technical reports are published daily; and
- The Vietnam Daily, HSC's daily report providing detailed information and comment on stock markets, macro-economic news and companies, as well as recommendations for investors.

• Services for institutional clients

- **Brokerage and sales:** HSC offers professional and distinctive brokerage services to meet the needs of institutional clients. HSC is the only brokerage firm in Vietnam that can send trading confirmation/ allocation via the OMGEO Central Trade Manager platform, as well as receive client orders via Bloomberg FIX (Financial Information Exchange). HSC is also currently working with custodians to launch a SWIFT connection that will improve order proceeding speeds.

- **Trading and execution:** Over the last two years, HSC has worked with PwC Vietnam to improve its internal control environment, in order to ensure compliance with internal policies and to improve the integrity and efficiency of customer transactions. The Company has also adopted the ITIL standard, which focuses on aligning IT services with the specific needs of the business and its clients. In addition to monitoring trade risks, this system reduces the risk of service disruption through unforeseen events.

- **Fixed income and treasury services:** HSC is one of the few securities companies in Vietnam with the strength and capabilities to provide treasury services to institutional clients. HSC endeavours to develop and execute client-specific portfolio solutions, as well as deepen and expand client relationships.

- **Research centre:** In addition to the reports detailed in the "Services for individual clients" section, HSC also provides connecting services for institutional clients and arranges direct meetings with companies.



Vietnam Annual Report Awards Ceremony

• **Services for corporate clients**

HSC's Corporate Finance Division works closely with corporates in fully understanding their needs and growth potential, in order to provide tailored solutions.

Corporate finance services provided by the division include advisory on M&A; IPO and listing; equitisation; capital raising; as well as related services including valuation, restructuring and capital planning.

Table of services at HSC

INDIVIDUAL CLIENTS	INSTITUTIONAL CLIENTS	CORPORATE CLIENTS
<ul style="list-style-type: none"> ▾ Securities brokerage <ul style="list-style-type: none"> ▸ Account management ▸ Consultancy and order placement ▸ Execution ▾ Fund certificate distribution <ul style="list-style-type: none"> ▸ Open-ended funds ▸ ETFs ▾ Securities services <ul style="list-style-type: none"> ▸ Securities custody ▸ Securities auction agent ▸ Shareholder management ▾ Financing services <ul style="list-style-type: none"> ▸ Listed stocks margin trading ▸ Research centre 	<ul style="list-style-type: none"> ▸ Brokerage and sales ▸ Trading and execution ▾ Fixed income and treasury services <ul style="list-style-type: none"> ▸ Execution ▸ Government bond auction ▸ Research centre 	<ul style="list-style-type: none"> ▸ M&A Advisory ▾ Equity capital markets <ul style="list-style-type: none"> ▸ IPO advisory, listing advisory ▸ Capital raising ▸ Equitisation advisory ▾ Corporate finance services <ul style="list-style-type: none"> ▸ Valuation ▸ Restructuring ▸ Capital planning

Providing accurate, relevant and timely information

HSC provides consultancy services and support to clients directly through an experienced team of trained professionals. The Company maintains a diverse range of client support channels, including:

- The Individual Client Service Centre, a unique model of customer care providing direct, bespoke services. Through the centre, HSC maintains frequent contact with clients on an individual basis to keep them informed of changing market conditions and investment opportunities;
- Internet trading platforms, Vi-Trade and VIP-Trade, introduced in 2014 to allow investors to track stock market information and undertake real-time transactions remotely;

- Mobile trading applications, VM-Trade (for mobile phones) and HSC Trade Pro (for iPads), introduced in 2014 to provide functionality for investors to trade on their mobile and smart devices, as well as to provide relevant supporting information to assist in investment decisions;
- The Call Centre (reached on **08.3823.3298**), which supports clients in order placement, registry for purchase, funds transfers, account information enquiries and complaints relating to products and services provided by HSC. For security reasons, clients must register to trade through the Call Centre and are assigned a trading security code before being able to place orders. The centre is open during office hours from Monday to Friday;

- SMS communications, which are sent automatically to clients to inform them of any changes in remaining balance, updates on operating rights and dividends, and other relevant information relating to margin trading accounts;
- Email communications, in the form of monthly electronic newsletters and account statements. Email is the preferred method for the fast, convenient and safe updating of client account information; and
- HSC's website (www.hsc.com.vn), which has been upgraded in 2014 to provide more extensive services to clients and shareholders.

HSC has also successfully implemented international standards (ISMS - ISO 27001, COBIT 5) to improve the confidentiality, integrity and availability of business information across the organisation. In 2014, HSC also commenced with a Customers Relations Management ("CRM") system project, which aims to develop a system to enable HSC staff to manage and serve clients more effectively and efficiently. The first phase of this project, focusing on retail brokerage clients, is expected to complete in Q2/2015.

3.2.3. Contributing to market development

As a leading securities company in Vietnam and having had such a significant influence in the development of the securities services market over the last decade, HSC acknowledges its ongoing responsibilities in continuing this development, especially in promoting transparency, integrity and innovation.

In the stock market, HSC has actively participated in market development activities such as annual discussion forums, workshops held by the SSC and HNX, and HSX membership conferences. Company representatives are members of the Index Committee and actively contribute ideas and expertise in relation to new product development, including various derivatives products.

In the bond market, HSC is a co-founder and an active member of VBMA, and has representatives on VBMA's permanent council. The Company participates in VBMA's periodic meetings and frequently contributes resource and expertise to initiatives designed to develop Vietnam's bond market.

HSC organises quarterly Analyst Conferences for journalists and investment funds, providing local and foreign investors with access to relevant, accurate and timely information to support their investment activities.

Furthermore, in 2014, HSC has actively participated in a wide range of activities to share information and knowledge with local and foreign investors and organisations, including:

- Financial Markets Infrastructure workshop at the Asian Banker Financial Markets Leadership Achievement Awards in Malaysia. HSC's CEO Johan Nyvene received the Company's award and participated in the workshop to discuss several topics relating to the development of Asia's financial markets;
- Vietnam Investment Forum 2014, Ho Chi Minh City, which discussed the rise of frontier and emerging markets, as well as investment opportunities in Vietnam;
- Business Forum 2014, entitled "Vietnam - Fresh Opportunity", organised by Forbes magazine in Ho Chi Minh City;
- Bloomberg Markets Most Influential Summit 2014, USA, where over 300 leading investors discussed investment opportunities and global trends;
- The Annual General Meeting of the International Council of Securities Associations ("ICSA") in Paris, France. Trinh Hoai Giang, COO of HSC and the Vice President of VBMA, participated in the meeting, representing the interests of Vietnam's capital markets;
- A conference held in Tokyo, Japan, aimed at encouraging Japanese investment into Vietnam's stock market, and promoting Vietnamese-Japanese investment partnerships. During the event, HSC was represented on a panel discussing Vietnam's capital markets;
- Business Insights Vietnam 2014, organised by Channel News Asia magazine in Ho Chi Minh City. HSC provided representatives as panellists for a workshop discussing sustainable development and involving local and international experts and business leaders;

- Vietnam CEO Forum 2014, at which Johan Nyvene, who also acts as Vice Chairman of the CEO Club, participated in a discussion on financial strategy;
- VBMA's fifth anniversary event, at which HSC contributed to a discussion on the development of Vietnam's bond markets; and
- A field trip to the Republic of Korea, accompanying representatives of the SSC, HNX, HSX, VSD and Dragon Capital, for knowledge sharing purposes in relation to derivatives markets.



HSC and representatives of the SSC, HNX, HSX, VSD and Dragon Capital on a field trip on derivatives markets in Korea

2014 also marked the launch of the first domestic ETF in Vietnam, of which HSC is one of the two founding members and Authorised Participants. The fund is intended to make a positive contribution to the liquidity of Vietnam stocks.

3.3. Positive impacts on society

3.3.1. Financial responsibility to the Government

HSC is committed to the economic, social and environmental development of Vietnam, which it contributes to via significant tax payments. HSC's total contribution to Government revenues in 2014, at local and national levels, stands at over VND 214 billion. This places HSC at 145th in the 2014 V1000, a list of the 1,000 largest corporate income taxpayers in Vietnam, produced by the Viet Nam Report Company and the Taxation Department.

FY	2010	2011	2013	2014
HSC's ranking	221	194	179	145

HSC's ranking on V1000

3.3.2. Sharing with the community

As a leading financial institution in Vietnam, HSC recognises its responsibility to promote sustainable development in society. The Company also recognises the importance of investing in human resources, especially in younger generations, to help build solid foundations for future society, and so the Company's CSR activities have been designed to focus on youth development where possible.

In addition, HSC employees often arrange philanthropic activities to support the community, efforts which are fully supported by the Company.

Nurturing future generations

Investment in education is, by its nature, a long term investment. Following Ho Chi Minh's philosophy that to provide for the next hundred years, human resources require nurturing, HSC strives to actively support and cooperate with educational, non-profit and non-governmental organisations ("NGOs") in activities designed to develop young talents into future leaders, including the provision of training courses and internships at HSC's offices. Relevant activities in the period include:

- Sponsorship of and cooperation with AIESEC, an international student-led organisation www.aiesec.vn. This is the second year HSC has acted as an official partner to AIESEC, contributing financially towards youth development activities, as well as providing training courses for AIESEC's leaders and students to develop their talent and self-confidence to become global citizens;
- Cooperation with the Living Values Education Program ("LVEP") www.innerspace.vn, a non-profit NGO which helps to orient people towards positive living values. In 2014, HSC and LVEP organised a training course for students on self-awareness;
- Sponsorship of and cooperation with the Faculty of Economics Stock Exchange ("FESE"), a virtual stock trading exchange held annually by the University of Economics and Law ("UEL") in HCMC. FESE is an academic program with a broad influence, attracting "student investors" from across the country. HSC has been supporting FESE for many

years and recruiting students from their programs, many of whom currently hold important positions at the Company. In 2014, HSC committed up to VND 500 million until 2019, including financial support for the operation of FESE and scholarships, recruitment and professional training for students. This strategic partnership between UEL and HSC provides opportunities for students and strengthens the Company's relationship with UEL;

- HSC's 5th consecutive year in association with Sponsors for Educational Opportunity ("SEO") Vietnam www.seo-vietnam.org, a partnership between two non-profit organisations, the local Interns in Vietnam and the US-based SEO, which develops leadership potential among young and talented Vietnamese students from universities all around the world. HSC has provided internship opportunities and organised talks on career development and the professional finance environment; and

- Participation in Career Days at the Foreign Trade University and Open University, providing career opportunities and advice to fresh graduates.

