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HSC - ANNUAL REPORT 2017 - PARTNERSHIP



 **PARTNERSHIP**  
HSC ANNUAL REPORT 2017



## PARTNERSHIP

“PARTNERSHIP is a relationship in which complementary support and mutual benefits can be gained and grown in a sustainable way with understanding and trust for each other.”

Johan Nyvene - Chief Executive Officer

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## CEO's MESSAGE



**Mr. Johan Nyvene**  
Chief Executive Officer

### Dear fellow shareholders, colleagues, and other PARTNERS,

With the VN Index appreciating 48% in 2017, it is probably expected that anyone who participated in the Vietnam stock market had a good year financially. For HSC, I believe that we can call 2017 one of our most successful years in which we achieved exceptional business development and financial performance. It was a success based not merely on how significant our financial results were, but more importantly on what type of business we did, and on how we carried out those businesses. It was a year in which our business models, especially the investment banking business, were further defined and refined. It was a year in which we carried out some of the first of its kind of business and some of the biggest transactions in the history of Vietnam's stock market. I believe it was a year in which all of our business functions from brokerage and sales to corporate advisory and investment banking were orchestrated better than ever before in order to produce the most effective results from the OPPORTUNITIES of 2017 (this was the theme for 2017 as mentioned in our annual report last year). It was also a year in which we came to the realization that we can find PARTNERS in our business, from shareholders and clients, to service providers as well as friendly competitors, from the media to market regulators and policy makers. We found that a PARTNERSHIP is a relationship in which complementary support and mutual benefits can be gained and grown in a sustainable way with understanding and trust for each other. But first and foremost, PARTNERSHIP should begin and be fostered from within HSC, among our various functions and colleagues.

In 2017 when we had to search for a person as Head of Human Resources for HSC, I suddenly realized that most of us at the Company have for a long time had a mindset of referring to each other as "front offices" and "back offices"; and that the mindset in "front offices" was to generate revenue and the mindset in the "back offices" was only to "support" in non-revenue generating activities. From trade processing to risk management, to human resource management and communications, we were merely doing our jobs administratively and without the understanding of HSC's underlying business models or knowledge of where HSC fits in the overall capital markets. The word PARTNER came to me in an enlightening way when I had an opportunity to interview a candidate with a background in human resource management who had a job as a "business partner". We never looked at human resource management and other "back office" functions as business PARTNERS. It dawned upon me how far removed our supporting functions or "back offices" were in understanding HSC's business as a securities house

and an investment bank. Our "back office" colleagues were not savvy on their contribution in day-to-day work to HSC's revenue generating activities because they were not directly engaged and incentivized. We have always had KPIs and appraisals but we had not defined a direct linkage between the "back offices" to revenue generating activities.

With that realization, we created incentive programs to directly and indirectly link in all functions who would participate in a business transaction or in the sale of a product, in a revenue generating activity. All people from functions which participate in a business activity should now be aware of how their contribution is translated directly into the revenue and profits made in a business, from sales to customer service, to IT, Legal, Treasury, to Finance and Accounting. While they still need to be improved further and institutionalized, our incentive programs, which include and cover cross sale initiatives, customer referrals, transaction referrals, out-of-the-ordinary types of transactions, one-off transactions, have reached the ranks and files at HSC in both direct and indirect business functions. There is no doubt that our commercial orientation and the direct incentivization concept have contributed to a very enthusiastic business environment and a high performance in all business lines at HSC in 2017. However, in addition to commercial success, what we also clearly witnessed was a strong sense of PARTNERSHIP being developed when people of different ranks and files and functions had a common understanding of the business and a common goal to achieve commercial results. Starting in 2018, I would like us to refer to each other NOT as "front offices" and "back offices", but as "direct business functions" and "indirect business functions".

Besides raising the level of collaboration internally between different business lines, between direct business functions and indirect business functions, in 2017 we also extended collaboration with our major shareholders (Dragon Capital and HFIC), customers, service providers, even with competitors. Some of our most significant transactions were carried out in 2017 together with other top local investment banks as co-advisors and co-underwriters. The highly successful results from both

the Viglacera underwriting job where we worked with VietCapital Securities (VCSC) and Vietcombank Securities (VCBS), and the HDBank IPO where we collaborated with Saigon Securities (SSI) evidenced that there was significant value and benefit to gain when top securities firms in Vietnam become PARTNERS.

**“ 2017 was a year in which we came to the realization that we can find PARTNERS in our business, from shareholders and clients, to service providers as well as friendly competitors, from the media to market regulators and policy makers. ”**

The IPO of HDBank was considered one of the most successful and high profiled IPOs the market had seen not only in 2017 but for the past many years. This transaction helped project HSC's name to the market as one of the top investment banks in Vietnam on whom corporates can rely for capital raising, particularly in view of the short amount of time and a tight window of timing we had in bringing HDBank (HDB) to the market at the year end. The level of success was evidenced in the amount of oversubscription of the shares and the performance of the share price we have seen since listing, particularly because there were other bank IPOs in the market to compete for investors' money. Besides the highly profiled HDB transaction, the other most noteworthy deal we completed in 2017 was also reputed to be one of the biggest transactions in Vietnam's capital markets history. As a buy side advisor, we had arranged for the Jardine Matheson Group, one of the biggest foreign investors in Vietnam, to acquire 10% of Vinamilk (VNM)'s shares from the market as well as from the state owned State Capital Investment Corporation (SCIC). These two mentioned transactions were not only a commercial success but were also a public relations booster for HSC. Further, given our proven capabilities now I also hope HSC is in a favorable position to be considered by prominent institutional and strategic investors as a top local capital markets PARTNER for their investments in Vietnam in the future.

**“ For HSC, I believe that we can call 2017 one of our most successful years in which we achieved exceptional business development and financial performance. ”**

Revenue in 2017 (VND)

**1,540 Bil**

Profit after tax (VND)

**554 Bil**

## CEO's MESSAGE (Cont.)

With the major landmark deals we carried out in 2017, including the VNM and HDB transactions, we believe that our investment banking and institutional business gained a very strong and firm foothold which put HSC on the map as a top tier investment bank in Vietnam. We have put significant efforts into developing the investment banking business over the last couple of years and we can again affirm that our business model going into the future will essentially include a prominent investment banking platform.

In 2017 we signed business MOUs with PARTNERS from other markets, including Samsung Securities in Korea, and Aozora Bank in Japan. These PARTNERSHIPS aim to develop various cross border businesses, including in investment banking transactions like M&As and IPOs, in Vietnam inbound institutional and retail brokerage business, as well as in the wealth management business. Our PARTNERSHIP particularly with Samsung Securities is perceived as an important strategic development for HSC starting in 2017. Investment flow from Korea to Vietnam has increased significantly over the last few years both in the capital markets as well as in acquisitions. Besides the investment banking business, we have mapped out a strategy for HSC's next phase of growth which would focus on the wealth management business. Our interaction with Samsung Securities has revealed that these are the business lines in which we can find an alliance in and synergy with Samsung Securities to work as PARTNERS for business development in Vietnam. While we have begun firming our position in the investment banking arena, we have only started forming the concept of what the wealth management business might comprise in Vietnam in the near future. We believe that this is a business in which a PARTNER like Samsung Securities can add significant value for our mutual benefits.

In 2017, the concept of wealth management was switched on to us at HSC when we saw a need from wealthy individual clients to have a professional firm and team helping them with securities investment in the Vietnam markets. We have initiated a Managed Account service model in which HSC would provide wealthy clients with investment advisory work and recommend an investment portfolio to each client depending on their individual risk appetite. Although it is still a small business, the number of clients and the value of investment under our team's management have grown steadily throughout 2017. This appears to be the first successful step we have achieved in the learning process and the set-up of the wealth management business, given that it has generated some fees and was profitable in 2017. As the next step this year, we are taking efforts to build and test a distribution

mechanism with the intention to bring other products including mutual funds and corporate bonds to the wealth management client segment.

Speaking of funds, one of the most significant developments in Vietnam's capital markets in 2017 was the rapid growth of subscription in the VN30 ETF which is managed by our PARTNER Viet Fund Management (VFM). All new subscriptions have come in from foreign institutional investors. HSC acts as the sole market maker for VFM's ETF and our support has helped expanded the fund from USD 19 million at the beginning of 2017 to USD 117 million at the end of 2017. The fact that we also have a dominant and active role in the index futures business helped mitigate our market making role for the VN30 ETF and afforded us the ability to also take arbitrage opportunities in the market.

We were one of the select few securities firms in Vietnam to pioneer and collaborate with the State Securities Commission (SSC), the Hanoi Stock Exchange (HNX), and the Vietnam Securities Depository (VSD), to undertake the development and launch of the first derivative product in Vietnam in 2017: the Index Futures. We are now one of the biggest bookers of futures contracts in the market with an average market share of between 20-25%. Our PARTNERSHIP with the authorities in bringing new products to the Vietnam market, especially the highly technical products, has been well recognized in the market and has given us a first mover advantage in setting the operational parameters for these products according to our knowledge of market best practices. Over the years our leadership in product development has gained us a high level of trust from market agencies, exchanges, and policy makers. In 2018, we will see the launch of the next derivative product in Vietnam: Covered warrant. HSC is again well positioned to be one of the first service providers in Vietnam to bring this highly anticipated product to the market given that we have PARTNERED with the Ho Chi Minh City Stock Exchange (HSX) from the initial stage to structure the operational features of the product. With our market making capability and track record in managing the index futures product, a commanding market share and distribution capability in both the retail and institutional client segments, and a strong balance sheet, we strongly believe that this new product will be comprehensively supported and will add fresh liquidity to the cash market. We believe the covered warrant business has significant potential to become a key component in our prime brokerage and investment banking business platforms in the near future.

**“ With the business and commercial orientation as the underlying fabric of our corporate culture, we aim to promote and put to practice the concept of PARTNERSHIP at HSC in 2018. ”**



With the business and commercial orientation as the underlying fabric of our corporate culture, we aim to promote and put to practice the concept of PARTNERSHIP at HSC in 2018.

For the first time, we have created a position for a Chief Partnership Officer at HSC and earlier this year our new CPO has joined us in the ranks of managing directors. My hope is for HSC to continue on a journey to cement the connectivity between all of our business functions, direct as well as indirect, so that all functions are knowledgeable on HSC's business model and all would be aligned in the direction of commercial orientation. In addition to helping us with the task of aligning all internal functions, the CPO would also coordinate and facilitate all business alliances between HSC and external PARTNERS. At an ideal stage, our objective is to be able to assess and value the level of success of all of our PARTNERSHIPS in commercial terms and in our ability to expand PARTNERSHIPS to multifaceted relationships. In other words, clients can become shareholders or service providers can also be clients.

Going into 2018, HSC will undoubtedly continue to operate in a market environment abound with both opportunities and challenges. Foreign investors' sentiment is favorable for Vietnam, evidenced in their relatively sizeable net buying position in the first quarter of the year. Local investors' sentiment is very strong as shown by an exponential increase in trading volumes in the first quarter. The VNIndex has appreciated by 19.3% over 1Q2018. Vietnam's economic growth as targeted by the country's leadership to achieve over 6.8% in 2018 is on the high side compared to the average for the last five years. Nevertheless, uncertain global geopolitical conflicts, inflationary pressure in the big economies like the US, and a potential global trade war are all posing not so small concerns to the global markets this year. As HSC gradually advances to the next level of growth and

the Vietnam markets are more connected to the global market environment, I believe there is still a lot of work for HSC to tackle in terms of further improving our business management systems and controls. At the beginning of 2018, we have created a new position at the managing director level to lead our business process management office. With this senior personnel joining our team, we aim at not only redefining and refining our business processes from top to bottom, but at the core of the PARTNERSHIP mindset we also want to make sure that our indirect business functions (previously known as back offices) have a good grasp of our business model and services and take part in the Company's commercial orientation.

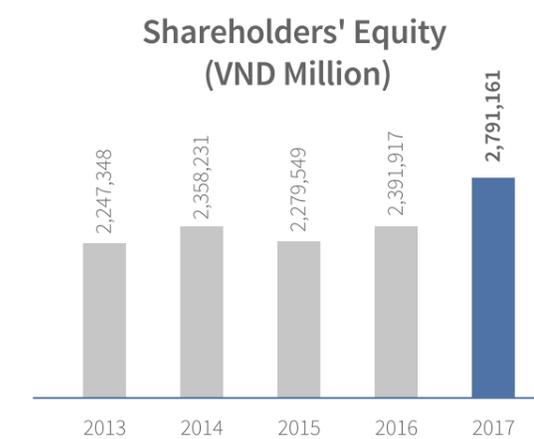
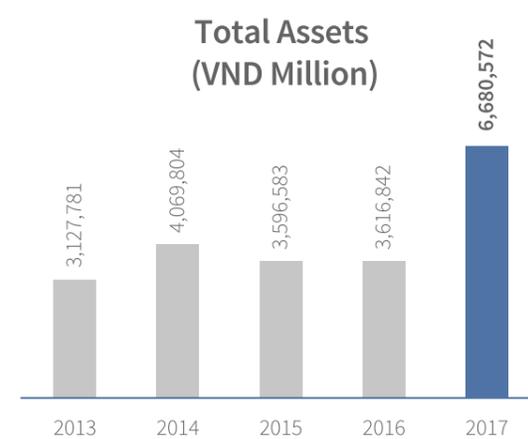
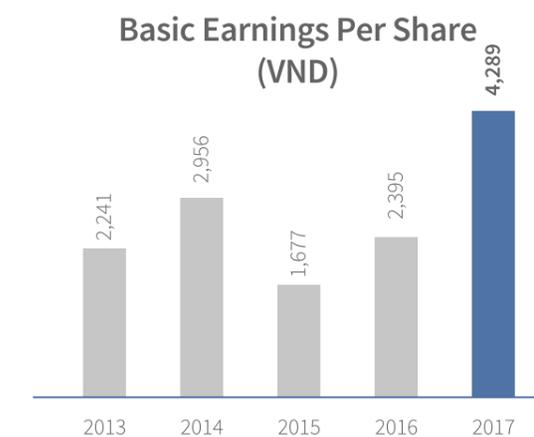
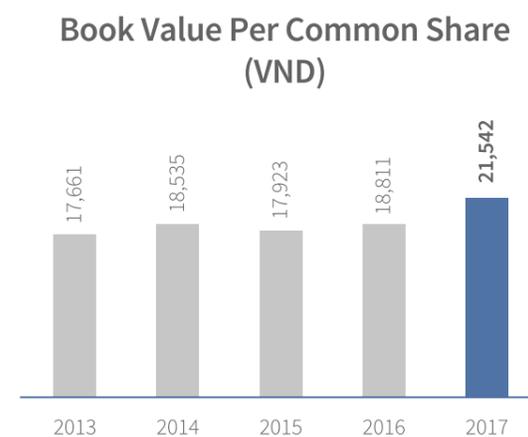
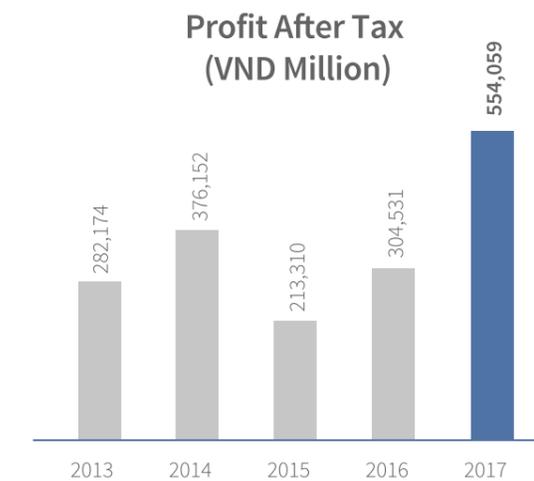
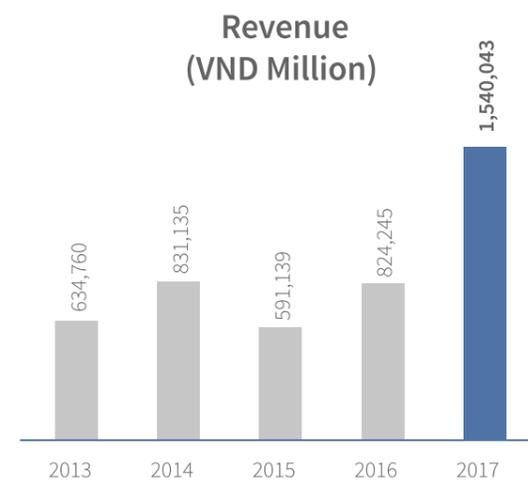
The concept of PARTNERSHIP may be easy to understand but I reckon the practice of creating a PARTNERSHIP environment will be as challenging as our business itself. With that note, I seek for a PARTNERSHIP with each of you in contributing to a profitable business with HSC and look forward to our next phase of collaboration and growth.

**Johan Nyvene**  
Chief Executive Officer

# FINANCIAL HIGHLIGHTS

	Y2012	Y2013	Y2014	Y2015	Y2016	Y2017	CAGR in 5 years
<b>Statement of income (VND million)</b>							
<b>Revenue</b>	<b>562,372</b>	<b>634,760</b>	<b>831,135</b>	<b>591,139</b>	<b>824,245</b>	<b>1,540,043</b>	<b>22%</b>
In which:							
- Brokerage fees	145,027	199,104	299,432	262,076	348,957	601,942	
- Income from loans	138,976	161,981	251,827	222,636	343,657	439,219	
- Principal investment	249,824	243,646	261,666	89,744	99,025	428,248	
- Financial advisory services	12,772	16,399	12,362	11,155	24,602	45,179	
- Other revenues	15,773	13,630	5,848	5,527	8,004	25,455	
<b>Operating expenses</b>	<b>255,685</b>	<b>260,049</b>	<b>349,692</b>	<b>319,667</b>	<b>439,651</b>	<b>847,720</b>	
<b>Net profit from operating activities</b>	<b>306,686</b>	<b>374,711</b>	<b>481,443</b>	<b>271,472</b>	<b>384,594</b>	<b>692,323</b>	
Other profit/(loss)	158	718	4	28	790	278	
<b>Profit before tax</b>	<b>306,844</b>	<b>375,428</b>	<b>481,447</b>	<b>271,500</b>	<b>385,383</b>	<b>692,601</b>	
<b>Profit after tax</b>	<b>246,381</b>	<b>282,174</b>	<b>376,152</b>	<b>213,310</b>	<b>304,531</b>	<b>554,059</b>	<b>18%</b>
<b>Balance sheet (VND million)</b>							
Total assets	3,198,935	3,127,781	4,069,804	3,596,583	3,616,842	6,680,572	16%
Charter capital	1,008,486	1,272,568	1,272,568	1,272,568	1,272,568	1,297,568	5%
Shareholders' equity	2,162,514	2,247,348	2,358,231	2,279,549	2,391,917	2,791,161	5%
<b>Financial indicators</b>							
Return on average assets (ROAA)	8.5%	8.9%	10.5%	5.6%	9.1%	10.8%	
Return on average equity (ROAE)	11.8%	12.8%	16.3%	9.2%	13.0%	21.4%	13%
<b>Equity's value</b>							
Outstanding shares	100,565,957	127,249,720	127,229,583	127,185,417	127,155,368	129,570,368	5%
Basic earnings per share - VND	2,474	2,241	2,956	1,677	2,395	4,289	12%
Book value per common share - VND	21,503	17,661	18,535	17,923	18,811	21,542	0%
Dividend - VND	2,000	1,700	2,100	1,430	1,700	2,100 (*)	
Market price at year end - VND	21,600	24,500	31,200	30,800	28,000	60,100	23%
P/E	8.7	10.9	10.6	18.4	11.7	14.0	10%

(\*) Estimated for Y2017 and subject for final approval



## HSC PROFILE



**Ho Chi Minh City Securities Corporation (HSC)**, a securities brokerage firm and investment bank in Vietnam, provides an array of financial products that cater to private and institutional clients, including professional investment advisory services reinforced by solid, trusted, award-winning research expertise. Through its Investment Banking Division, HSC has produced an exceptional track record of bridging businesses to investors as well as building long-term sustainable partnerships.

Presently, the HCMC- based company has expanded its operations to ten branches and transaction offices nationwide.

HSC benefits from the synergy between two financial powerhouses in Vietnam: the founding shareholder and state-owned HCMC Finance and Investment Company (HFIC); and the strategic shareholder Dragon Capital Group, a Vietnam's first and leading diversified investment group.

Founded in 2003 and listed on the Ho Chi Minh Stock Exchange (HOSE) in 2009, HSC's shareholders' equity as of 31 December 2017 totaled VND2,791 billion (approximately US\$ 124 million), making HSC one of the largest securities companies in the country with a strong financial base and sound investment capacity. HSC strives to lead the market with innovations in research and technology, fostering its human capital.. At HSC, we place great emphasis on the ongoing enhancements within the Corporate Governance aspect that serves as the cornerstone for long-term sustainable growth.

Aside from the development of its core business segments, HSC aims to impart a positive influence to society by progressively redefining the securities industry for the better, and ultimately, contributing to the overall development of society in Vietnam.

### VISION

To become one of the country's most admired, trusted, and valued financial institution, 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 standards of professionalism, innovation, financial strength and sustainability.