Philanthropic investment

HSC commenced several philanthropic endeavours during the period, including:

- The donation of ten computer sets to Quang Hung Secondary School, Kien Xuong District, Thai Binh Province for the second year in succession. The computers are used by students living in poor and remote areas lacking proper learning facilities;
- Assistance in the organisation of a charity event, "Book shelves for students", which includes the provision of bookshelves and books for elementary school students in poor areas; and
- Support to build a library or blind people.



HSC participated in a talk with students at Vietnam Youth to Business Forum 2014

"HSC leaders demonstrated their care for youth development by inviting us to join other CSR initiatives they run, and by helping us to connect with other organisations in Vietnam that are willing to cooperate to make a larger impact on Vietnamese youth."

I strongly believe that HSC is not only one of the most successful financial institutions in Vietnam; more importantly, it is a group of amazing people, experienced in life and business, who have the power to show young people the right direction in life".

Pawel Gorsky

President of AIESEC Vietnam, 2013 - 2014

HSC has acted as a National Partner for AIESEC since 2013

GRI CONTENT INDEX

FOR “IN ACCORDANCE” – CORE

GENERAL STANDARD DISCLOSURES

1.1 Strategy and analysis				
Item	Description	Reference/Answer	Page	Reason for omission
G4-1	Statement by CEO	AR – Message from the CEO	02 - 07	
G4-2	A description of key impacts, risks and opportunities	AR – Risk Management Division SR – Outline of Sustainability Report	54 - 57 78 - 84	
G4-3	Name of the organisation	AR –HSC Profile	01	
G4-4	Primary products and services	SR- Clients' well-being	90 - 93	
G4-5	Location of organisation's headquarters	AR – HSC Profile	Cover 3	
G4-6	The number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	HSC is now operating in Ho Chi Minh City and Hanoi, Vietnam		
G4-7	The nature of ownership and legal form	AR – HSC Profile	01	
G4-8	The markets served (including geographic breakdown, sectors served, and types of customers)	Vietnamese and International clients		
G4-9	The scale of the organisation	AR – HSC Profile	01	
G4-10	The organisation's workforce statistics	SR – Nurturing human capital	88 - 89	
G4-11	The percentage of total employees covered by collective bargaining agreements	100%		
G4-12	A description of the organisation's supply chain	AR – HSC Profile	01	
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	There is no change		
G4-14	Report whether the precautionary approach or principle is addressed by the organisation	Due to the nature of the financial service sector, HSC has a minor impact on the environment, and the Company has not invested in any projects that cause harm to the environment. However, HSC still actively responds to any environmental protection activities, practising a green lifestyle philosophy at its offices.		
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives which the organisation endorsed.	SR – Sustainability Governance Structure	81 - 82	
G4-16	Memberships of associations	Vietnam Bond Market Association (“VBMA”), Index Committee, Vietnam CEO Club		
1.2 Identified material aspects and boundaries				
G4-17	List all entities included in the organisation's consolidated financial statements or equivalent documents			HSC does not have subsidiaries
	Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report			HSC does not have subsidiaries
G4-18	Explain the process for defining the report content and the boundaries	SR – Outline of Sustainability Report	77	
	Explain how the organisation has implemented the reporting principles for defining report content			
G4-19	List all the material aspects identified in the process for defining report content	SR – Stakeholder engagement and identifying report content	82 - 84	
G4-20	For each material aspect, report the Aspect Boundary within the organisation	SR – Outline of Sustainability Report	77	
G4-21	For each material aspect, report the Aspect Boundary outside the organisation	SR – Outline of Sustainability Report	77	
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements			There are no restatements
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries			This is the first year HSC has prepared the report

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Outline of The Sustainability Report

Overview of Sustainable Development at hsc

Review of Sustainability Development Activities at HSC

Gri Content Index

1.3 Stakeholder Engagement				
G4-24	A list of stakeholder groups engaged by the organisation	SR – Stakeholder engagement and identifying report content	82 - 84	
G4-25	The basis for identification and selection of stakeholders with whom to engage	SR – Stakeholder engagement and identifying report content	82 - 84	
G4-26	The organisation's approach to stakeholder engagement	SR – Stakeholder engagement and identifying report content	82 - 84	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns (including through its reporting)	SR – Stakeholder engagement and identifying report content	82 - 84	
1.4 Report Profile				
G4-29	Date of most recent previous report	SR – Outline of Sustainability Report	77	
G4-30	Reporting cycle	SR – Outline of Sustainability Report	77	
G4-31	Contact point (if any)	SR – Outline of Sustainability Report	77	
1.5 GRI Content Index				
G4-32	The reporting option the organisation has chosen	SR – Outline of Sustainability Report	77	
G4-31	The contact point for questions regarding the report or its contents	SR – Outline of Sustainability Report	77	
G4-34	Governance structure of the organisation, including committees of the highest governance body	SR – Sustainability Governance Structure	81 - 82	
1.6 Ethics and integrity				
G4-56	The organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	AR – Vision, Mission, Core values	1	
2. SPECIFIC CONTENTS				
2.1 ECONOMIC IMPACTS				
2.1.1 Economic performance				
G4-EC1	Direct economic value generated and distributed	SR – Stable growth SR – Investors' well-being	85 - 86	
G4-EC3	Coverage of the organisation's defined benefit plan obligations	SR – Employee remuneration	90	
2.2 SOCIAL IMPACTS				
2.2.1 Labor practices and decent work				
Employment				
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	SR - Nurturing human capital	88 - 89	
Training and education				
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	SR – Nurturing human capital	88 - 89	
G4-LA11	Percentage of employees receiving performance and career development reviews periodically, by gender and by employee category	SR - Employee remuneration SR - Employee welfare	86 - 87	
2.2.2 Society				
Local communities				
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	SR – Contributing to market development SR – Financial responsibility to the Government SR – Sharing with the community	93 - 94 94 94 - 95	
2.2.3 Product responsibility				
Product and service labeling				
G4-PR3	Type of product and service information required by the organisation's procedures, and percentage of significant product and service categories subject to such information requirements	SR – Clients' well-being	90 - 93	

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GRI Content Index

Report of the Management

The Management of Ho Chi Minh City Securities Corporation (“the Company”) is pleased to present its report and the financial statements of the Company as at and for the year ended 31 December 2014.

MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the financial statements of each financial year which give a true and fair view of the state of affairs of the Company and of the Company’s results of operations, its cash flows and its changes in equity for the year. In preparing those financial statements, management is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management confirmed that it has complied with the above requirements in preparing the accompanying financial statements for the year ended 31 December 2014.

STATEMENT BY THE MANAGEMENT

The Management does hereby state that, in its opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2014 and of the results of its operations, its cash flows and its changes in equity for the year then ended in accordance with the Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System, accounting regulations and guidance applicable to securities companies and statutory requirements relevant to preparation and presentation of financial statements.

For and on behalf of the Management:



Johan Nyvene
Chief Executive Officer

Ho Chi Minh City, Vietnam
18 March 2015



Ernst & Young Vietnam Limited
28th Floor, Bitexco Financial Tower, 2 Hai Trieu Street,
District 1, Ho Chi Minh City, S.R. of Vietnam
Tel : +84 8 3824 5252
Fax : +84 8 3824 5250
ey.com

Reference: 60790272/17105328

Independent auditors’ report

To: The Shareholders of Ho Chi Minh City Securities Corporation

We have audited the accompanying financial statements of Ho Chi Minh City Securities Corporation (“the Company”) as prepared on 18 March 2015 and set out on pages 102 to 140, which comprise the balance sheet as at 31 December 2014, and the income statement, the cash flow statement and the statement of changes in equity for the year then ended and the notes thereto.

Management’s Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System, accounting regulations and guidance applicable to securities companies and statutory requirements relevant to preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Company as at 31 December 2014, and of the results of its operations, its cash flows, and its changes in equity for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System, accounting regulations and guidance applicable to securities companies and statutory requirements relevant to preparation and presentation of financial statements.

Ernst & Young Vietnam Limited



Nguyen Xuan Dai
Deputy General Director
Audit Practicing Registration
Certificate No. 0452-2013-004-1

Ho Chi Minh City, Vietnam
18 March 2015



Nguyen Quoc Tuan
Auditor
Audit Practicing Registration
Certificate No. 1841-2013-004-1

Balance sheet

B01-CTCK

as at 31 December 2014

VND

VND

Code	ASSETS	Notes	Ending balance	Beginning balance
100	A. CURRENT ASSETS		3,729,375,462,393	2,768,235,282,081
110	I. Cash and cash equivalents	4	1,506,623,089,077	1,007,873,885,140
111	1. Cash		1,506,623,089,077	1,007,873,885,140
112	2. Cash equivalents		-	-
120	II. Short-term financial investments	6	197,474,340,107	352,083,430,831
121	1. Short-term investments		279,720,963,132	397,465,522,487
129	2. Provision for short-term investments		(82,246,623,025)	(45,382,091,656)
130	III. Short-term receivables	7	2,021,465,503,113	1,402,016,293,670
131	1. Trade receivables		1,796,217,100	1,390,133,377
132	2. Advances to suppliers		3,941,320,615	110,262,322
135	3. Receivables from securities trading activities		2,025,959,756,897	1,390,070,574,094
138	4. Other receivables		6,487,513,595	33,761,288,971
139	5. Provision for doubtful debts		(16,719,305,094)	(23,315,965,094)
150	IV. Other current assets		3,812,530,096	6,261,672,440
151	1. Short-term prepaid expenses	8	3,633,259,136	6,110,580,511
158	2. Other current assets		179,270,960	151,091,929
200	B. NON-CURRENT ASSETS		129,991,561,736	359,545,786,841
220	I. Fixed assets		8,423,595,801	7,370,462,750
221	1. Tangible fixed assets	9	4,379,088,951	5,685,717,561
222	- Cost		40,204,022,446	38,432,189,860
223	- Accumulated depreciation		(35,824,933,495)	(32,746,472,299)
227	2. Intangible fixed assets	10	1,633,999,174	1,684,745,189
228	- Cost		23,089,878,017	21,963,858,667
229	- Accumulated amortization		(21,455,878,843)	(20,279,113,478)
230	3. Construction in progress		2,410,507,676	-
250	II. Long-term investments		-	229,370,665,250
253	1. Long-term securities		-	229,370,665,250
254	- Available-for-sale securities		-	229,370,665,250
260	III. Other long-term assets		121,567,965,935	122,804,658,841
261	1. Long-term prepaid expenses	11	102,687,119,775	107,738,117,777
263	2. Advance to Settlement Assistance Fund	12	14,332,583,310	11,832,583,310
268	3. Other long-term assets	13	4,548,262,850	3,233,957,754
270	TOTAL ASSETS		3,859,367,024,129	3,127,781,068,922