### CORE BUSINESS

- 1) Brokerage and Sales
- 2) Research
- 3) Investment Banking
- 4) Principal Investment

### CORE VALUES

#### 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.

# HSC BUSINESSES

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



## 01 BROKERAGE & SALES

### SECURITIES SERVICES

- Opening of trading accounts
- Brokerage: Equity, Fixed Income, Derivatives
- Advisory
- Account management
- Cash transaction
- Securities depository
- Fund certificates distribution
- OTC stocks quoting
- Shareholder Book management
- Managed Account
- IPO auction agent

### FINANCIAL SERVICES

- Margin lending
- Cash advances
- Government bond brokerage, auction & repo
- Short-term funding for buying government bond

### TRADING SERVICES

- Web trading
- Mobile trading
- DMA & STP
- FIX
- OMGEO
- Contact center
- SMS

## 02 INVESTMENT BANKING

### CORPORATE FINANCE ADVISORY

- Equitization
- Divesting the State's interest in SOEs
- Enterprise valuation
- Financial Restructuring
- Public company registration
- Listing and Initial Public Offering (IPO) advisory

### MERGER & ACQUISITION (M&A) ADVISORY

### CAPITAL RAISING IN DOMESTIC AND INTERNATIONAL CAPITAL MARKET

- Stocks issuance and underwriting
- Bond & derivatives issuance via public offering or private placement

## 03 RESEARCH

### COVERAGE

- Companies
- Sectors
- Economics
- Fixed Income
- Strategy
- Technical analysis

### FULL ACCESS

- Analyst calls
- Working models
- Teach-in
- Corporate Access

## 04 PRINCIPAL INVESTMENT

### PROPRIETARY INVESTMENT

- Fixed income
- Equity
- Futures
- Covered Warrant
- Structured products

### MARKET MAKING

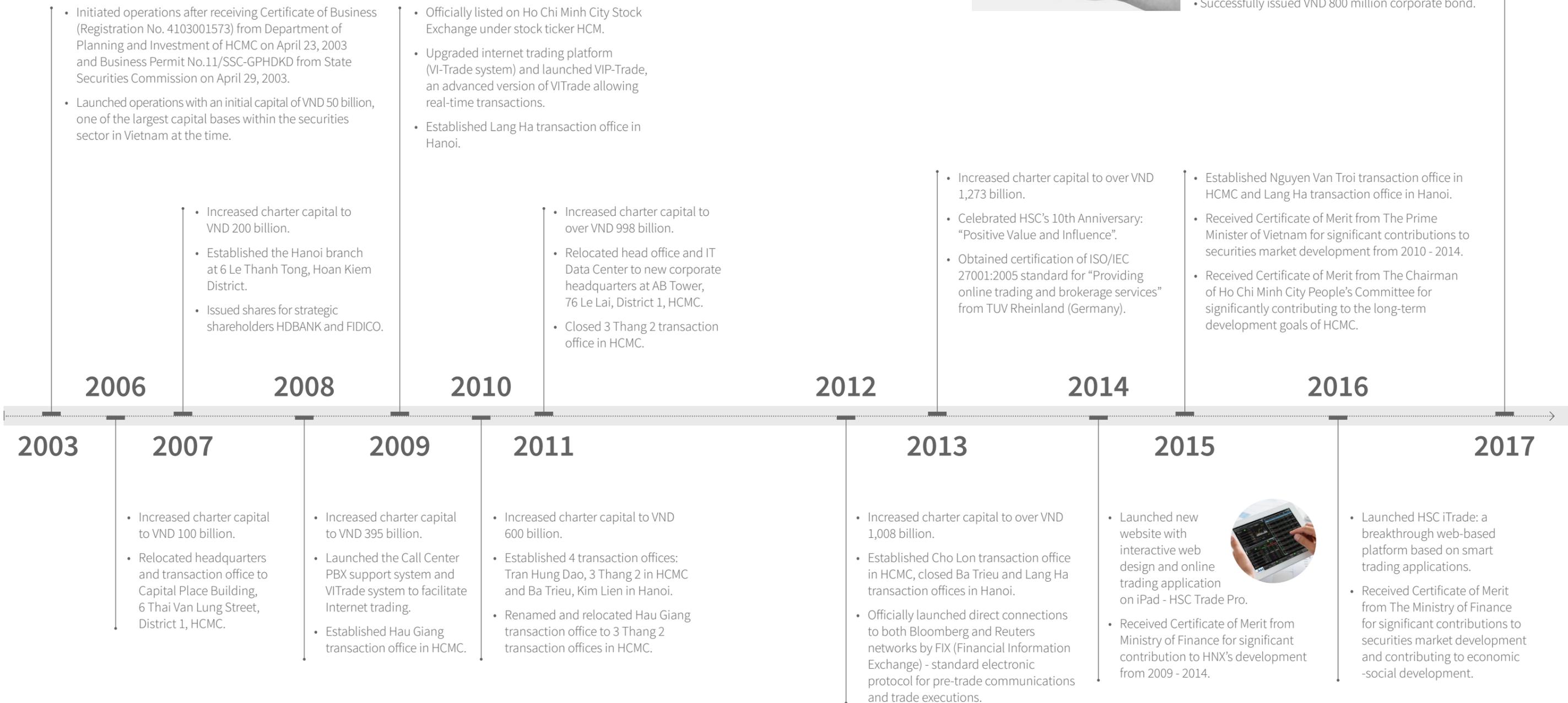
# CORPORATE MILESTONES

Since inception in 2003, HSC has steadily grown in size and capital base to become one of the leading securities and financial services firms in Vietnam. Over the past 15 years, HSC has employed sustainable development strategies to strengthen its leading position for continuous growth.



Launched HSC Trade on Android, fulfilled HSC's trading channels on mobile devices: Web, Android, iOS.

- Extended foreign ownership limit (FOL) to 100% charter capital from May 19, 2017.
- Participated as a pioneer in the inauguration of Vietnam Derivatives Market, marking a milestone in the development of Vietnam's securities market.
- Successfully issued VND 800 million corporate bond.



## AWARDS & ACCOLADES

### 2012

Voted "Best Brokerage House in Vietnam" - The Country Awards 2012 by FinanceAsia and The Asset.

Honored with "Best Local Brokerage in Vietnam" and 21 other major accolades - Asiamoney Brokers Poll 2012.

Received Platinum Award for Annual Report in Financial - Capital Markets and 6 other accolades at LACP 2012 Vision Awards by League of American Communications Professionals (LACP).

Honored in the securities firm industry in Vietnam's Top 50 Performing Companies 2012 by Nhip Cau Dau Tu

Received "M&A Advisory Firm of the Year 2011 - 2012" award at M&A Forum Vietnam 2012.

### 2013

Voted "The Best Brokerage Firm in Vietnam" - The Country Awards 2013 by The Asset.

Honored in Top 50 Listed Companies in Vietnam by Forbes.

Recognized as Most Outstanding Securities Company in 2013, awarded by Hanoi Stock Exchange.

Honored in Top 10 Members of Government Bond Trading 2013 by Hanoi Stock Exchange.

Received Gold Award for "Written Text" Category and 2 other accolades for the Financial Services category in Annual Report Competition (ARC) by Marcomm Inc.

Received Silver Award for Annual Report in Financial - Capital Markets and 3 other accolades at LACP 2012 Vision Awards by League of American Communications Professionals (LACP).

### 2014

Voted "Best Brokerage House in Vietnam" and "Best M&A House in Vietnam" at the Triple A Country Awards 2014 by The Asset.

Honored in "Top 3 Best Salespersons in Vietnam" in 2014 plus other accolades for brokerage services and research coverage by Asiamoney.



Awarded "CEO Leadership" & "The Best Managed Brokerage House in the APAC Region" by the Asian Banker - the only brokerage house to receive this award in the region.

Received Certificate of Merit from Ministry of Finance for significant contribution to HNX's development from 2009 - 2014.

Awarded in Top 50 Performing Companies in Vietnam by Nhip Cau Dau Tu magazine for the second consecutive year - the only securities firm listed.

Honored in 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 for the most significant contributions to the 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 Financial - Capital Markets and 3 other major accolades at the 2013 LACP Vision Awards for Annual Reports.

Ranked in Top 10 Best Annual Reports by HOSE and Dau tu Chung khoan newspaper, ranked 6 among 700 reports nationwide.

### 2015

Honored in Top 50 Performing Companies in Vietnam by Nhip Cau Dau Tu magazine for the third consecutive year.



Honored in Top 50 Listed Companies in Vietnam by Forbes Vietnam for the third consecutive year.

Honored in Top 3 Publicly Listed Companies in Vietnam 2015 by ASEAN Corporate Governance Scorecard, awarded in Manila, Philippines.

Received Certificate of Merit from the Prime Minister for significant contribution to securities market development in 2010 - 2014.

Received Certificate of Merit from the Ho Chi Minh City People's Committee.

Voted as Best Member Firm during Ha Noi Stock Exchange's 10<sup>th</sup> Year Anniversary Celebration (2005 - 2015). In addition, HSC was also selected as the Best Brokerage Service Provider by both local and international institutions.

Received 1st Prize for Best Annual Report, Best Content of Corporate Governance 2015 and ranked in Top 3 Best Sustainability Reports given by Vietnam Investment Review and HOSE.

Received "Bronze Award" for Traditional Annual Report in Financial Services - Brokerage & Commodity Category" and "Honors Award" for Written Text Category at 2015 ARC Awards.

### 2016

Honored in Top 50 Listed Companies in Vietnam by Forbes Vietnam for the fourth consecutive year.

Received Certificate of Merit from the Ministry of Finance for significant contributions to the development of the securities market, economy and social aspect in Vietnam.

Achieved high ranking in Top 100 Sustainable Companies in Vietnam 2016 (CSI100) - VCCI for significant contributions in promoting business sustainability, thereby increasing confidence among partners, investors and shareholders that led to enhanced reputation, branding, competitiveness and new business opportunities.

Ranked in Top 10 Best Annual Reports in Vietnam awarded by Vietnam Investment Review and HOSE, which recognizes our continued focus on corporate governance and compliance with information disclosure regulations.

## 2017 AWARDS

Awarded "Best Brokerage House in Vietnam" at the Triple A Country Awards 2017 by The Asset.

Honored in Top 50 Listed Companies in Vietnam by Forbes Vietnam for the fifth consecutive year.

Honored in Top 50 Performing Companies in Vietnam by Nhip Cau Dau Tu magazine for the fourth time.

Received 2<sup>nd</sup> Prize for the Best Annual Report by Dau Tu Chung Khoan Newspaper and HOSE, and Best Content for Corporate Governance 2016 by IFC, which recognizes our continued focus on corporate governance and compliance with information disclosure regulations.



**COMPANY PERFORMANCE  
IN 2017**

# COMPANY PERFORMANCE IN 2017

In 2017, many economic and policy factors, both domestic and global, fortuitously came together for Vietnam. As a result, and after years of indecisiveness, the stock market surged by 48% to 984 points, setting a record for the highest rise of the VN Index over the last decade and becoming one of the top performing equity markets in Asia.

2017 also saw an increased level of activity of privatizations of state-owned companies, IPO listings, divestment of state shareholdings as well as M&As. This was supported by the largest inflows of investment funds from foreign investors for many years, those who will have recognized the opportunities on hand. Domestic investors were also increasingly active, with the average trading volumes increasing by 64% against 2016.

In this favorable environment, HSC demonstrated its wide-ranging expertise in the financial markets with performance, and at times exceeded the targets and

expectations. Revenue surged by 87% yoy and profit after tax increased by 82% yoy, outperforming the target by 52% and 53% respectively.

The timing in 2017 was thus appropriate for HSC to upgrade its core capabilities, notably strengthening its capabilities in the growing business segments, upgrading its systems, and expanding its network of partnerships. HSC diligently strove to improve its position in the market, and lead as opportunities arose to execute complex transactions across multiple segments successfully.

A particular operational accomplishment was that HSC was one of seven qualified pioneering member securities firms to participate in the launch of the Vietnamese derivatives market, which was successfully concluded in August 2017. These transactions have given HSC additional profile and a new product for its clients as well as for its proprietary trading, and are already making a significant contribution to HSC revenues.

The average daily trading value of HOSE and HNX in 2017 increased by 64% yoy from VND 3,050 billion in 2016 to above VND 5,000 billion, which was also 39% higher than HSC's target of VND 3,600 billion.