Code	RESOURCE	Notes	Ending balance	Beginning balance
300	A. LIABILITIES		1,501,136,414,737	880,432,875,754
310	I. Current liabilities		1,501,136,414,737	880,432,875,754
312	1. Trade payables		1,861,719,700	1,464,675,431
314	2. Statutory obligations	14	25,004,270,953	39,092,023,179
316	3. Accrued expenses	15	24,509,074,595	20,041,416,663
319	4. Other payables	16	70,701,055,922	5,646,682,698
320	5. Payables for securities trading	17	1,366,499,871,795	584,090,981,306
321	6. Dividend, principal and coupon payables		2,008,561,292	6,175,409,201
323	7. Bonus and welfare fund		10,551,860,480	6,443,177,708
327	8. Payables for buying/selling Government bonds		-	217,478,509,568
400	B. OWNERS' EQUITY	18	2,358,230,609,392	2,247,348,193,168
410	I. Capital		2,358,230,609,392	2,247,348,193,168
411	1. Share capital		1,272,567,580,000	1,272,567,580,000
412	2. Share premium		310,343,798,499	310,343,798,499
414	3. Treasury shares		(327,808,838)	(123,551,893)
417	4. Investment and development fund		3,961,374,994	3,961,374,994
418	5. Financial reserve		182,241,735,237	144,626,530,513
420	6. Undistributed earnings		589,443,929,500	515,972,461,055
440	TOTAL LIABILITIES AND OWNERS' EQUITY		3,859,367,024,129	3,127,781,068,922

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OFF BALANCE SHEET ITEMS

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<i>Code</i>	<i>ITEMS</i>	<i>Ending balance</i>	<i>Beginning balance</i>
004	1. Bad debts written-off	345,059,000	345,059,000
005	2. Foreign currencies	630,227,456	150,590,712
006	3. Custody securities	8,014,031,350,000	7,969,306,770,000
	<i>Including:</i>		
007	3.1. <i>Trading securities</i>	6,592,209,670,000	7,061,036,830,000
008	3.1.1. Trading securities of custody investors	37,433,960,000	69,110,190,000
009	3.1.2. Trading securities of local investors	6,406,281,610,000	6,811,983,200,000
010	3.1.3. Trading securities of foreign investors	148,494,100,000	179,943,440,000
012	3.2. <i>Temporarily unprocessed securities</i>	42,884,600,000	73,025,060,000
013	3.2.1. Temporarily unprocessed securities of custody investors	200,000,000	-
014	3.2.2. Temporarily unprocessed securities of local investors	40,484,600,000	70,785,060,000
015	3.2.3. Temporarily unprocessed securities of foreign investors	2,200,000,000	2,240,000,000
017	3.3. <i>Mortgaged securities</i>	321,512,960,000	257,638,210,000
019	3.3.1. Mortgaged securities of local investors	297,904,860,000	234,030,110,000
020	3.3.2. Mortgaged securities of foreign investors	23,608,100,000	23,608,100,000
027	3.4. <i>Securities awaiting settlement</i>	1,049,305,470,000	481,513,680,000
028	3.4.1. Securities awaiting settlement of custody investors	8,190,000	2,175,400,000
029	3.4.2. Securities awaiting settlement of local investors	1,049,058,280,000	478,551,280,000
030	3.4.3. Securities awaiting settlement of foreign investors	239,000,000	787,000,000
037	3.5. <i>Securities waiting for trading</i>	8,118,650,000	96,092,990,000
038	3.5.1. Securities waiting for trading of custody investors	70,000	2,798,080,000
039	3.5.2. Securities waiting for trading of local investors	7,296,370,000	93,077,280,000
040	3.5.3. Securities waiting for trading of foreign investors	822,210,000	217,630,000

OFF BALANCE SHEET ITEMS (continued)

VND

<i>Code</i>	<i>ITEMS</i>	<i>Ending balance</i>	<i>Beginning balance</i>
050	4. Custody securities of unlisted public companies	651,413,380,000	441,506,360,000
	<i>Including:</i>		
051	4.1. <i>Trading securities</i>	645,658,480,000	438,638,920,000
052	4.1.1. Trading securities of custody investors	2,931,610,000	4,584,740,000
053	4.1.2. Trading securities of local investors	630,781,250,000	425,652,930,000
054	4.1.3. Trading securities of foreign investors	11,945,620,000	8,401,250,000
056	4.2. <i>Temporarily unprocessed securities</i>	873,500,000	946,340,000
057	4.2.1. Temporarily unprocessed securities of custody investors	354,000,000	354,000,000
058	4.2.2. Temporarily unprocessed securities of local investors	519,500,000	592,340,000
061	4.3. <i>Mortgaged securities</i>	1,300,000,000	1,300,000,000
063	4.3.1. Mortgaged securities of local investors	1,300,000,000	1,300,000,000
071	4.4. <i>Securities waiting for settlement</i>	3,401,400,000	441,100,000
073	4.4.1. Securities waiting for settlement of local investors	3,401,400,000	441,100,000
076	4.5. <i>Blocked securities waiting for releases</i>	180,000,000	180,000,000
078	4.5.1. Blocked securities waiting for releases of local investors	180,000,000	180,000,000
083	5. Non-custody securities held of securities companies	55,268,770,000	47,956,980,000

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Code	ITEMS	Notes	Current year	Previous year
01	1. Revenue		831,135,291,006	634,759,577,700
	<i>In which:</i>			
01.1	Revenue from brokerage services		299,431,882,181	199,104,183,216
01.2	Revenue from securities investments		194,425,395,876	152,918,931,927
01.3	Revenue from underwriting services		19,029,812	2,880,000,000
01.4	Revenue from securities issuance services		-	45,954,595
01.5	Revenue from finance advisory services		12,362,171,402	16,399,063,998
01.6	Revenue from custodian services		3,502,787,744	3,710,638,724
01.9	Other revenue	19	321,394,023,991	259,700,805,240
10	2. Net revenues from operating activities		831,135,291,006	634,759,577,700
11	3. Operating expenses	20	(262,284,254,449)	(176,670,627,586)
20	4. Gross profit from operating activities		568,851,036,557	458,088,950,114
25	5. General and administrative expenses	21	(87,407,721,377)	(83,378,406,743)
30	6. Net profit from operating activities		481,443,315,180	374,710,543,371
31	7. Other income		4,090,909	717,818,940
32	8. Other expenses		-	-
40	9. Other profit		4,090,909	717,818,940
50	10. Profit before tax		481,447,406,089	375,428,362,311
51	11. Current corporate income tax expense	22.1	(105,295,358,840)	(93,254,051,563)
60	12. Net profit after tax		376,152,047,249	282,174,310,748
70	13. Basic earnings per share	26	2,956	2,241

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Code	ITEMS	Notes	Current year	Previous year
	I. CASH FLOWS FROM OPERATING ACTIVITIES			
01	1. Net profit before tax		481,447,406,089	375,428,362,311
	2. Adjustments for:			
02	- Depreciation and amortization	20, 21	4,255,226,561	7,824,033,495
03	- Provisions		30,267,871,369	(5,609,255,984)
05	- Profits from investing activities		(119,616,575,866)	(178,135,467,936)
06	- Interest expense		6,488,285,876	24,294,038,018
08	3. Operating profit before changes in working capital		402,842,214,029	223,801,709,904
09	- Increase in receivables		(627,738,762,673)	(766,005,026,845)
10	- Decrease (increase) in short-term investments		117,744,559,355	(193,959,397,311)
11	- Increase (decrease) in payables (other than interest, corporate income tax)		572,082,214,753	(54,208,620,750)
12	- Decrease in prepaid expenses		7,528,319,377	3,858,223,872
13	- Interest paid		(6,951,035,444)	(43,243,852,375)
14	- Corporate income tax paid	22.1	(123,582,104,212)	(68,737,158,706)
16	- Other cash outflows from operating activities		(46,791,497,842)	(11,509,544,224)
20	Net cash flows generated from (used in) operating activities		295,133,907,343	(910,003,666,435)
	II. CASH FLOWS FROM INVESTING ACTIVITIES			
21	1. Purchase and construction of fixed assets and other long-term assets		(5,308,359,612)	(3,175,695,573)
22	2. Proceeds from disposals of fixed assets and other long-term assets		-	139,600,000
23	3. Loans to other entities and payments for purchase of debt instruments of other entities		(1,356,507,877,419)	(702,167,585,247)
24	4. Collections from borrowers and proceeds from sale of debt instruments of other entities		1,622,629,521,118	801,493,109,590
26	5. Proceeds from sale of investments in other entities		-	190,531,576,198
27	6. Interest and dividends received		95,251,810,647	129,470,299,469
30	Net cash outflows generated from investing activities		356,065,094,734	416,291,304,437

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Cash flow statement

Code	ITEMS	Notes	Current year	Previous year
	III. CASH FLOWS FROM FINANCING ACTIVITIES			
31	1. Capital contribution, issuance of shares, and disposal of treasury shares		-	19,171,415,000
	- Issuance of shares		-	12,000,000,000
	- Selling treasury shares		-	7,171,415,000
32	2. Capital redemption		(4,256,945)	(1,320,930)
33	3. Drawdown of borrowings		350,000,000,000	
34	4. Repayment of borrowings		(350,000,000,000)	(110,000,000,000)
36	5. Dividends paid to equity holders	18.2	(152,445,541,195)	(201,786,823,825)
40	Net cash flows used in financing activities		(152,449,798,140)	(292,616,729,755)
50	Net increase (decrease) in cash and cash equivalents during the year		498,749,203,937	(786,329,091,753)
60	Cash and cash equivalents at the beginning of the year	4	1,007,873,885,140	1,794,202,976,893
70	Cash and cash equivalents at the end of the year	4	1,506,623,089,077	1,007,873,885,140

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Statement of changes in equity

for the year ended 31 December 2014

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ITEMS	Notes	Beginning balance		Previous year		Increase/decrease		Ending balance	
		Previous year	Current year	Increase	Decrease	Increase	Decrease	Previous year	Current year
Share capital	18	1,008,486,370,000	1,272,567,580,000	264,081,210,000	-	-	-	1,272,567,580,000	1,272,567,580,000
Share premium	18	560,834,915,000	310,343,798,499	1,590,093,499	(252,081,210,000)	-	-	310,343,798,499	310,343,798,499
Treasury shares	18	(5,165,052,464)	(123,551,893)	(539,820,930)	5,581,321,501	(204,256,945)	-	(123,551,893)	(327,808,838)
Investment and development fund		3,961,374,994	3,961,374,994	-	-	-	-	3,961,374,994	3,961,374,994
Financial reserve		116,409,099,437	144,626,530,513	28,217,431,076	-	37,615,204,724	-	144,626,530,513	182,241,735,237
Undistributed earnings		477,987,318,312	515,972,461,055	282,174,310,748	(244,189,168,005)	376,152,047,249	(302,680,578,804)	515,972,461,055	589,443,929,500
TOTAL		2,162,514,025,279	2,247,348,193,168	575,523,224,393	(490,689,056,504)	413,562,995,028	(302,680,578,804)	2,247,348,193,168	2,358,230,609,392

Notes to the financial statement

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as at and for the year ended 31 December 2014

1. CORPORATE INFORMATION

Ho Chi Minh City Securities Corporation (“the Company”) is a joint stock company incorporated under the Law on Enterprises of Vietnam pursuant to Business Registration Certificate No. 4103001573 issued by the Ho Chi Minh City Department of Planning and Investment on 23 April 2003, Business License No. 11/UBCK-GPHDKD issued by the State Securities Commission on 29 April 2003, and other amended licenses.