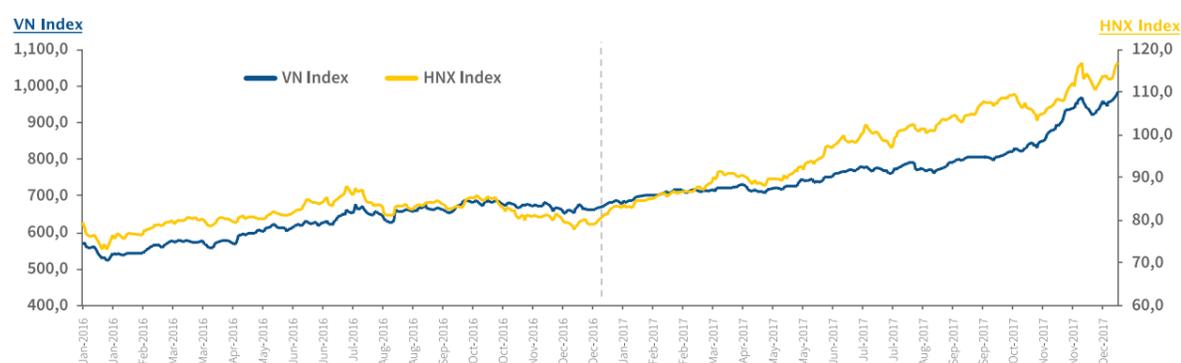
Several major factors contributed to the beneficial development in performance:

- Many large-cap stocks were listed such as SAB, PLX, ACV, HVN, VJC, NVL, VRE, VPB, VGT, generating much interest from both local and foreign investors;
- Conditions were finally right for the Government to make some long-awaited divestment and privatizations of some of its core holdings. The key divestment was the Government sale of 53.5% equity interest of the largest brewery company - SABECO for VND 110 trillion. Another high-profile divestment was the public auction of 3.33% stake of the largest dairy company - VNM by SCIC, raising nearly VND 9 trillion;
- Liquidity of the stock market was deepened to a higher level as investors found new opportunities. High profile, large put-through transactions such as MSN's VND 2.5 trillion on 21 April, ACB's VND 2.4 trillion on 17 October, VNM's VND 2.7 trillion on 24 October, and VRE's VND 16.7 trillion on 07 November 2017 attracted investor attention. Sophisticated investors also engaged in shares such as ROS, NVL, HBC, in anticipation of rebalancing of ETF funds;
- The positive stock market publicity corroborated with other positive economic developments; a virtuous cycle ensued attracting more and more investors, both new and from the sidelines. Consequently, a record high trading value of over VND 21 trillion was reached on 07 November and the VN Index was pushed close to 1,000 points in December 2017;
- The derivatives market with first product of VN30 Index Futures was launched on 10 August 2017. As of the end of December 2017, a total of 1,107,858 contracts were transacted with a nominal transaction value of about 18% of the total stock market value.

## A. VIETNAM SECURITIES MARKET IN 2017

In retrospect, the Vietnam stock market achieved remarkable growth in 2017 against expectations at the outset of the year as evidenced by the two main market indices. The VN Index grew by 319.4 points (or 48%) yoy to close the last session at 984.2 points. The HNX Index grew similarly by 36.7 points (or 46%) to close at 116.9 points.

VN Index & HNX Index



(VND Million)	Average daily trading value		
	Y2017	Y2016	% change
HOSE	4,168	2,410	73%
HNX	643	510	26%

## B. BUSINESS PERFORMANCE REVIEW

With the market's rapid growth in 2017, as a leading company, HSC was able to increase its transaction value by 67% yoy to VND 285 trillion as compared to VND 171 trillion in 2016. Although the market was highly competitive, HSC was able to increase its overall brokerage market share slightly in 2017 to 11.3%, but still under the plan of 12.3% for 2017.

HSC's brokerage market share	Y2017	Y2016	Target 2017
HOSE	11.9%	12.5%	
HNX	7.1%	6.8%	
UpCoM	7.7%	5.6%	
<b>Total market share</b>	<b>11.3%</b>	<b>11.2%</b>	<b>12.3%</b>

It appears that HSC's standards and subsequent strict interpretation of statutory regulations on margin lending muted growth in this important market segment. Particularly, HSC was:

- Not being involved in transactions and foregoing brokerage fees and margins of the shares: FLC, ART, ROS, KLF, HAI and AMD, which combined accounted for 12% of the total market value;
- Abstention from several deals related to newly listed stock such as VJC, PLX or stocks that registered for trading on UpCoM to strictly complied with the requirements and regulations concerning margin lending for those stocks and;
- Not providing more margin for specific large-cap stocks such as ACB, HPG, HBC, CII, and KDC, whose large put-through transactions handled by HSC as HSC strictly complied with the regulations on the maximum amount of margin available for a single stock.

## COMPANY PERFORMANCE IN 2017 (Cont.)

In summary, though HSC did not expand market share as much as expected, its business developed with many of the opportunities and grew with the market, ultimately resulting in its, in many respects, substantial financial performance in 2017. Total revenues reached a record high of VND 1,540 billion, a significant increase of 87% yoy and 52% above plan. Profit after-tax reached VND 554 billion, a similar increase of 82% yoy and 53% above plan. HSC eventually met the challenge of raising capacity to serve the increasing needs and demands of the growing market while still keeping operational costs efficiently under control.

Items (VND million)	Y2017	Y2016	% change	Plan 2017	% Plan 2017
<b>Income statement</b>					
Revenue	1,540,043	824,245	87%	1,011,913	152%
Operating expenses	847,720	439,651	93%	561,047	151%
<b>Profit before tax</b>	<b>692,601</b>	<b>385,383</b>	<b>80%</b>	<b>450,866</b>	<b>154%</b>
<b>Profit after tax</b>	<b>554,059</b>	<b>304,531</b>	<b>82%</b>	<b>361,123</b>	<b>153%</b>
<b>Balance sheet</b>					
Total Assets	6,680,572	3,616,842	85%	3,845,039	174%
Total Equity	2,791,161	2,391,917	17%	2,456,536	114%
<b>Financial indicators</b>					
Return on average assets (ROAA)	10.8%	9.1%		9.4%	
Return on average equity (ROAE)	21.4%	13.0%		14.7%	
<b>Per share financial indicators</b>					
Outstanding share	129,570,368	127,155,368	2%	129,655,368	100%
Earning per share EPS - VND	4,289	2,395	79%	2,785	154%
Book value per share - VND	21,542	18,811	15%	18,947	114%
<b>Total expenses / Total revenue</b>	<b>55%</b>	53%		<b>55%</b>	

### I. REVENUE

Revenue (VND million)	%	Y2017	Y2016	% change	Plan 2017	% Plan 2017
Brokerage fee	39%	601,942	348,957	72%	451,533	133%
Income from loans	29%	439,219	343,657	28%	412,300	107%
Gains from proprietary investments	28%	428,248	99,026	332%	110,630	387%
Financial advisory services	3%	45,179	24,602	84%	32,900	137%
Other revenue	2%	25,455	8,003	218%	4,550	559%
<b>Total</b>	<b>100%</b>	<b>1,540,043</b>	<b>824,245</b>	<b>87%</b>	<b>1,011,913</b>	<b>152%</b>

All business segments of HSC achieved considerable growth in 2017, where the total revenue reached a record of VND 1,540 billion.

Income from brokerage fee increased 72% to reach VND 602 billion, driven by the increase in transaction values and volumes. Income from loans increased by 28% to VND 439 billion and accounted for 29% of total revenue, its contribution thus declined from 42%, of equal rank as brokerage services, in 2016.

Gains from proprietary investments had the highest growth rates compared to all other income sources in 2017. In line with the propitious market conditions, capital gains were more than fourfold the 2016 result and widely exceeded the plan to contribute 28% of the total revenues.

Though only a fraction of total revenues, the contribution to revenues of Finance advisory services increased by 84% yoy. Its successful executions of large transactions, such as the listing of HDBank, the advisory and underwriting services for the divestment of state-owned enterprise Viglacera, the consulting on bond issuance for CII, and the capital raising for NKG, CTI and other services also added to HSC's market reputation and its future business development.

### 1. BROKERAGE

Brokerage fee (VND million)	%	Y2017	Y2016	% change
<b>Stocks brokerage</b>				
Retail brokerage	51.4%	309,109	203,500	52%
Institutional brokerage	48.2%	290,301	145,457	100%
<b>Derivatives brokerage</b>				
Retail brokerage	0.4%	2,532	-	
<b>Total brokerage fee</b>		<b>601,942</b>	<b>348,957</b>	<b>72%</b>

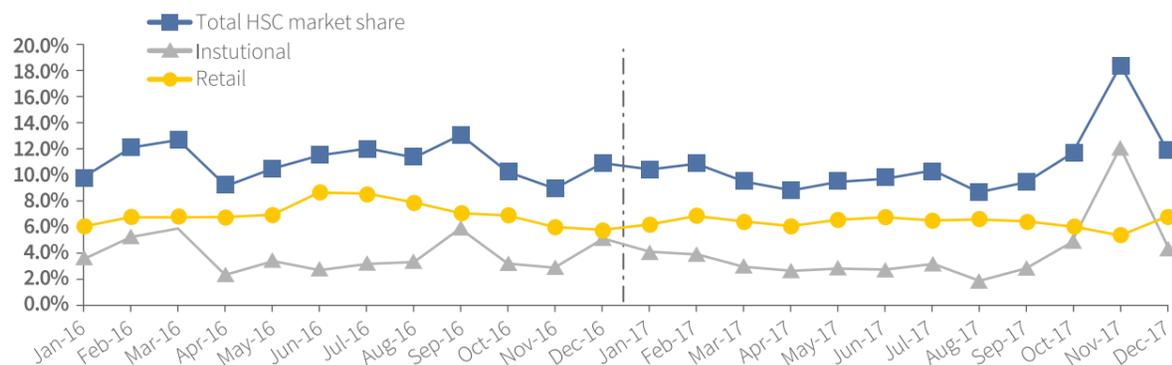
In line with market momentum, HSC's brokerage business, its core business, recorded a 72% yoy growth in revenue and contributed 39% to total revenue. The trading value conducted through HSC increased by 67%, which is attributable to the growth of Vietnam market growth but also to strong interaction with the existing and new clients of the sales teams, the quality of its research and brokerage teams. The achievement was that HSC's market share still remained stable at 11.3% even though some large transactions were declined or some business foregone due to strict application of compliance standards in regard to margin lending.

In 2017, HSC saw a marked jump in the trading values executed for both individual and institutional clients. HSC's market share for institutional clients in Vietnam increased from 3.9% in 2016 to 4.5% total market share in 2017 and accounted for 33% of foreign investor market, although the market share for retail clients in Vietnam declined from 7.1% in 2016 to 6.4% in 2017. The trend of HSC's market share over the past two years by total market, institutional investors and retail investors is shown below.



## COMPANY PERFORMANCE IN 2017 (Cont.)

2016 - 2017 HSC market share



### 1.1 Retail Clients Brokerage

Local retail clients are the dominant investor segment in Vietnam and accounted for 87% of Vietnam's total market trading in 2017. Securities with a total value of VND 930 trillion were traded by domestic retail investors in 2017, an increase of 65% against 2016. Retail trading was however narrowly focused on large-cap stocks. The top 20 most actively traded stocks, led by ROS, NVL, FLC, HPG, HBC, HSG, SHB, and VJC, accounted for 42% of total domestic trading value.

Brokerage fees from domestic retail clients reached VND 309 billion in 2017, an increase of 52% yoy. This was generated from an increase of 47% in the total trading value of HSC's retail clients, which was thus lower than the 65% growth of the domestic retail clients' trading value for the market as a whole. This reflects HSC's governance principles, both in the selection and credit support of retail customers as well as its compliance standards as mentioned above. The contribution of fees from domestic retail clients thus declined from 58% in 2016 to 51% of the total brokerage fee in 2017.

In the vibrant market conditions for much of 2017, and despite intensified competition, HSC placed great importance to the continued high standard and quality of its advisory services for its clients. The quality of the consulting services along with the greater presence through its transaction offices or with more online services have altogether let to improved client satisfaction levels and embellished HSC's position as a leading and respected securities firm in Vietnam. This was also upheld with regular training courses for the brokers to increase their understanding of new financial products, improve client servicing abilities and ensure maintenance of HSC's compliance standards.

HSC was involved from the outset with the Vietnam derivatives market that was officially launched on 10 August 2017 and introduced VN30 Index Futures as its first product. It provided a new investment option for investors apart from the conventional equities trading. As one of the pioneers in bringing this financial product to market, HSC received very positive reviews from retail clients for the services. HSC offered an introductory promotion with nil brokerage fees for the first three months after the product launched. Altogether the product has contributed a reasonable VND 2.5 billion in fee income from the brokerage activities. It is considered that the new derivatives market has strong potential for growth, and that index futures and other derivatives products can emerge as a significant source of future revenue streams.

### 1.2. Institutional Clients Brokerage

HSC's brokerage fees from institutional clients just fell short of doubling from 2016 to reach VND 290 billion. The key factor for this increase was HSC's long and close involvement with foreign institutional clients.

Throughout 2017, the flow of net foreign indirect investments into the Vietnamese stock market increased, attracted by a confluence of positive economic developments, reasonable stock market valuations and, importantly, new opportunities provided by the implementation of privatization policy of the Government. Consequently, a series of large state divestments, equitizations and private placements were conducted which attracted significant foreign investor participation. The net inflow of foreign funds reached VND 26 trillion in 2017, more than the total of the last five years and against a net outflow of VND 6.8 trillion in

2016. Notable is also the activity of the foreign ETFs such as FTSE, VNM and iShares MSCI Frontier 100 ETF, which attracted additional foreign investments and added to the net buying in big caps such as VNM, VRE, HSG, and VIC.

As a result, the total trading value of foreign investors increased by 66% against 2016 and reached over VND 331 billion. However, the share of foreign trading of the total trading value remained constant at 13.2% of the total market in 2017 against 13.1% in 2016.

By nurturing its foreign client base with information and services, foreign transactions executed through HSC grew by 87% yoy to VND 201 trillion in 2017 against VND 60 trillion in 2016. Critically, HSC raised interest in a number of equity divestments of the Government which were available for foreign ownership in 2017. The foreign investor market share of HSC accelerated at 33% of the total foreign trading value, which is equivalent to 4.5% of the total market trading value.

In addition to brokerage fees from large, existing institutional clients, HSC successfully won a mandate from a new client to execute a high-profile transaction that generated a significant amount of brokerage fee at the end of 2017. Altogether, HSC's services for institutional clients contributed to the stronger growth of institutional fee income against retail client fees. Institutional client fees now account for 48% of total fee income against 42% in 2016. This reflects the trust and confidence that these, often foreign investors have placed in HSC. HSC will continue to ensure its services retain the quality hallmark required for these sophisticated and discerning clients.

## 2. INCOME FROM LOANS

The strong growth of the Vietnam stock market combined with greater trading activity of its clients also resulted in higher demand for HSC's margin lending services. Interest income from margin loans had strong potential, but credit quality was carefully monitored to ensure satisfactory repayments. Income from loans was mainly contributed by margin lending activities and by cash advanced services.

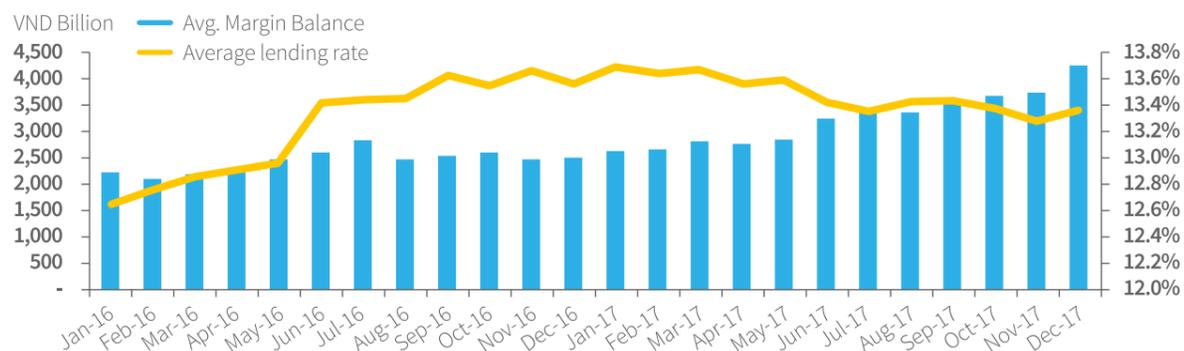
Income from loans (VND million)	Y2017	Y2016	% change
<b>Margin income</b>	<b>435,263</b>	<b>340,647</b>	<b>28%</b>
Average margin balance	3,237,878	2,599,380	25%
Average lending rate	13.4%	13.1%	3%
<b>Advances to clients</b>	<b>3,956</b>	<b>3,010</b>	<b>31%</b>
<b>Total income from loans</b>	<b>439,219</b>	<b>343,657</b>	<b>28%</b>

In 2017, income from loans grew by 28% yoy to reach VND 439 billion, an increase of 7% above the 2017 plan. With the stronger increases of other revenue sources, the share of margin lending's income thus represented 29% of HSC's 2017 total revenues of VND 1,540 billion against 42% in 2016.

The average balance of outstanding margin loans increased by 25% from VND 2,600 billion to over VND 3,200 billion in 2017. Given increased demand, the average lending interest rate was increased to 13.4% for 2017 from 13.1% in 2016.

## COMPANY PERFORMANCE IN 2017 (Cont.)

### Y2016 - Y2017 Margin Lending



Throughout the year and despite, at times, particularly strong client demands, HSC maintained full compliance to the statutory margin lending limits, notably pertaining to lending per stock, per single account and of the total margin lending against equity. The margin lending thus did not breach pre-determined prudence levels and any incident of over-leveraging was avoided.

Margin lending operations were consequently tightly managed by HSC in 2017, with the aim of maintaining adequate flexibility for the clients on the one hand but within limits to manage risks and ensured capital adequacy on the other. Risks rubrics were applied and monitored for client transactions to ensure that the trading was conducted within the risk guidelines. A general provision for credit risk from margin lending activities was set at 0.75% of outstanding margin balance at the end of the year from 2016; the non-performing loan ratio for margin lending was contained at 0.1% at end 2017.

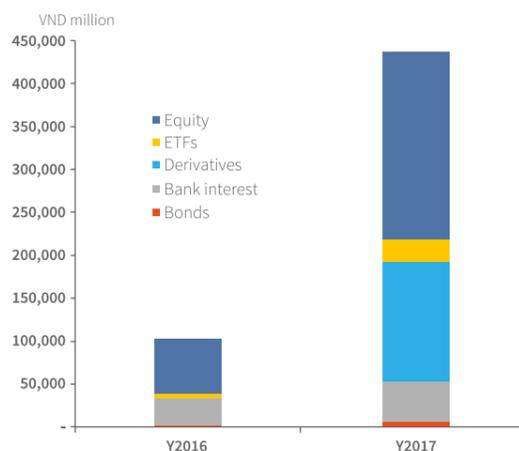
### 3. PRINCIPAL INVESTMENTS

The revenues from Principal Investments exceeded VND 428 billion in 2017 with a profit margin of 40%. It recorded a four-fold increase from the previous year and accounted for nearly 28% of total revenue. This was achieved with HSC's analysis and understanding of underlying market trends, which were then translated into the selection and execution of trading strategies designed to gain superior returns.

Revenues from five portfolios that contributed to the profitable growth of Proprietary Trading.

Gains from principal investments (VND million)	Y2017	Y2016	% change
Equity	215,023	63,504	239%
ETFs	26,080	5,892	343%
Derivatives	136,902	-	n/a
Bank interest	45,444	29,491	54%
Bonds	4,799	139	3365%
<b>Total</b>	<b>428,248</b>	<b>99,025</b>	<b>332%</b>

### Gains from proprietary investments



**a. Equity:** HSC invested in both listed and unlisted stocks of companies with strong financial performance. Prices of stocks in HSC's portfolio increased in 2017 on the back of strong earnings, and by year-end, the portfolio contributed 50% to the total revenue from proprietary trading (against 64% in 2016).

**b. ETFs:** The revenues generated by the ETF Portfolio were mostly generated by transactions where HSC was a market maker. ETF trading was very active in 2017 with strong participation from foreign investors while selecting individual stocks of investment quality was more difficult. The net asset value reached VND 2,700 billion at end 2017. Revenues from ETF Portfolio activities accounted for 6.1% of the total proprietary trading revenues (2016: 5.9%).

**c. Derivatives:** The new derivatives product commenced in August 2017 significantly contributed to revenues and accounted for 32% of total proprietary trades in 2017. The arbitrage transactions, that HSC identified

and swiftly executed according on prevailing market opportunities, became a major source of revenue despite the short period of trading between Q3-Q4/2017. HSC could generate sizeable financial returns with this product by harnessing its technology and talented staff.

**d. Bank interest:** Interest income was VND 45 billion and increased 54% compared to last year. This was mainly due to an increase in average deposit balances of VND 800 billion in 2017 with average deposit rate of 5.7%/year (in 2016: average deposit balance was VND 640 billion and average deposit rate was 5.5% / year);

**e. Bonds:** Revenues from the bond market did not expand strongly in 2017 in comparison to the other market segments. The average bond yields remained suppressed. HSC's bond trading was limited to representing clients in bids and auctions. However, HSC believes that bond investments will generate additional income flows in the coming years as the market conditions develop.

### 4. INVESTMENT BANKING

Financial advisory services (VND million)	Y2017	Y2016	% change
Issuance and listing advisory fee	42,917	20,894	105%
General consulting fee	2,262	3,708	-39%
<b>Total</b>	<b>45,179</b>	<b>24,602</b>	<b>84%</b>

Finance advisory services benefited from a robust and vibrant securities market environment in 2017. As a result of strong economic growth and the fast-rising securities market, many state-owned and private corporations launched numerous capital raising exercises, creating significant revenue opportunities for HSC Investment Banking team. As a trusted and reputable adviser in Vietnam, HSC successfully completed over a dozen mandates to raise capital through equity, bond issuance and public auctions, and to bring corporations public to list their shares on the local stock exchange in Vietnam. In 2017, HSC's advisory income exceeded VND 45 billion - an outstanding increase of 84% yoy which surpassed the 2017 target by 37%.

HSC has continued to build a stable team of senior and experienced executives to lead corporate mergers and acquisitions (M&A), to complete equity IPOs, public auctions and private placements for corporations in various industry sectors. Several high caliber bankers and analysts with over 10 years' experience in securities and investment banking joined HSC Investment Banking team during the past year. The team successfully completed

several major M&A transactions in the pharmaceutical and retailing sectors in 2017, led the IPO advisory and subsequent listing of HDBank - a high profile local retail and SME private bank; advising the highly acclaimed underwriting of a large new equity issue for Viglacera Corporation, a state-owned enterprise; leading the private placements for CII and CTI - two large local infrastructure developers and for Nam Kim Steel - a medium-size steel manufacturer and exporter.