The current principal activities of the Company are brokerage services, securities trading, underwriting for share issues, custodian services, finance and investment advisory services, and margin trading services.

The Company’s head office is located at 5th and 6th Floor, AB Tower, 76 Le Lai Street, District 1, Ho Chi Minh City. At 31 December 2014, the Company had two branches located in Ho Chi Minh City and Hanoi, and transaction offices in Ho Chi Minh City and Hanoi.

The number of the Company’s employees as at 31 December 2014 was 573 (31 December 2013: 503).

2. BASIS OF PREPARATION

2.1 Accounting Standards and System

The financial statements of the Company expressed in Vietnam dong (“dong” or “VND”), are prepared in accordance with the Vietnamese Accounting System, accounting regulations and guidance applicable to securities companies according to Circular No. 95/2008/TT-BTC dated 24 October 2008, Circular No. 162/2010/TT-BTC dated 20 October 2010 which amended Circular No. 95/2008/TT-BTC issued by the Ministry of Finance and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- ▶ Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 1);
- ▶ Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 2);
- ▶ Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 3);
- ▶ Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 4); and
- ▶ Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 5).

The accompanying balance sheet, income statement, cash flow statement, statement of changes in equity and related notes, including their uses are not designed for those who are not informed about Vietnam’s accounting principles, procedures and practices and furthermore are not intended to present the financial position, results of operations, cash flows and changes in equity in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

2.2 Registered accounting documentation system

The Company’s applied accounting documentation system is the General Journal system.

2.3 Fiscal year

The Company’s fiscal year starts on 1 January and ends on 31 December.

2.4 Accounting currency

The Company maintains its accounting records in VND.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Change in accounting policies and disclosures

The accounting policies adopted by the Company in preparation of the financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the financial year ended on 31 December 2013, except for the changes below:

On 6 October 2014, the Ministry of Finance issued Circular No. 146/2014/TT-BTC guiding the financial regime for securities companies and fund management companies (“Circular 146”). This Circular replaces the Circular No.11/200/TT-BTC dated 1 February 2000 of the Ministry of Finance guiding the financial regime for securities companies and limited companies. The Circular took effect on 21 November 2014 and applies from the fiscal year of 2014.

According to Circular 146, the market prices of securities for making provision are determined as follows:

For listed securities and securities registered for trading

- ▶ For securities listed on the Hanoi Stock Exchange, Ho Chi Minh Stock Exchange and securities which are registered for trading on UPCOM, their market prices are their closing prices on the trading day preceding the date of provision calculation.
- ▶ The market price for unlisted securities and securities unregistered for trading used as a basis for provision calculation is the average of actual trading prices incurred within one month before the date of provision calculation which are quoted by three securities companies.

If no transaction is conducted for such securities within that time limit, no provision is required.

- ▶ For the delisted securities and suspended trading securities from the sixth day afterward, their prices are the book value at the latest financial report date.

Accordingly, the Company has made the provision for impaired securities during the year.

3.2 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks, investors’ deposits for securities trading and short-term, highly liquid investments with an original maturity of less than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

3.3 Receivables

Receivables are initially recorded at cost and subsequently presented at cost in the following periods.

Receivables are subject to review for impairment based on their overdue status or estimated loss of undue receivables from economic entities which fall bankruptcy or are undergoing dissolution procedures; or from debtors who are missing, have fled, are prosecuted, detained or tried by law enforcement bodies, are serving sentences or have deceased. Increase or decrease to the provision balance is recorded as “General and administrative expenses” in the income statement.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Receivables (continued)

Provision for overdue receivables is made in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009 issued by the Ministry of Finance as follows:

Overdue period	Provision rate
From six (6) months to less than one (1) year	30%
From one (1) year to less than two (2) years	50%
From two (2) years to less than three (3) years	70%
From three (3) years and above	100%

3.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset comprises of its purchase price and any directly attributable costs of bringing the tangible fixed asset to working condition for its intended use.

Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the income statement as incurred.

When tangible fixed assets are sold or retired, their costs and accumulated depreciation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the income statement.

3.5 Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortization.

The cost of an intangible fixed asset comprises of its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use.

Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the income statement as incurred.

When intangible fixed assets are sold or retired, their costs and accumulated amortization are removed from the balance sheet and any gain or loss resulting from their disposal is included in the income statement.

3.6 Depreciation and amortization

Depreciation and amortization of tangible fixed assets and intangible assets are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Transportation vehicles	6 years
Office equipment	3 - 5 years
Computer software	3 - 4 years

3.7 Operating lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

Rentals under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Prepaid expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses on the balance sheet and amortized over the period for which the amount are paid or the period in which economic benefit are generated in relation to these expenses.

The following types of expenses are recorded as long-term prepaid expense and are amortized to the income statement over two (2) to forty (40) years:

- ▶ Office renovation costs;
- ▶ Office rentals; and
- ▶ Office equipment costs.

3.9 Investments in securities

According to Circular No. 95/2008/TT-BTC issued by the Ministry of Finance on 24 October 2008, securities companies are allowed to recognize investments in securities at either cost or fair value. Accordingly, the Company has applied the cost method to recognize investments in securities.

3.9.1 Short-term investments in securities

Short-term securities either have recovery period of within one year or are held for trading purposes. These securities are initially recorded at cost, including purchased costs plus (+) transaction costs (if any) such as brokerage and transaction fee, information fee, taxes, levies and banking fees.

Accrued interest income is recognized as a deduction in carrying value of trading securities for the portion incurred before the purchasing date and as an investment income for the amount incurred since the purchasing date.

Trading securities are subject to review for impairment at each balance sheet date. Provision for impairment of trading securities is made when their carrying value is higher than market value. Provision for impairment loss is recognized in "Operating expenses" in the income statement.

3.9.2 Long-term investments in securities

Long-term investments in securities comprise of held-to-maturity securities and available-for-sale securities.

Held-to-maturity securities are non-derivative and have predetermined cash flows and fixed maturities and the Company has intention to hold these securities until the maturity date.

Securities shall not be classified in held-to-maturity category if during the current year or recent two years, a substantial volume of securities is sold or reclassified earlier than their maturities, unless these sales and reclassification are:

- ▶ Close to the maturity date;
- ▶ The Company recovered a majority of cost of securities according to repayment schedule or received earlier than the maturity date; or
- ▶ Subject to a non-controllable event of the Company and this event occurred one time only and unpredictably.

Available-for-sale securities are non-derivative which are not classified as neither held-to-maturity securities nor trading securities.

Long-term investments in securities are measured at cost plus transaction costs directly attributable to the acquisition. Provision for impairment is recognized in the income statement when there is sufficient objective evidence of the long-term diminution of the investments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Provision for impairment of short-term and long-term investment securities

Provision for impairment of investment securities is made for individual stocks when the market values are lower than original costs. Provision amount for transferable securities is the difference between the original cost and market value of those securities at the balance sheet date in accordance with Circular No. 146/2014/TT-BTC issued by the Ministry of Finance on 6 October 2014. Any increase or decrease in balance of provision is recognized to financial expenses for the year.

For securities listed on the Hanoi Stock Exchange, Ho Chi Minh Stock Exchange and securities which are registered for trading on UPCOM, their market prices are their closing prices on the trading day preceding the date of provision calculation.

The market price for unlisted securities and securities unregistered for trading used as a basis for provision calculation is the average of actual trading prices incurred within one month before the date of provision calculation which are quoted by three securities companies.

If no transaction is conducted for such securities within that time limit, no provision is required.

For the delisted securities and suspended trading securities from the sixth day afterward, their prices are the book value at the latest financial report date.

Other securities that have no quoted prices are carried at cost.

3.11 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date (“repos”) are not derecognized from the balance sheet. The corresponding cash received is recognized in the balance sheet as a liability, reflecting its economic substance as a loan to the Company. The difference between the sale price and repurchase price is recognized as interest expense and is accrued over the life of the agreement using the straight-line method.

Conversely, securities purchased under agreements to resell at a specified future date (“reverse repos”) (if any) are not recognized in the balance sheet. The corresponding cash paid is recognized in the balance sheet as an asset. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the straight-line method. For overdue commitments, the difference shall not be accrued and recognized in the income statement when amount is actually received.

3.12 Payables and accruals

Payables and accruals are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Employee benefits

3.13.1 Post-employment benefits

Post-employment benefits are paid to retired employees of the Company by the Social Insurance Agency which belongs to the Ministry of Labor and Social Affairs. The Company is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 18% of an employee’s basic salary on a monthly basis. The Company has no further obligation to fund the post-employment benefits of its employees, other than the liability to pay the Social Insurance Agency on a monthly basis.

3.13.2 Provision for severance allowance

The severance pay to employee is accrued at the end of each reporting year for all employees who have more than 12 months in service up to 31 December 2008 at the rate of one-half of the average monthly salary for each year of service up to 31 December 2008 in accordance with the Labour Code, the Law on Social Insurance and related implementing guidance. Commencing 1 January 2009, the average monthly salary used in this severance calculation will be revised at the end of each reporting year based on the average monthly salary of the six month period up to the reporting date. Any increase to the accrued amount will be taken to the income statement.

This accrued severance pay is used to settle the severance allowance to be paid to employee upon termination of their labour contract following the Labour Code.

3.13.3 Provision for retrenchment allowance

Retrenchment allowance occurs as a result of a constructive obligation to restructure when the Company has a detailed and formal plan for restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Retrenchment allowance is provided at the rate of one month’s salary for each working year up to 31 December 2008 and the minimum amount for each employee is two months’ salary in accordance with the Labour Code and related implementing guidance. Increases and decreases to the provision balance are recorded as general and administrative expense in the income statement.

3.13.4 Unemployment benefits

According to Circular No. 32/2010/TT-BLDTBXH and Decree No. 127/2008/ND-CP, since 1 January 2009, the Company is required to pay unemployment insurance at 1% of salary of employees who participate in the unemployment program and deduct 1% from each employee’s basic salary.

3.14 Foreign currency transactions

Transactions in currencies other than the Company’s reporting currency of VND are recorded at the exchange rates ruling at the date of the transaction. At the end of the period, monetary assets and liabilities denominated in foreign currencies are translated at exchange rates of banks where the Company maintains its accounts at the balance sheet date. Revenue or expenses in foreign currencies are converted into VND at exchange rates at the transaction dates. All foreign exchange differences arising from spot rates at the transaction dates and at the balance sheet date are charged to the income statement.

3.15 Treasury shares (buy-back shares)

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss upon purchase, sale, issue or cancellation of the Company’s own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from brokerage investment

Where the contract outcome can be reliably measured, revenue is recognized by reference to the stage of completion. Where the contract outcome cannot be reliably measured, revenue is recognized only to the extent of the expenses recognized which are recoverable.

Revenue from securities trading

Revenue from securities trading is recognized on the basis of the difference between selling price and cost of securities sold.

Revenue from securities repurchase and reverse repurchase agreements

Revenue from securities repurchase and reverse repurchase agreements is recognized over the life of the agreement using the straight-line method.

Interest

Revenue is recognized as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

Dividend

Income is recognized when the Company's entitlement as an investor to receive the dividend is established, except for dividend received in shares which is monitored by number of shares only.

Rendering of other services

Where the contract outcome can be reliably measured, revenue is recognized by reference to the stage of completion.

Where the contract outcome cannot be reliably measured, revenue is recognized only to the extent of the expenses recognized which are recoverable.

3.17 Cost of securities sold

The Company applies the moving weighted average method to calculate cost of equity securities sold and the specific identification method to calculate cost of debt securities sold.

3.18 Taxation

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted as at the balance sheet date.

Current income tax is charged or credited to the income statement, except when it relates to items recognized directly to equity, in which case the current income tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Taxation (Continued)

Current income tax (Continued)

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Company to set off current tax assets against current tax liabilities and when the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be used, except where the deferred tax asset in respect of deductible temporary difference which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Previously unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset realized or the liability is settled based on tax rates and tax laws that have been enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items recognized directly to equity, in which case the deferred tax is also dealt with in the equity account. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxable entity and the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3.19 Statutory reserves

According to Circular No. 146/2014/TT-BTC issued by the Ministry of Finance on 6 October 2014, securities companies are required to make appropriation of profit after tax to make the following reserves:

	<i>Percentage of profit after tax</i>	<i>Maximum level</i>
Charter capital supplementary reserve	5%	10% of share capital
Financial and operational risk reserve	5%	10% of share capital

Other reserves are created in accordance with the resolution of the shareholders at the Company's Annual General Meeting.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Appropriation of net profits

Net profit after tax is available for appropriation to investors after approval by the shareholders at the Annual General Meeting, and after making appropriation to reserve funds as required by the Company's Charter and Vietnam's regulatory requirements.

4. CASH AND CASH EQUIVALENTS

VND

	Ending balance	Beginning balance
Cash on hand	719,861,313	267,071,773
Cash at banks	1,505,903,227,764	1,007,606,813,367
<i>In which:</i>		
- Cash of the Company	785,674,755,469	613,701,593,461
- Investors' deposits for securities trading (Note 17)	720,228,472,295	393,905,219,906
TOTAL	1,506,623,089,077	1,007,873,885,140

5. VALUE AND VOLUME OF TRADING RESULTS IN THE YEAR

	Trading volume in the year (unit)	Trading value in the year (VND)
a. Trading results of the Company		
- Shares	183,729,016	3,599,016,217,326
- Bonds	51,820,100	5,021,224,401,455
b. Trading results of the investors		
- Shares	7,803,988,512	153,935,631,027,504
- Bonds	451,972,983	47,875,745,052,676
TOTAL	8,491,510,611	210,431,616,698,961

6. FINANCIAL INVESTMENTS

VND

	Quantity (Unit)	Cost	Compared to the market value		Total market value
			Increase	Decrease	
Short-term investments					
- Listed shares	4,746,017	131,920,049,245	251,194,428	(5,420,132,273)	126,751,111,400
- Unlisted shares	5,576,377	147,800,913,887	812,205,615	(76,826,490,752)	71,786,628,750
TOTAL	10,322,394	279,720,963,132	1,063,400,043	(82,246,623,025)	198,537,740,150

6.1 Short-term investments

Movements of provision for impairment of short-term investments during the year are as follows:

VND

	Current year	Prior year
Beginning balance	45,382,091,656	51,002,564,282
Provision charged (Notes 20)	44,894,071,082	8,067,292,769
Reversal of provision (Notes 20)	(8,029,539,713)	(13,687,765,395)
Ending balance	82,246,623,025	45,382,091,656

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6. FINANCIAL INVESTMENTS (continued)

6.2 Details of provision for short-term investments

VND

Items	Carrying value		Decrease compared with market value		Market value	
	Ending balance	Beginning balance	Ending balance	Beginning balance	Ending balance	Beginning balance
Listed shares	110,606,876,406	76,942,743,995	(5,420,132,273)	(4,340,070,456)	105,186,744,133	62,471,074,000
Kinh Do Corporation (KDC)	69,317,596,819	133,455	(1,633,436,419)	-	67,684,160,400	153,000
Nam Long Investment Joint Stock Company (NLG)	18,000,116,400	49,410	(240,000,000)	-	17,760,116,400	51,600
VFMVN30 ETF (E1VFN30)	13,116,289,405	-	(615,041,405)	-	12,501,248,000	-
Viettronics TanBinh Joint Stock Company (VTB)	8,469,329,847	8,568,893,944	(2,777,875,647)	(3,263,961,844)	5,691,454,200	5,304,932,100
Tasco Joint Stock Company (HUT)	1,155,000,000	-	(90,000,000)	-	1,065,000,000	-
Thang Long Investment Group (TIG)	529,000,000	186,505,125	(59,000,000)	-	470,000,000	195,150,000
Other stocks	19,543,935	68,187,162,061	(4,778,802)	(1,076,108,612)	14,765,133	56,970,787,300
Unlisted shares:	107,434,512,502	97,565,012,502	(76,826,490,752)	(41,042,021,200)	30,608,021,750	56,522,991,302
Lac Viet Joint Stock Company	30,750,000,000	30,750,000,000	(22,350,000,000)	(4,350,000,000)	8,400,000,000	26,400,000,000
Dong A Commercial Joint Stock Bank	16,967,999,502	16,967,999,502	(11,425,935,502)	(9,410,708,200)	5,542,064,000	7,557,291,302
Tan Binh Real Estate Joint Stock Company	12,025,000,000	11,925,000,000	(5,715,000,000)	(3,825,000,000)	6,310,000,000	8,100,000,000
Ca Mau Seafood Joint Stock Company	10,950,030,000	10,950,030,000	(10,365,030,000)	(6,562,530,000)	585,000,000	4,387,500,000
Minh Hai Jostoco	8,000,000,000	8,000,000,000	(7,670,000,000)	(6,350,000,000)	330,000,000	1,650,000,000
Special Aquatic Products Joint Stock Company	7,549,983,000	7,549,983,000	(5,389,983,000)	(3,229,983,000)	2,160,000,000	4,320,000,000
Vietnam Ocean Shipping Agency Corporation	6,000,000,000	6,000,000,000	(4,000,000,000)	(4,000,000,000)	2,000,000,000	2,000,000,000
Viendong Assurance Corporation	5,442,600,000	5,442,600,000	(4,302,600,000)	-	1,140,000,000	522,000,000
Saigon Post and Telecommunications Service Corporation	4,406,400,000	-	(2,205,560,000)	-	2,200,840,000	-
Can Tho Import-Export Seafood Joint Stock Company	4,900,000,000	4,900,000,000	(3,313,882,250)	(3,313,800,000)	1,586,117,750	1,586,200,000
Binh Duong Pharmacy Company	442,500,000	-	(88,500,000)	-	354,000,000	-
TOTAL	218,041,388,908	174,507,756,497	(82,246,623,025)	(45,382,091,656)	135,794,765,883	118,994,065,302

7. SHORT-TERM RECEIVABLES

7.1 Short term receivables

VND

Items	Beginning balance			Movements during the year			Ending balance		
	Total	Overdue	Doubtful	Increase	Decrease	Total	Overdue	Doubtful	Provision
1.Trade receivables	1,390,133,377	-	1,275,517,100	564,466,298,218	(564,060,214,495)	1,796,217,100	-	1,275,517,100	1,275,517,100
- From advisory services	1,260,266,277	-	1,145,650,000	12,392,631,089	(11,986,547,366)	1,666,350,000	-	1,145,650,000	1,145,650,000
- From securities investments	129,867,100	-	129,867,100	552,073,667,129	(552,073,667,129)	129,867,100	-	129,867,100	129,867,100
2.Advance to suppliers	110,262,322	-	-	4,530,389,095	(699,330,802)	3,941,320,615	-	-	-
3.Receivables from securities trading	1,390,070,574,094	-	15,443,787,994	216,180,766,538,233	(215,544,877,355,430)	2,025,959,756,897	-	15,443,787,994	15,443,787,994
- Margin trading (i)	1,030,851,714,723	-	-	14,646,737,149,450	(14,333,899,715,929)	1,343,689,148,244	-	-	-
- For clearing and settlement of securities trading with Vietnam Securities Depository (i)	246,084,956,061	-	-	197,629,069,835,068	(197,236,107,883,579)	639,046,907,550	-	-	-
- Advances to investors (iii)	78,407,415,356	-	15,443,787,994	3,536,920,688,837	(3,572,350,934,191)	42,977,170,002	-	15,443,787,994	15,443,787,994
- Receivables from foreign investors	475,987,954	-	-	99,304,287,135	(99,533,743,988)	246,531,101	-	-	-
- Receivables from investors for securities trading	1,388,000,000	-	-	268,734,577,743	(270,122,577,743)	-	-	-	-
- Deposit for purchasing securities	20,000,000,000	-	-	(20,000,000,000)	-	-	-	-	-
- Advisory services	12,862,500,000	-	-	-	(12,862,500,000)	-	-	-	-
4.Other receivables	33,761,288,971	6,596,660,000	-	230,326,551,778	(257,600,327,154)	6,487,513,595	-	-	-
- Interest receivables from bank deposits	4,219,222,913	-	-	4,294,054,948	(3,308,640,885)	5,204,636,976	-	-	-
- Reverse repurchase agreements of shares	14,451,545,784	6,596,660,000	-	-	(13,287,545,784)	1,164,000,000	-	-	-
- Coupon receivables	13,371,627,293	-	-	5,748,822,567	(19,120,449,860)	-	-	-	-
- Interest receivables from deposit for purchasing shares	50,000,000	-	-	5,000,000	(55,000,000)	-	-	-	-
- Reverse repurchase agreements of bonds	-	-	-	219,172,000,000	(219,172,000,000)	-	-	-	-
- Others	1,668,892,981	-	-	1,106,674,263	(2,656,690,625)	118,876,619	-	-	-
TOTAL	1,425,332,258,764	6,596,660,000	16,719,305,094	216,980,089,777,324	(216,367,237,227,881)	2,038,184,808,207	-	16,719,305,094	16,719,305,094

7. SHORT-TERM RECEIVABLES (continued)

7.1 Short-term receivables (continued)

- (i) These represent the receivables under securities margin trading contracts which are secured by investors' securities portfolio or assets. Contract duration is less than three (3) months and interest rate was from 11% to 15.6% per year as at 31 December 2014.
- (ii) These represent the receivables from Vietnam Securities Depository for clearing and settlement of securities trading of investor in last three days of the year.
- (iii) This account includes doubtful debts of VND15,443,859,795 relating to the purchase of shares of a company which occurred in previous years and provision for doubtful debts was fully provided.