The wave of equitizations and divestments of large state-owned and private enterprises is expected to continue and even accelerate throughout 2018 to 2020. HSC is well positioned at the forefront of many opportunities for M&A, IPOs, and underwriting mandates. The next three years will present significant opportunities for HSC to identify, select and secure the largest and highest yielding transactions in Vietnam.

In 2018, the team will be prepared to secure more deals and financial transactions, through its network of partnerships, both domestic and international, to create a solid base for HSC to ride the wave and rise above its peers.

## COMPANY PERFORMANCE IN 2017 (Cont.)

### II. OPERATING EXPENSES

Operating expenses (VND million)	Y2017	Y2016	Change	Plan 2017	% Plan 2017
Normal operating expenses	400,815	259,528	54%	348,558	115%
Brokerage expenses	127,798	78,918	62%	95,487	134%
Interest expenses	139,191	45,252	208%	90,000	155%
HSC bond coupon	3,200	-	n/a	23,750	13%
Losses from proprietary investments	150,316	14,268	954%	-	n/a
Losses from revaluation of financial assets	8,093	3,497	131%	-	n/a
Provision for bad debts	4,673	18,191	-74%	-	n/a
General provision for lending	13,634	19,997	-32%	3,253	419%
<b>Total operating expenses</b>	<b>847,720</b>	<b>439,651</b>	<b>93%</b>	<b>561,047</b>	<b>151%</b>
<b>% Total expenses / Total revenue</b>	<b>55%</b>	<b>53%</b>		<b>55%</b>	

The Cost Income ratio was 55% in 2017, with which HSC is more cost-efficient when compared to the Top 10 securities companies in Vietnam, whose average cost to income ratio stood at 60% in 2017. This also reflects that operating costs for 2017 were well-controlled and the astute management of expenses.

Overall, operating expenses has risen in line with the increases in trading activities. Operating expenses generally increased in proportion to the services required where income growth was highest. The bulk of operating expenses came from i) brokerage expense ii) losses from proprietary investments, and iii) bank interest expenses to finance margin lending.

#### Normal operating expenses

Normal operating expenses accounted for 47% of total expenses and increased by 54% compared to 2016. The main items in normal operating expenses were presented as follows:

Normal operating expenses (VND million)	Y2017	Y2016	Change	Plan 2017	% Plan 2017
Salary and related expenses	201,879	114,475	76%	174,812	115%
Commission to brokers	91,042	53,078	72%	59,452	153%
Outsourcing expenses	39,963	37,925	5%	37,618	106%
Leasing expenses	23,266	20,608	13%	24,551	95%
Information technology expenses	18,160	14,742	23%	20,679	88%
Depreciation and amortization	9,561	5,921	61%	17,572	54%
Other expenses	16,944	12,779	33%	13,962	121%
<b>Normal operating expenses</b>	<b>400,815</b>	<b>259,527</b>	<b>54%</b>	<b>348,558</b>	<b>115%</b>

Staff remunerations and broker commissions constituted the largest two categories of the operating expenses. Staff salaries have increased due to the addition of senior executives for corporate finance and brokerage divisions. In addition, commissions for brokers rose due to the increase in transaction values of retail business compared to 2016.

The other items in normal operating expenses were not mentioned due to small proportion or slight change compared to 2016 and in accordance with actual activities of the Company in 2017.

#### Brokerage expenses

Brokerage expenses included fees payments to exchanges and commissions to intermediaries, which had risen by 62% in line with the corresponding increase in value of transactions in 2017.

#### Interest expenses

Interest expense increased three-fold in 2017 mainly due to the increase of short-term loans from banks to finance margin lending activity as mentioned above.

#### Losses from proprietary investments

In 2017, HSC saw trading losses arise from proprietary investments (where sales prices were lower than costs) because of i) losses from stock trading and ii) losses from arbitrage trading activities. It should be noted that such losses from arbitrage activities were not occurred in 2016.

#### Losses from revaluation of FVTPL

The loss from revaluation of financial assets was an additional provision in 2017, related to OTC stocks that were bought in the past.

#### HSC bond coupon

The coupon expense of VND 800 billion HSC bonds, which were successfully issued in mid-December 2017 to raise additional funds for business expansion.

#### Provision for bad debts

The provision for non-performing debts is to cater for irrecoverable margin loans.

#### General provision for lending

As mentioned in an earlier section, HSC set aside a general provision for margin loans at a proportion of 0.75% margin outstanding equivalent to VND 33.6 billion at end 2017. Earlier, HSC has already made a provision of VND 20 billion in 2016, so the additional amount provided in 2017 is VND 13.6 billion.

### III. BALANCE SHEET

Balance Sheet (VND Million)	%	31/12/2017	%	31/12/2016	% change
<b>A. Current assets &amp; short-term investment</b>		<b>6,505,803</b>		<b>3,472,717</b>	<b>87%</b>
I. Financial assets	96%	6,402,628	96%	3,468,204	85%
1. Cash & equivalent		196,221		60,194	226%
2. Financial assets	19%	1,259,886	8%	306,372	311%
3. Lendings	67%	4,501,592	76%	2,750,945	64%
4. Other receivables	7%	444,929	10%	350,693	27%
II. Other current assets	2%	103,175	0%	4,514	2186%
<b>B. Fixed assets &amp; long-term investment</b>	<b>3%</b>	<b>174,769</b>	<b>4%</b>	<b>144,125</b>	<b>21%</b>
I. Fixed assets		38,007		9,116	317%
II. Construction in progress		6,851		11,158	-39%
III. Other long-term assets		129,911		123,851	5%
<b>TOTAL ASSETS</b>		<b>6,680,572</b>		<b>3,616,842</b>	<b>85%</b>
<b>A. Liabilities</b>	<b>58%</b>	<b>3,889,411</b>	<b>34%</b>	<b>1,224,925</b>	<b>218%</b>
<b>I. Short-term liabilities</b>	<b>58%</b>	<b>3,874,368</b>	<b>34%</b>	<b>1,224,925</b>	<b>216%</b>
Short-term borrowings		2,479,755		1,000,000	148%
HSC's bond		800,000		-	n/a
Other liabilities		594,613		224,925	164%
<b>II. Long-term liabilities</b>		<b>15,043</b>		<b>-</b>	<b>n/a</b>
<b>B. Owner's equity</b>	<b>42%</b>	<b>2,791,161</b>	<b>66%</b>	<b>2,391,917</b>	<b>17%</b>
I. Shareholders' equity		2,791,161		2,391,917	17%
<b>TOTAL RESOURCES</b>		<b>6,680,572</b>		<b>3,616,842</b>	<b>85%</b>

In 2017, HSC's total resources increased by VND 3,000 billion. VND 2,600 billion was funded by short term liabilities and HSC bond, and VND 400 billion from equity.

The increased capital was allocated to margin lending and financial assets, which ultimately contributed significantly to revenue growth of HSC.

## COMPANY PERFORMANCE IN 2017 (Cont.)

### KEY RATIO ANALYSIS

Key ratios	Y2017	Y2016
<b>Operation ratios</b>		
Quick ratio	1.6	2.8
Current assets turnover	0.3	0.3
Total assets turnover	0.3	0.2
<b>Leverage ratios</b>		
Total debt/ Total equity	1.4	0.5
Total debt/ Total assets	0.6	0.3
Financial safety ratio	526%	715%
<b>Profitability ratios</b>		
Net profit margin	36%	37%
ROE	21.4%	13.0%
ROA (10.8% and 9.1%)	10.8%	9.1%

HSC has made effective changes in the capital structure and its balance sheet in 2017. Notable is that of the margin lending balance has increased by 64% to VND 4,501 billion, its proportion of total assets declining from 67% against 76% in 2016. In contrast, Financial Assets were increased three-fold, albeit from a small base, to account for 19% of Total Assets against 8% in 2016.

The current assets and short-term investments have doubled to VND 6,505 billion. As noted above, the asset growth was funded by a significant rise in short-term liabilities including bonds. This shift has resulted in higher leverage, whereby the total debt to equity ratio has more than doubled from 0.5x to 1.4x. Correspondingly the financial safety ratio has declined to 526% from 715% in 2016. However, this is not indicative of lax financial management. On the contrary, HSC has designed the capital structure to take advantage of the prevailing conditions and prospects. The additional liabilities, predominantly short-term, have been applied to finance investments that have yielded significantly higher returns.

Profitability in terms of the ROA and ROE rose to 10.8% and 21.4% respectively, which are new performance benchmarks for HSC and distinguishes HSC from its peers.

At the same time, HSC adopted best practices in financial risk management such that 2017 saw the sound maintenance of its capital adequacy. The retained earnings have increased shareholders equity to VND 2,791 billion.

Given that HSC has proven its ability to improve its business efficiency, effectiveness and therefore profitability, there is much room for it to expand its operations. By the same measures, HSC's shares remain attractive and provide further scope to increase shareholders' returns, both for existing and new shareholders.

In conclusion, HSC has had an outstanding year in 2017. In the course of the year, all necessary action was taken to protect the interests of shareholders, stakeholders and partners. Investors can rest assured that HSC will continue to embrace its responsibility to ensure financial prudence and profitable growth in 2018.



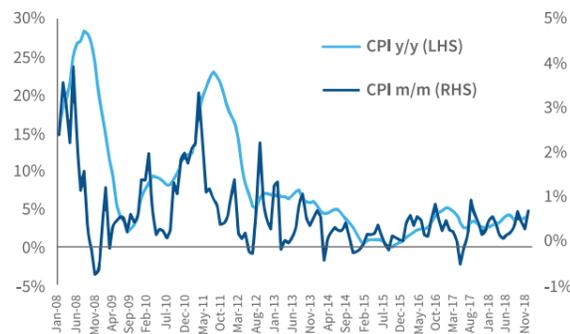
## MACROECONOMIC & STRATEGY 2018

# MACROECONOMIC & STRATEGY 2018

## 1. MACROECONOMIC TRENDS REVEAL SUSTAINED GROWTH

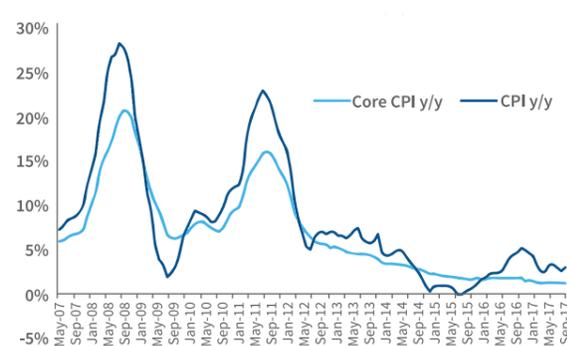
### 1.1 HSC FORECASTS FY2018 CPI WILL RISE BY 4.3% Y/Y. WHILE WE PROJECT CORE CPI WILL INCREASE BY 2.2% Y/Y.

CPI - m/m and y/y trend



Source: GSO numbers and HSC forecasts

Core vs. Headline CPI (y/y%)



Source: GSO; HSC calculation

Our guidance for FY2018 is a bit higher than the Government's official target at 4% y/y. This also marks an acceleration from 2017's year-end CPI of 2.6% y/y growth for headline CPI and 1.29% y/y growth in core CPI. In fact in 2017 CPI ended the year far milder than we had anticipated. This was due to a sharp drop in food prices which partially offset the higher charges for various government services and fuel prices.

**For 2018, we see several push factors such as higher fuel and food prices plus a moderate impact from government services** - As ever CPI in Vietnam is dominated by changes in the prices of fuel; food and government services (health; education and utility charges).