7.2 Provision for doubtful receivables

VND

	Current year	Previous year
Beginning balance	23,315,965,094	23,304,748,452
Provision charged for the year (Notes 21)	-	11,288,443
Reversal of provision for the year (Notes 21)	(6,596,660,000)	(71,801)
Ending balance	16,719,305,094	23,315,965,094

8. SHORT-TERM PREPAID EXPENSES

VND

	Current year	Previous year
Beginning balance	6,110,580,511	3,659,266,484
Increase during the year	26,020,747,717	28,717,627,537
Transfer from fixed assets	-	535,838,128
	32,131,328,228	32,912,732,149
Amortization charge for the year	(28,498,069,092)	(26,802,151,638)
Ending balance	3,633,259,136	6,110,580,511

9. TANGIBLE FIXED ASSETS

VND

	Transportation vehicles	Office equipment	Total
Cost:			
Beginning balance	3,474,189,544	34,958,000,316	38,432,189,860
Additions	-	1,771,832,586	1,771,832,586
Ending balance	3,474,189,544	36,729,832,902	40,204,022,446
<i>In which:</i>			
Fully depreciated			30,727,572,352
Accumulated depreciation:			
Beginning balance	2,419,997,394	30,326,474,905	32,746,472,299
Depreciation for the year	188,537,232	2,889,923,964	3,078,461,196
Ending balance	2,608,534,626	33,216,398,869	35,824,933,495
Net carrying amount:			
Beginning balance	1,054,192,150	4,631,525,411	5,685,717,561
Ending balance	865,654,918	3,513,434,033	4,379,088,951

10. INTANGIBLE FIXED ASSETS

VND

	Computer software
Cost:	
Beginning balance	21,963,858,667
Additions	1,126,019,350
Ending balance	23,089,878,017
<i>In which:</i>	
Fully amortized	19,181,199,517
Accumulated amortization:	
Beginning balance	20,279,113,478
Amortization for the year	1,176,765,365
Ending balance	21,455,878,843
Net carrying amount:	
Beginning balance	1,684,745,189
Ending balance	1,633,999,174

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11. LONG-TERM PREPAID EXPENSES

VND

	Ending balance	Beginning balance
Office rentals	102,144,206,606	107,196,497,946
IT services	343,369,022	-
Office renovation costs	199,544,147	541,619,831
TOTAL	102,687,119,775	107,738,117,777

(*) Office rentals mainly include the unamortized portion of the full prepayment for lease of 1,802 square meters amounting to VND101,034,431,435 in AB Tower for the remaining period of 36 years.

Movements of the long-term prepaid expenses in the year are as follows:

VND

	Current year	Previous year
Beginning balance	107,738,117,777	113,511,817,548
Increase during the year	629,800,676	-
	108,367,918,453	113,511,817,548
Amortization charge for the year	(5,680,798,678)	(5,773,699,771)
Ending balance	102,687,119,775	107,738,117,777

12. ADVANCE TO SETTLEMENT ASSISTANCE FUND

Advance to Settlement Assistance Fund represent deposits at the Vietnam Securities Depository.

According to Decision No. 45/QD-VSD dated 22 May 2014 issued by the Vietnam Securities Depository, the Company is required to deposit an initial amount of VND120 million and make an annual additional contribution of 0.01% of total value trading of dealing and brokered securities in prior year but not exceed VND2,500 million per year, with total contribution not exceed VND20 billion.

Movements of advance to Settlement Assistance Fund during the year are as follows:

VND

Initial contribution	120,000,000
Total interest received up to 2013	2,173,973,119
Total additional contribution up to 2013	9,538,610,191
Balance as at 31 December 2013	11,832,583,310
Additional contribution in 2014	1,196,683,208
Interest received in 2014	1,303,316,792
Balance as at 31 December 2014	14,332,583,310

13. OTHER LONG-TERM ASSETS

This represents long-term deposits for the leases of the Company's offices.

14. STATUTORY OBLIGATIONS

VND

No.	Items	Beginning balance	Payable in the year	Paid in the year	Ending balance
1	Corporate income tax	33,962,434,683	105,295,358,840	(123,582,104,212)	15,675,689,311
2	Personal income tax of investors	2,385,400,301	54,369,320,497	(52,132,208,585)	4,622,512,213
3	Corporate income tax of foreign investors	1,992,175,242	18,012,441,656	(17,599,870,329)	2,404,746,569
4	Foreign contractor withholding tax	155,917,607	3,558,200,696	(2,539,661,058)	1,174,457,245
5	Personal income tax of the employees	584,533,233	17,293,841,891	(16,927,610,684)	950,764,440
6	Value added tax	11,562,113	1,139,214,215	(974,675,153)	176,101,175
7	Business registered tax	-	8,500,000	(8,500,000)	-
		39,092,023,179	199,676,877,795	(213,764,630,021)	25,004,270,953

15. ACCRUED EXPENSES

VND

	Ending balance	Beginning balance
Allowance for working performance payable to employees	18,000,000,000	12,000,000,000
Brokerage fee payables to Stock Exchange	4,413,444,803	2,998,338,694
Other accrued expenses	2,095,629,792	5,043,077,969
TOTAL	24,509,074,595	20,041,416,663

16. OTHER PAYABLES

VND

	Ending balance	Beginning balance
Dividend payables to shareholders	67,067,361,859	3,222,562,754
Trade union fee	1,970,347,488	1,800,678,317
Unemployment insurance	109,286,769	58,777,736
Social insurance and health insurance	58,817,736	45,241,318
Other payables	1,495,242,070	519,422,573
TOTAL	70,701,055,922	5,646,682,698

17. PAYABLES FOR SECURITIES TRADING

VND

	Ending balance	Beginning balance
Investors' deposits for securities trading	720,228,472,295	393,905,219,906
Payables to investor for selling transactions	639,100,199,500	190,000,000,000
Deposits for purchasing of shares	7,171,200,000	-
Payables from deposit for share auction	-	185,761,400
TOTAL	1,366,499,871,795	584,090,981,306

18. OWNERS' EQUITY

18.1 Share capital

VND

	Ending balance	Beginning balance
Contributed by shareholders	1,272,567,580,000	1,272,567,580,000
Share premium	310,343,798,499	310,343,798,499
Treasury shares	(327,808,838)	(123,551,893)
TOTAL	1,582,583,569,661	1,582,787,826,606

18. OWNERS' EQUITY (continued)

18.2 Dividends

VND

	Current year	Previous year
Dividends paid during the financial year		
- Dividends paid for previous years	19,200,000	629,577,200
- 2 nd dividends for 2012: VND1,500 per share	-	150,716,972,250
- Interim dividends for 2013: VND500 per share	-	50,440,274,375
- 2 nd dividends for 2013: VND1,200 per share	152,426,341,195	-
TOTAL	152,445,541,195	201,786,823,825

18.3 Shares

	Ending balance Share	Beginning balance Share
Authorised shares	127,256,758	127,256,758
Issued shares		
<i>Issued and paid-up shares</i>		
<i>Ordinary shares</i>	127,256,758	127,256,758
Treasury shares		
<i>Held by the Company</i>		
<i>Ordinary shares</i>	27,175	7,038
Outstanding shares		
<i>Ordinary shares</i>	127,229,583	127,249,720

19. OTHER REVENUE

VND

	Current year	Previous year
Revenue from margin trading	244,351,278,978	152,720,941,753
Interest income from bank deposits	67,240,846,714	90,726,657,494
Revenue from advances to investors	4,434,997,453	2,943,006,362
Revenue from reverse repurchase agreements	3,040,279,838	6,316,753,467
Accrued interest from deposit contract for purchasing shares	55,000,000	5,585,000,000
Other revenues	2,271,621,008	1,408,446,164
TOTAL	321,394,023,991	259,700,805,240

20. OPERATING EXPENSES

VND

	Current year	Previous year
Staff cost	92,922,418,194	58,213,022,191
Brokerage expenses	59,515,773,909	41,964,185,262
External services	26,494,009,818	25,207,165,923
Loss on securities trading (*)	16,384,828,032	10,299,662,366
External management consultancy fee	12,560,055,469	13,363,639,368
Cost of repurchase agreements of bonds	4,186,202,543	18,056,253,211
Security custodian expenses	3,559,399,407	3,842,101,835
Interest expenses	2,302,083,333	-
Depreciation and amortization	1,645,673,885	2,692,159,372
Material and tool expenses	1,279,280,378	502,313,030
Interest of issued bonds	-	6,237,784,807
Other expenses	4,569,998,112	1,912,812,847
Provision for impairment of investments	44,894,071,082	8,067,292,769
Reversal of provision for impairment of investments	(8,029,539,713)	(13,687,765,395)
TOTAL	262,284,254,449	176,670,627,586

(*) According to Circular No. 95/2008/TT-BTC dated 24 October 2008 issued by the Ministry of Finance guiding the accounting policies for securities companies, gains (selling price is higher than purchased cost) on securities investment trading are recognized in revenue from securities investment and losses (selling price is lower than purchased cost) are recognized in securities investment expenses.

21. GENERAL AND ADMINISTRATIVE EXPENSES

VND

	Current year	Previous year
Staff cost	54,000,342,982	45,263,635,002
Office rental	15,486,840,239	16,215,281,867
External services	17,405,906,453	13,971,680,472
Depreciation and amortization	2,609,552,676	5,131,874,123
Office supplies	652,149,080	233,916,726
Office renovation expenses	415,980,096	532,691,887
Taxes and other fees	251,997,184	346,752,944
Other expenses	3,181,612,667	1,671,357,080
Provision for doubtful debts	-	11,288,443
Reversal of provision for doubtful debts	(6,596,660,000)	(71,801)
TOTAL	87,407,721,377	83,378,406,743

22. CORPORATE INCOME TAX

The Company has the obligation to pay corporate income tax ("CIT") at the rate of 22% of taxable profits (2013: 25%).

The Company's results have been already assessed by tax authorities up to the year 2013.

22.1 Current corporate income tax expense

The Company's tax reporting will be subject to inspection by the tax authorities. Because the application of laws and regulations on taxes on different types of transactions can be interpreted in different ways, the tax amounts presented on the financial statements can be changed by the final decision of the tax authorities.

The current tax payable is based on taxable profit for the year. The taxable profit of the Company for the year differs from the profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Provision for current CIT for the year is computed as follows:

VND

	Current year	Previous year
Profit before tax	481,447,406,089	375,428,362,311
Adjustments to increases (decreases) accounting profit		
<i>Adjustments to increases:</i>		
- Non-deductible expenses	1,292,420,014	761,925,168
<i>Adjustments to decreases:</i>		
- Tax-exempt dividend income	(4,124,558,645)	(2,759,257,235)
- Reversal of provision for impairment of unlisted securities	-	(414,823,992)
Current taxable profit	478,615,267,458	373,016,206,252
Estimated current CIT	105,295,358,840	93,254,051,563
CIT payable at the beginning of the year	33,962,434,683	9,445,541,826
CIT paid during the year	(123,582,104,212)	(68,737,158,706)
CIT payable at the end of the year	15,675,689,311	33,962,434,683

22.2 Deferred corporate income tax

There was no deferred tax recognized as at 31 December 2014 since there are no significant identified temporary differences between the carrying value and the tax base of assets and liabilities in the financial statements.

23. TRANSACTIONS WITH RELATED PARTIES

List of the related parties and the relationship with the Company are as follows:

<i>Related parties</i>	<i>Relationship</i>
Dragon Capital Markets Limited (DC)	Strategic shareholder – holding 30.87% of share capital. The Company's Vice Chairman of the Board of Directors is the Deputy Director of DC. The Company's member of the Board of Directors, cum Chief Executive Officer is representative for DC's shares.
Ho Chi Minh Finance and Investment State-owned Company (HFIC)	Strategic shareholder – holding 29.47% of share capital. The Company's Vice Chairman of the Board of Directors is the Deputy Director of HFIC. The Company's member of the Board of Directors is Head of Planning Department at HFIC.
Vietnam Debt Fund SPC (VDF)	DC's subsidiary
Vietnam Enterprise Investments	DC's subsidiary
Amersham Industries Limited	DC's subsidiary
Vietnam Property Fund Limited	DC's subsidiary
Cam Vietnam Mother Fund	DC's subsidiary
DC Developing Markets Strategies Public Limited Company	DC's subsidiary

Significant transactions with related parties during the year are as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Amounts</i>
Dragon Capital Markets Limited (DC)	Strategic shareholder	2 nd dividend of 2013	47,134,572,000
		1 st dividend of 2014	19,639,405,000
		Advisory expenses	10,710,271,469
		Selling bonds	55,583,000,000
		Brokerage service - Selling securities	115,725,500,000
		Brokerage service - Purchasing securities	30,150,000,000
Ho Chi Minh City Fund and Investment Corporation (HFIC)	Strategic shareholder	2 nd dividend of 2013	45,000,000,000
		1 st dividend of 2014	18,750,000,000
		Brokerage service - Selling securities	54,776,917,000
		Brokerage income	82,165,414
Vietnam Debt Fund SPC	Related parties	Brokerage service - Selling securities	234,358,000,000
		Brokerage service - Purchasing securities	55,583,000,000
		Brokerage income	57,988,200
		Purchasing bonds under reverse repurchase agreement	50,000,000,000
		Selling bonds under repurchase agreement	45,201,933,330

23. TRANSACTIONS WITH RELATED PARTIES (continued)

Significant transactions with related parties during the year are as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Amounts</i>
Vietnam Enterprise Investments Limited	Related parties	Brokerage service - Selling securities	1,108,671,899,800
		Brokerage service - Purchasing securities	626,913,839,100
		Brokerage income	2,603,378,913
Amersham Industries Limited	Related parties	Brokerage service - Selling securities	957,086,392,360
		Brokerage service - Purchasing securities	270,424,735,000
		Brokerage income	1,901,266,983
Vietnam Property Fund Limited	Related parties	Brokerage service - Selling securities	112,611,773,480
		Brokerage income	168,917,661
Cam Vietnam Mother Fund	Related parties	Brokerage service - Selling securities	425,575,360,752
		Brokerage service - Purchasing securities	78,901,910,000
		Brokerage income	686,055,914
DC Developing Markets Strategies Public Limited Company	Related parties	Brokerage service - Purchasing securities	72,622,537,000
		Brokerage service - Selling securities	43,765,257,000
		Brokerage income	174,581,761

Amounts due to and due from related parties at the balance sheet date are as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Payables</i>
Ho Chi Minh City Fund and Investment Corporation (HFIC)	Strategic shareholder	1 st dividend of 2014	19,639,405,000
Ho Chi Minh City Fund and Investment Corporation (HFIC)	Strategic shareholder	1 st dividend of 2014 deposits for trading securities	18,750,000,000 24,418,485

Transactions with other related parties

Remuneration to members of the Board of Directors and Management for the financial year ended 31 December 2014 was VND18,398,371,308 (including personal income tax and compulsory insurances).

24. SEGMENT INFORMATION

Business segment

VND

	Brokerage and customer services	Trading	Advisory services	Treasury activities	Other segments	Unallocated	Total
<i>For the financial year ended</i>							
<i>31 December 2014</i>							
1. Revenue from operating activities	302,934,669,925	194,425,395,876	12,362,171,402	319,067,402,983	2,345,650,820	-	831,135,291,006
2. Direct costs	119,672,297,267	22,718,800,488	643,575,084	200,924,959,704	1,477,116,722	-	345,436,749,265
3. Depreciation and amortization	1,392,864,917	2,919,314	1,152,734	2,807,000,406	51,289,190	-	4,255,226,561
4. Other income	-	-	-	-	4,090,909	-	4,090,909
Profit before tax	181,869,507,741	171,703,676,074	11,717,443,584	115,335,442,873	821,335,817	-	481,447,406,089
<i>As at 31 December 2014</i>							
1. Segment assets	656,559,788,302	197,474,340,107	1,666,350,000	2,882,931,742,129	1,403,366,265	-	3,740,035,586,803
2. Allocated assets	84,167,293,483	1,160,928,186	2,321,856,372	1,934,880,310	21,283,683,410	-	110,868,641,761
3. Unallocated assets	-	-	-	-	-	8,462,795,565	8,462,795,565
Total assets	740,727,081,785	198,635,268,293	3,988,206,372	2,884,866,622,439	22,687,049,675	8,462,795,565	3,859,367,024,129
1. Segment liabilities	1,372,563,431,024	-	-	-	1,354,526,188	-	1,373,917,957,212
2. Unallocated liabilities	-	-	-	-	-	127,218,457,525	127,218,457,525
Total liabilities	1,372,563,431,024	-	-	-	1,354,526,188	127,218,457,525	1,501,136,414,737

Geographical segment

All operations of the Company are taken place within Vietnam territory.

25. OPERATING LEASE COMMITMENTS

The Company leases its offices under operating lease agreements as follows:

In Ho Chi Minh City:

- Head office at 5th and 6th Floor, AB Tower at 76 Le Lai, Ben Thanh Ward, District 1.
- Branch office at 1st Floor, 6 Thai Van Lung, Ben Nghe Ward, District 1.
- Transaction office at 569-571-573 Tran Hung Dao, Cau Kho Ward, District 1.
- Transaction office at 633 Nguyen Trai, Ward 11, District 5.
- Transaction office at 1st Floor, Centre Point Building, 106 Nguyen Van Troi, Ward 8, Phu Nhuan District.
- Warehouse for archiving documents at 81, Street No. 42, Binh Trung Dong Ward, District 2.

In Hanoi:

- Branch office at 66A Tran Hung Dao, Tran Hung Dao Ward, Hoan Kiem District.
- Transaction office at 2nd Floor, B14 Building, Kim Lien Ward, Dong Da District.
- Transaction office at 6th Floor, Vinaconex Building, 34 Lang Ha, Lang Ha Ward, Dong Da District.
- Warehouse for archiving documents at P803, 8th Floor CT5, My Tri Ward, Tu Liem District.

The minimum lease commitment as at 31 December 2014 under the operating lease agreements is as follows:

	Ending balance	Beginning balance
Less than 1 year	10,113,773,140	7,924,500,060
From 1 - 5 years	23,221,002,507	9,692,937,830
Over 5 years	354,665,228	-
TOTAL	33,689,440,875	17,617,437,890

VND

26. BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations:

	Current year	Previous year
Net profit after tax attributable to ordinary equity holders for basic earnings - VND	376,152,047,249	282,174,310,748
Weighted average number of ordinary shares for basic earnings per share	127,232,806	125,926,782
Basic earnings per share - VND	2,956	2,241

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company implements risk management framework as comprehensive:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risks: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits and available-for-sale investments.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

In calculating the sensitivity analyses, Management assumed that the sensitivity of available-for-sale debt instruments in the balance sheet and the relevant items in the income statement are affected by the assumptions of changes in market risks. This is based on the financial assets and financial liabilities held as at 31 December 2014 and 31 December 2013.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk for changes in interest rate relates primarily to the Company's cash and short-term deposits. These investments are mainly short term in nature and they are not held for speculative purposes.

The Company manages interest rate risk by looking at the competitive structure of the market to obtain rates which are favorable for its purposes within its risk management limits.

A sensitivity analysis is not performed for interest rate risk at 31 December 2014 as the Company's exposure to interest-rate risk is minimal or debts bear fixed interest rate at reporting date.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's accounting currency).

Foreign currency risk is low since most of all the Company's assets and liabilities are in Vietnam dong.

Equity price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainty about future values of the investment securities. The Company manages the stock price risk by setting limits on stock investments. The Board of Directors of the Company also reviews and approves all investment decisions on stocks.

As at reporting date, the exposure to listed equity securities at fair value was VND126,751,111,400. An increase or decrease of 10% on the stock market index would result in an increase or decrease in the same proportion of revenue from the operating activities, depending on the significance or lengthiness of the decrease, and also depending on whether the holding status of the portfolio have significant impact on the market index.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by the Company based on its established policy, procedures and control relating to customer credit risk management.

Outstanding customer receivables are regularly monitored. The requirement for impairment is analysed at each reporting date on an individual basis for major clients. The Company has maintained strict control over its outstanding receivables and has a credit control department to minimize credit risk. The margin call is conducted on time and complies with the nature of the margin product.

In view of the aforementioned and the fact that the Company's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Bank deposits

The Company's bank balances are mainly maintained with well-known banks in Vietnam. Credit risk from balances with banks is managed by the Company's treasury department in accordance with the Company's policy. The Company's maximum exposure to credit risk for the components of the balance sheet at each reporting dates are the carrying amounts as illustrated in Note 4. The Company evaluates the concentration of credit risk in respect to bank deposit as low.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligation due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities.