Whereas 2017 saw a greater price impact from government services, in 2018, we see the main drivers of pricing pressure from higher fuel and food prices. They go together actually as fuel is an important component in the transportation cost of food.

- **The price impact from government services will moderate in 2018** - We project education fees and healthcare service charges will continue to rise in 2018 to the tune of 7.9% and 8% respectively vs. an increase of 5.1% and 33% seen in 2017. These price increases which as always will be staggered throughout the year may push 2018 CPI up by 0.47% and 0.31% respectively

- **Some impacts from the December electricity price hike however** - Electricity price were raised by 6% from December 1st 2017. We estimate 6% hike will add 0.51% to 2018 CPI. Of which 0.14% will be the direct impact from January when the first higher bills arrive. And the rest will be the indirect impact which is spread over subsequent months.
- **Higher fuel prices will be a major driver of CPI** - Based on assumption that global average crude oil prices increase by 10% in 2018, we see a 9.3% hike in domestic fuel index (of which we estimate the benchmark price of RON 92 which has a 85% weight in the fuel price sub index will rise 7%). Then, the direct impact from fuel price will come at 0.41% while residual impact is estimated at 1.78%. Hence, the overall impact will come to 2.19% in 2018 compared to an equivalent 1.76% seen in 2017.
- **Moderate impact on key food price hike** - HSC forecasts that food prices index will rise by 3.4% in 2018 after a decline of 1.8% in 2017. This decline is virtually unprecedented and was mainly caused by the 35% collapse in pork prices in Q2 2017.

### 1.2 HSC PROJECTS THE VND WILL DEPRECIATE BY 2% AGAINST THE US\$ IN 2018.

VND US\$ exchange rate and band



Source: Reuters; HSC

Vietnam's foreign currency reserves & y/y change



Source: IMF; HSC estimation

**VND appreciated 0.24% against USD in 2017.** The combination of VND strength and the weakness USD has increased Vietnam's foreign currency reserves to around US\$ 48 billion (up US\$ 9 billion or 23.1% y/y). We note the main flows behind this as follows:

- FDI was estimated to have increased by some 10.8% to US\$ 17.5 billion.
- Then FII is estimated to have increased by 6.5 times to US\$ 1.87 billion (including US\$ 814 million in bonds and US\$ 1.56 billion in stocks).
- SOE equitisation sales over the view is estimated by HSC to have pulled in some US\$ 9.6 billion.
- The trade surplus is estimated to have shot up to US\$ 3.7 billion.

**HSC forecasts that the VND will depreciate some 2% against the US\$ in 2018. This would mark a reversion to the normal pattern.** The main assumptions behind this view as follow:

- The Federal Reserve Bank has stated that it intends to raise rates a further three times in 2018. Even as the balance sheet reduction begun in October 2017 accelerates. This will both reduce the amount of dollars in effective circulation. But also raise the price/yield of the US\$.

- Global inflation may seem fairly moribund especially if we look at core inflation. However, labour markets are tight while commodity prices are rising gradually. Therefore, we see a quickening of global inflation next year which should lead to higher interest rates. This is not alarming as the rate of increase should be very moderate. Even so the low inflation and easy money era is rapidly drawing to a close.

- On a more positive note we expect to see a further increase in FDI next year. HSC forecasts that FDI will increase by 15% to US\$ 20 billion.
- We expect FII to continue to increase by 25% to US\$ 2.34 billion.
- As for SOE equitisation, we expect foreigners to be active in the sale of the BHN and BMP stakes. And the IPOs of PV Oil and PV Power. Along with a possible equitisation of a major telco later in 2018.
- We forecast the trade surplus will expand dramatically by 75% to US\$ 6.5 billion in 2018.

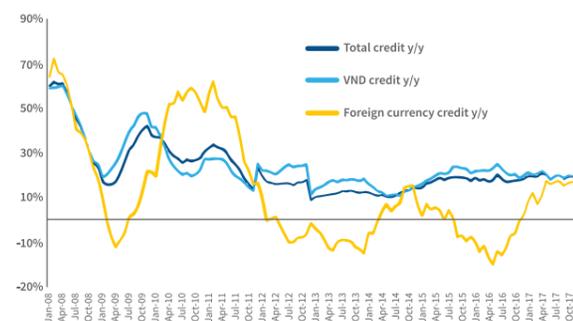
The main risks for our view of moderate depreciation would be:

- Faster than expected surge in global inflation leading to interest rates moving up more quickly than expected.
- A rise in geopolitical tensions leading to a flight to safety.

## MACROECONOMIC & STRATEGY 2018 (Cont.)

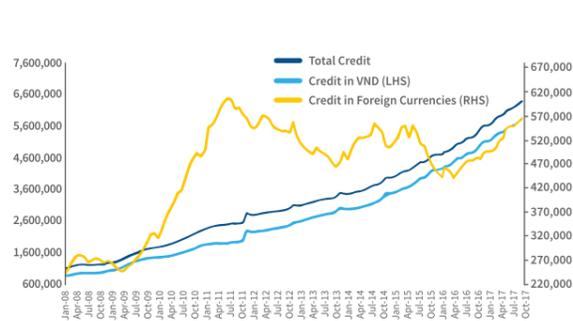
### 1.3 HSC FORECASTS FY2018 CREDIT GROWTH WILL SLOW A LITTLE TO 18%

Credit growth y/y



Source: SBV; HSC estimates

Bank credit in Vietnam



Source: SBV; HSC estimates

HSC forecasts that overall credit growth will slow to 18% in FY218 or lower than our revised estimate of 19% for FY2017.

The 2017 credit growth number is being driven by the following factors;

- Early inflation concerns on the part of the SBV failed to materialise.
- The government's growth priorities reasserted themselves over the credit growth target from the summer onwards.
- Which we see as being partly offset by concern from the IMF and other multilateral bodies over too rapid credit growth.

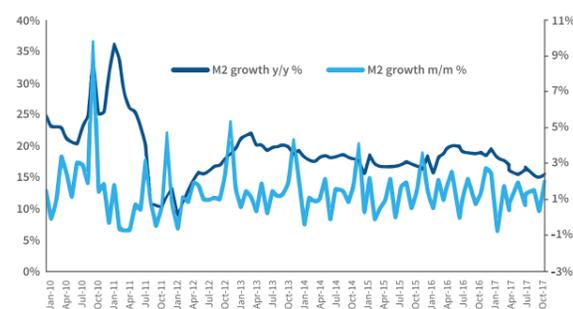
HSC's FY2018 forecast is partly based on the key role credit plays to achieve 6.5-6.7% GDP growth. The government has made a clear connection between credit growth and GDP targets in recent years. Viewing them

as moving in tandem. Whilst also trying to improve the productivity of lending activity (so that even lower credit growth can still sustain decent GDP growth. Therefore, HSC's forecast for 18% credit growth in 2018 is driven by;

- HSC's GDP growth forecast of 6.42% for 2018.
- The need to provide working capital loans in both VND and foreign currencies to sustain trade growth. Underlies the importance of the FDI and private sectors to the economy.
- The important role now played by consumer and retail lending in the makeup of bank loan books.
- Somewhat countered by the desire of the SBV to achieve a long term sustainable level of credit growth that does not serve to reignite above normal inflation.

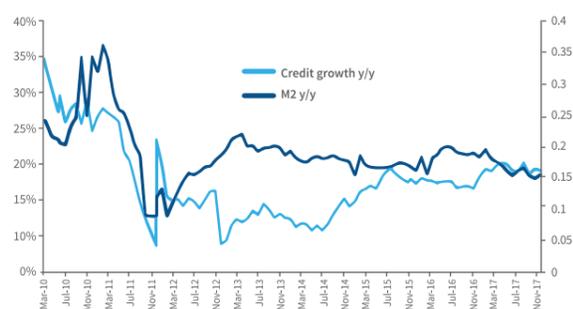
### 1.4 HSC FORECASTS M2 WILL GROW BY 16% Y/Y IN 2018

M2 - y/y vs. m/m



Source: SBV; HSC collection

M2 vs. credit growth y/y



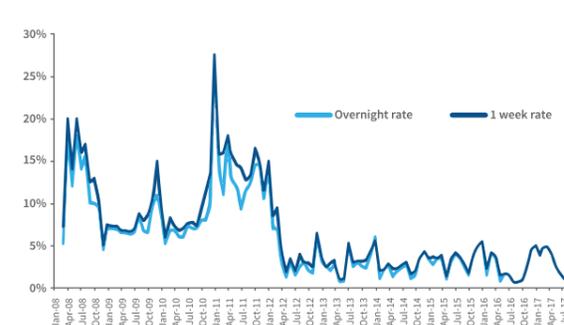
Source: SBV; HSC collection

Looking forward, we forecast 2018 M2 will decelerate to some 16% growth y/y, or some 50 bps slower than 2017. We see a slight deceleration in M2 as part of the normalization strategy followed by the SBV over the last few years. There is also the conviction that the rather

profound switch in lending practices, since then, towards retail and private sector companies is far more productive, which means that lower than previous M2 and credit growth can still produce decent and sustainable GDP growth between 6.3-6.7%.

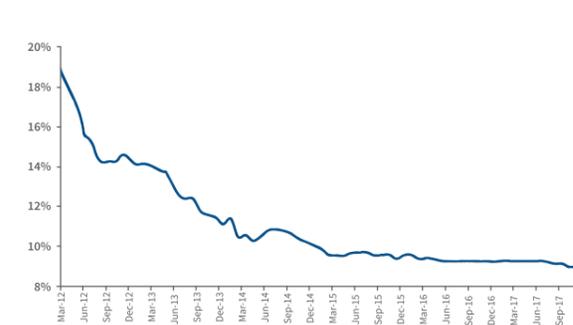
### 1.5 HSC FORECASTS VIETNAMESE INTEREST RATES TO RISE ON AVERAGE BY 30 BPS IN 2018

Interbank - Very short-term VND interest rate



Source: HSC collection

Average VND lending rate



Source: HSC collection

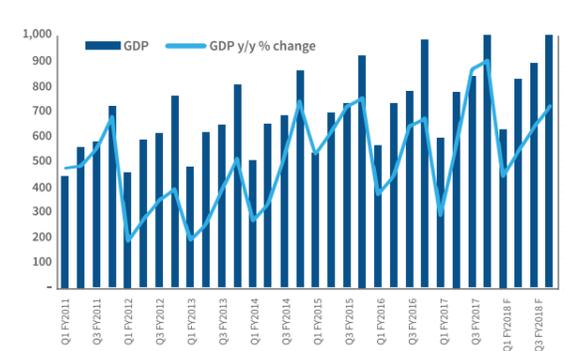
HSC forecasts that average deposit & loan rates along with benchmark yields will increase by some 30 bps in 2018. This view is based on a combination of factors:

- Fed guidance for interest rates in 2018.
- Currency and inflation outlook for Vietnam in 2018.
- Likely spread between VND and US\$ rates.

- We forecast the VND will depreciate by 3% in 2018 and expect CPI will quicken to 4.3% (versus 2.6% CPI in 2017). This represents a tougher environment for monetary policy than the Indian summer we had in 2017, and therefore HSC forecasts that interest rates will rise at a faster pace this year than in 2017.