The Company monitors its liquidity risk by maintain a level of cash and cash equivalents and bank loans deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual discounted payments:

VND

	On demand	Less than 1 year	Total
Ending balance			
Payables to securities transactions	1,359,328,671,795	7,171,200,000	1,366,499,871,795
Accrued expenses	-	6,509,074,595	6,509,074,595
Other short-term payables	2,751,650,573	68,995,722,012	71,747,372,585
	1,362,080,322,368	82,675,996,607	1,444,756,318,975
Beginning balance			
Payables to securities transactions	583,905,219,906	185,761,400	584,090,981,306
Repurchase agreement of Government bonds	-	217,478,509,568	217,478,509,568
Accrued expenses	-	7,993,566,663	7,993,566,663
Other short-term payables	3,231,661,643	1,464,675,431	4,696,337,074
	587,136,881,549	227,122,513,062	814,259,394,611

The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Collateral

The Company has held customers' securities as collaterals for the trade receivables from customers as at 31 December 2014 and at 31 December 2013.

28. ADDITIONAL PRESENTATION AND DISCLOSURE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS REQUIRED BY CIRCULAR NO. 210/2009/TT-BTC

The following shows the additional presentation and disclosure of financial instruments as required by Circular No. 210/2009/TT-BTC.

Financial assets

Financial assets of the Company under the Circular No. 210/2009/TT-BTC comprise cash, deposits at credit institutions, trading and investment securities, receivables and other assets under monetary derivative contracts.

According to Circular No. 210/2009/TT-BTC, financial assets are classified appropriately, for the purpose of explanation in the financial statements, into one of the following categories:

- *Financial asset recognized at fair value through profit and loss: is one that satisfies either of the following conditions:*
 - a) Being classified as held for trading. A financial asset will be classified as securities held for trading if:
 - It is purchased or created mainly for the purpose of resale/redemption in a short term; or
 - There is an evidence that such instrument is traded for the purpose of gaining short-term profits.
 - b) Upon initial recognition, the entity categorizes the financial asset as such reflected at fair value through profit and loss.
 - *Held-to-maturity investments:*

are non-derivative financial assets with fixed or identifiable payments and fixed maturity periods which an entity has the intent and ability to hold until the date of maturity, with the exceptions of:

 - a) Financial assets that, upon initial recognition, were categorized as such recognized at fair value through profit and loss;
 - b) Financial assets already categorised as available for sale; or
 - c) Financial assets that meet the definitions of loans and receivables.
 - *Loans and receivables:*

are non derivative financial assets with fixed or identifiable payments and not listed on the market, with the exceptions of:

 - a) The amounts the entity has the intent to immediately sell or will sell in a near future which are classified as assets held for trading and like those which, upon initial recognition the entity categorized as such recognized at fair value through profit and loss
 - b) The amounts categorized by the entity as available for sale upon initial recognition; or
 - c) The amounts whose holders cannot recover most of the initial investment value not due to credit quality impairment and which are categorized as available for sale.

28. ADDITIONAL PRESENTATION AND DISCLOSURE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS REQUIRED BY CIRCULAR NO. 210/2009/TT-BTC

- *Available-for-sale assets:*

are non-derivative financial assets determined as available for sale or not classified as:

- Loans and receivables;
- Held-to-maturity investments; or
- Financial assets recognized at fair value through profit and loss.

- Financial liabilities

Financial liabilities of the Company under the Circular No. 210/2009/TT-BTC consist of borrowings, payables and other liabilities under monetary derivative contracts.

According to Circular No. 210/2009/TT-BTC, financial liabilities are classified appropriately, for the purpose of explanation in the financial statements, into one of the following categories:

- *Financial liabilities recognized at fair value through profit and loss*

are ones that meet either of the following conditions:

- Being classified as held for trading. A financial liability will be classified as securities held for trading if:
 - It is purchased or created mainly for the purpose of resale/redemption in a short-term; or
 - There is an evidence that such instrument is traded for the purpose of gaining short-term profits.
- Upon initial recognition, the entity categorises the financial liability as such reflected at fair value through profit and loss.

- *Financial liabilities determined at the fair amortized cost*

Financial liabilities not categorized as such recorded at fair value through profit and loss will be classified as such determined at amortized cost.

28. ADDITIONAL PRESENTATION AND DISCLOSURE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS REQUIRED BY CIRCULAR NO. 210/2009/TT-BTC

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements: VND

	Carrying amount		Fair value	
	Ending balance	Beginning balance	Ending balance	Beginning balance
Financial assets				
Financial assets at fair value through profit and loss				
- Held for trading investments				
Listed shares	131,920,049,245	278,096,882,985	126,751,111,400	332,092,081,800
Unlisted shares	147,800,913,887	119,368,639,502	71,786,628,750	78,326,618,302
- Held-to-maturity investment				
Short term deposit	1,482,000,000,000	978,900,000,000	1,482,000,000,000	978,900,000,000
Trade receivable and other receivables	2,038,811,977,052	1,428,468,801,970	(*)	(*)
Available for sales financial assets				
- Available for sale securities				
Bonds	-	229,370,665,250	-	(*)
Cash and cash equivalents	24,623,089,077	28,973,885,140	24,623,089,077	28,973,885,140
Total	3,825,156,029,261	3,063,178,874,847		
Financial liabilities				
Payables to securities transactions	1,366,499,871,795	584,090,981,306	(*)	(*)
Accrued liabilities	6,509,074,595	7,993,566,663	(*)	(*)
Repurchase agreement of Government bonds	-	217,478,509,568	(*)	(*)
Other short-term payable	71,747,372,585	4,696,337,074	(*)	(*)
Total	1,444,756,318,975	814,259,394,611		

(*) The fair value of these financial assets and liabilities cannot be determined because there is no specific guidance of fair value determination under the Vietnamese Accounting Standards and Accounting System.

GENERAL INFORMATION

THE COMPANY

Ho Chi Minh City Securities Corporation (“the Company”) is a joint stock company incorporated under the Law on Enterprises of Vietnam pursuant to Business Registration Certificate No. 4103001573 issued by the Ho Chi Minh City Department of Planning and Investment on 23 April 2003, Business License No. 11/UBCK-GPHDKD issued by the State Securities Commission on 29 April 2003, and other amended licenses.

The current principal activities of the Company are brokerage services, securities trading, underwriting for share issues, custodian services, finance and investment advisory services, and margin trading services.

The Company’s head office is located at 5th and 6th Floor, AB Tower, 76 Le Lai Street, Ben Thanh Ward, District 1, Ho Chi Minh City. At 31 December 2014, the Company had two branches located in Ho Chi Minh City and Hanoi, and transaction offices in Ho Chi Minh City and Hanoi.

THE BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of this report are:

Name	Title	Date of appointment
Mr. Do Hung Viet	Chairman	Appointed on 8 April 2011
Mr. Le Anh Minh	Vice Chairman	Reappointed on 8 April 2011
Mr. Nguyen Thanh Liem	Vice Chairman	Appointed on 8 April 2011
Mr. Pham Nghiem Xuan Bac	Member	Reappointed on 8 April 2011
Mr. Hoang Dinh Thang	Member	Reappointed on 8 April 2011
Mr. Johan Nyvene	Member	Reappointed on 8 April 2011
Mr. Trinh Hoai Giang	Member	Appointed on 8 April 2011

BOARD OF SUPERVISION

Members of the Board of Supervision during the year and at the date of this report are:

Name	Title	Date of appointment
Mr. Vo Van Chau	Supervisory Chief	Reappointed on 8 April 2011
Mr. Doan Van Hinh	Member	Reappointed on 8 April 2011
Ms. Dang Nguyet Minh	Member	Appointed on 26 April 2013

MANAGEMENT

Members of management during the year and at the date of this report are:

Name	Title	Date of appointment
Mr. Johan Nyvene	Chief Executive Officer	Appointed on 15 May 2007
Mr. Trinh Hoai Giang	Deputy Chief Executive Officer	Appointed on 15 May 2007
Mr. Le Cong Thien	Deputy Chief Executive Officer	Appointed on 12 August 2013
Mr. Johan Kruimer	Managing Director	Appointed on 26 July 2007
Mr. Fiachra Mac Cana	Managing Director	Appointed on 1 March 2008
Mr. Bach Quoc Vinh	Managing Director	Appointed on 1 February 2012
Mr. Arnold V. Pangilinan	Managing Director	Appointed on 12 November 2012

LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mr. Johan Nyvene, the Chief Executive Officer.

AUDITOR

The auditor of the Company is Ernst & Young Vietnam Limited.



REAFFIRMING COMPETENCIES

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28. ADDITIONAL PRESENTATION AND DISCLOSURE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS REQUIRED BY CIRCULAR NO. 210/2009/TT-BTC (continued)

The fair value of the financial assets and liabilities are the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following method and assumption are used to estimate the fair values:

- ▶ Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

29. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events occurring after the reporting date that have affected or may significantly affect the operations of the Company and the results of its operations or the state of affairs of the Company.

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HO CHI MINH CITY

1. HEAD OFFICE

Level 5&6, AB Tower, 7
6 Le Lai, Ben Thanh Ward,
District 1, Ho Chi Minh City
T: +84-8 3823 3299
F: +84-8 3823 3301

2. THAI VAN LUNG BRANCH

Level 1, Capital Place Building,
6 Thai Van Lung,
District 1, Ho Chi Minh City
T: +84-8 3823 2981
F: +84-8 3823 2982

3. TRAN HUNG DAO TRANSACTION OFFICE

Level 1 & 2, 569-571-573 Tran Hung Dao,
District 1, Ho Chi Minh City
T: +84-8 3836 4189
F: +84-8 3836 4198

4. CHO LON TRANSACTION OFFICE

633 Nguyen Trai,
District 5, Ho Chi Minh City
T: +84-8 3855 2907
F: +84-8 3855 2917

5. NGUYEN VAN TROI TRANSACTION OFFICE

Ground Floor, Centre Point Building,
106 Nguyen Van Troi,
Phu Nhuan District, Ho Chi Minh City
T: +84-8 3997 2836
F: +84-8 3997 2837

HANOI

6. HA NOI MAIN OFFICE

66A Tran Hung Dao,
Hoan Kiem District, Hanoi
T: +84-4 3933 4693
F: +84-4 3933 4822

7. KIM LIEN TRANSACTION OFFICE

Level 2, Building B14 Kim lien,
Dong Da District, Hanoi
T: +84-4 3574 5599
F: +84-4 3574 5959

8. LANG HA TRANSACTION OFFICE

Level 6, Vinaconex Buidling,
34 Lang Ha,
Dong Da District, Hanoi
T: +84-4 3776 7100
F: +84-4 3776 7101