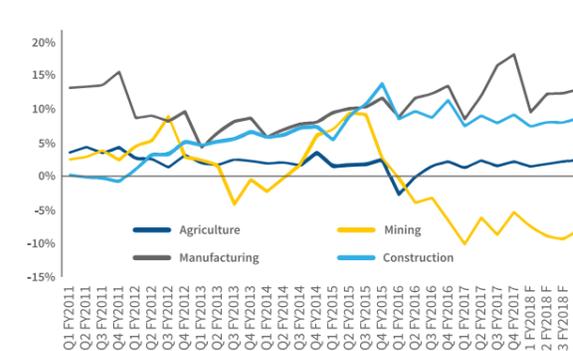
### 1.6 HSC FORECASTS FY2018 GDP WILL GROW 6.42, AFTER GROWING BY 6.8% IN FY2017

Vietnam real GDP growth



Source: GSO; HSC's forecast

Movement of major sectors (y/y%)



Source: GSO; HSC's forecast

## MACROECONOMIC & STRATEGY 2018 (Cont.)

**We forecast that FY2018 GDP will expand 6.42%, or a bit slower pace than in 2017** - In our bottom up approach, we forecast that real GDP will expand by 6.42% to VND 3,471,640 trillion in FY2018 compared to the estimated 6.8% growth seen in 2017.

1. We assume the primary sector (agriculture, forestry and fisheries) will grow by 2.2% versus 2% in FY2017 as the various weather related headwinds that have plagued the sector since FY2016 finally disperse.
2. Manufacturing grows by 12.14% versus 14.39% in 2017 led by expanding production for Samsung and other large FDI manufacturers.
3. However, we expect the mining sector will shrink by 8.3% next year versus a likely decline of 7% in FY2017 as a combination of aging oil fields and shrunken E&P activity limit options to boost output.
4. Tertiary sector expands by 7.26% versus 7.42% in 2017, mainly driven by the retail sector.

**Our top down approach however forecasts a higher growth rate of 6.77% for 2018** - For our top down approach, we use time-series to build up our model to estimate the GDP growth rate for FY2018. This is mainly because

1. Time series data better reveals underlying patterns.
2. It can be broken down into different components with each representing a different underlying aspect of the pattern. Here we employ our forecasting skills.

Variations in GDP growth rate is mostly led by predictable factors rather than unexpected ones, thus we factor in the three major components of time-series data, namely the long-term trend, seasonality, and cyclical into our model. Having said that, we assume randomness will have little or no effect on our model as we argue that positive and negative random shocks over the long term will average one another out.

### Top down model forecast for GDP

	FY2016	FY2017e	Growth y/y
Q1	564,371	593,458	5.15%
Q2	730,138	775,958	6.28%
Q3	777,511	835,519	7.46%
Q4	982,450	1,052,699	7.15%
<b>Full year</b>	<b>3,054,470</b>	<b>3,257,633</b>	<b>6.65%</b>

	FY2017e	FY2018F	Growth y/y
Q1	593,458	629,879	6.14%
Q2	775,958	826,067	6.46%
Q3	835,519	892,962	6.88%
Q4	1,052,699	1,129,149	7.26%
<b>Full year</b>	<b>3,257,633</b>	<b>3,478,058</b>	<b>6.77%</b>

Source: HSC

**Looking forward, we forecast that GDP will grow at a CAGR of 6.4% over the next 5 years** - In the GDP series there are five key segments in our opinion:

- **Agriculture - Recovery mode** We have seen agriculture suffer during 2015-2017 due to weather related events and variations in commodity prices. However, having come through a period of turbulence and consolidation, we now expect growth to revert to norms for the foreseeable future.
- **Manufacturing - Fast growth** Manufacturing should continue to see strong growth next year due to the acceleration in FDI, based on the secular shift in some global manufacturing capacity in selected industries from China to Vietnam.

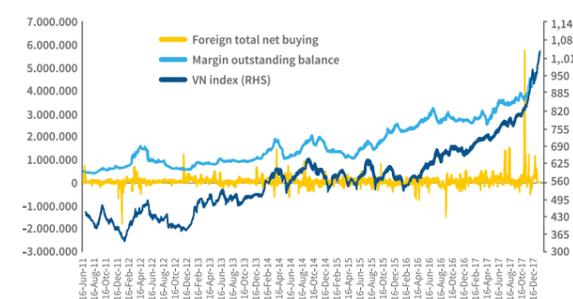
- **Construction - Steady growth** Construction is very cyclical. However, given the strong demand for residential housing and factories, recovery in the office segment and the advent of modern trade, growth has recovered for several years and remains brisk.
- **Mining - Cyclical decline** The mining sector has been in managed decline since 2016 given aging fields and a lack of new discoveries.
- **Retail - Steady growth** The retail sector has been growing very steadily and at slightly accelerated levels in the past two years, given higher income levels in both urban and now rural areas; the explosion in modern trade and high levels of consumer confidence. This is likely to continue over the next year or two.

The main constraints preventing even faster growth is (1) lack of public investment given budget constraints (2) and a lack of infrastructure.

## 2. STOCK MARKET OUTLOOK 2018

### 2.1 HSC TARGETS A VN INDEX HIGH OF 1200 DURING 2018

#### Foreign net buying & Margin vs. VN Index



Source: HSC

**In 2018, HSC's most likely case calls for the VN Index to hit a high of 1200 which is about 20 points above its all-time high of 1179.32.** We see the 2018 market performance supported by:

1. **Second consecutive year of positive foreign buying** - Foreigners will be significant net buyers once again in 2018. Since Q1 last year, we have seen significant foreign net buying offsetting the negative gap between M2 growth and credit growth on an annualized basis.
2. **Continued stream of SOE related IPOs and new listings** coupled with a sell down of government stakes in existing listed companies will provide the supply to entice foreign net buying.
3. **Strong earnings growth** with HSC calling for EPS growth of 18.2% for the TOP70 companies by market capitalization.

However, while the main factors driving the market higher will be similar to that of 2017, we see some significant differences:

- **Valuations look tippy** - As of the end of 2017 the TOP70 earnings forecast show the market trading at a forward 2018 P/E of 18.8xs. The current P/E is just above 19.4xs.
- **More volatility** - We also expect a much more volatile market given these tippy valuations and the fact that we are in a global transition year regarding monetary policy.
- **Equitization pipeline not as exciting as 2017** - So far, we do not see any large SOE auctions resembling the scale of Sabeco in the pipeline; hence, the scale of net foreign buying won't be as significant as in 2017.

Until 2016, the so called free liquidity gap (the difference between y/y growth in M2 and credit growth) did a good job of explaining the movement of the VN Index. However,

in 2017, M2 y/y growth spectacularly under-performed credit while at the same time the VN surged. Several factors at play here:

- **Foreign net buying** - the obvious explanation would be foreign net buying which went from negative US\$ (354.08) million in 2016 to a positive US\$ 1.15 billion in 2017. And this seriously understates the net inflow as it doesn't include off exchange deals where the buyers were invariably foreigners.
- **Bank lending to fund margin loans** - greater use of debt to fund margin lending. Brokers have been given far greater access to bank debt in recent years, so much so that arguably the increase in margin lending seen in 2017 was largely debt funded.
- **Lower interest rates were a bonus** - Interest rates rather unexpectedly fell during the year against the expected trend and thus provided an Indian summer of low rates for investors. This helped to add to the buoyant mood in the market.

**So how do these market demand drivers line up for 2018?**

1. **Foreign net buying will likely be less this year** - Vietnam is in a bit of a grey area at the moment. Somewhere between frontier and emerging market status. Now this time last year foreign exposure to the market was unusually low and at a time when large deals were starting to flow; earnings forecasts looked good and there was talk of a possible addition to the MSCI emerging market watchlist. The inevitable happened. We had a flood as some early emerging market funds took the plunge. This year, having already eaten, they are likely to become more choosy. We have seen early signs that some large institutional investors have already filled their proposed allocation towards Vietnamese equities.
2. **Margin lending is unlikely to continue to increase at the same pace** - HSC estimates that average margin lending increased by at least 37% last year (we have top 4 broker numbers only to the end of Q3). We roughly estimate that the total current margin lending exposure comes to some 1.4% of total market capitalization (This assumes the top 4 brokers control about 50% of the margin lending market). It has been as high as 1.6% - 1.7% previously according to our historic models, still well within safe limits; however, it cannot continue to expand at the same pace as before.
3. **Interest rates likely to increase this year** - we forecast that interest rates will rise by 30 - 50% in 2018.

## MACROECONOMIC & STRATEGY 2018 (Cont.)

### 2.2 MARKET REFORM IS STILL HIGH ON THE AGENDA. ALTHOUGH PROGRESS REMAINS ON THE SLOW SIDE

#### HSC view on equity market reform timeline

Equity market reform - possible timeline
<b>Done in 2016</b>
FOL access lifted for 9 stocks
Auction of partial government stakes in some large cap companies in VNM
Possible discussion of FOL reform for banking shares
Listing of equitised former SOEs - Habeco; Sabeco; Vietnam Airlines and ACV
<b>Done in 2017</b>
Another 6 companies lifted their FOL
Derivatives market launch offering some VN30 index and bond future products.
Private placements and then listing of VPB; Vincom Real estate and KDF
Auction of leading IPP Becamex IDC
IPO & listing of Petrolimex
Listing of Viet Jet Air & Novaland after previous private placements
Auction of partial government stakes in some large cap companies such as Sabeco and VNM
<b>Expected within 2018</b>
Earliest date inclusion into MSCI emerging market index watch list to be considered
Covered warrants - options for individual stocks
Auction of further partial government stakes in some large cap companies in VNM; Habeco; BMP and FPT
Private placements and/or listing of HDBank; Techcombank; VIB; several other banks and FPT Retail
More SOE IPO auctions and listings such as PV Oil; PV Power
Possible discussion of FOL reform for banking shares. Another 5-10 companies to lift FOL
Possible completion of HCMC & HN Exchange merger
Multi account same day buy sell trading offered
<b>Expected within 2019</b>
Possible introduction of T+0. Only if liquidity boost is needed
Active capital raising by banks as they prepare for Basle 2
More SOE IPO auctions; listings and stake sales as Government strives to complete plan
<b>Expected in 2020</b>
Earliest date inclusion into MSCI emerging market index to be considered
Basle 2 CAR standard to be introduced for banks
IFRS accounting standards to be introduced for all listed firms

Source: HSC collection and view

Taking various steps to help overcome the remaining issues preventing MSCI emerging market status is a high priority for the SSC. However it isn't the only one. They have a market to develop and new products to launch. What follows is where we stand on the other key market reform issues.

- **Covered warrants** - these products are expected to launch in Q1 FY2018, after missing the initial launch plan timeline in 2-H FY2017. Namely brokers will create and launch individual covered warrants in a handful of stocks. Expect 2-3 warrants to be launched in liquid names.

- **Stock exchange merger** - The market has been in the intray for almost 5 year. Given a recent generational change in the leadership of the SSC and HSX we expect the merger to be given new impetus. Regulator's focus has been more on derivatives and covered warrants, however with these now functioning or close to functioning attention can now return to organizational changes. Hence we expect merger will be executed within FY2018. With a merged exchange headquarters based in Hanoi. Then all equities will be run by HSX, while bonds and derivatives will be run on HNX.
- **Expanded portfolio of futures** - The first bond futures products, Government bond futures are expected to be launched in Q3 FY2018. Then we speculate that some corporate bond futures could be introduced sometimes in late FY2018. However the latter may have to wait on a secondary corporate bond market to emerge first.
- **T+0 kite was floated recently in the media** - the Vietnam Securities Depository (VSD) floated this idea through the media recently. They are apparently studying T+0 and have prepared their IT system to run test on it. SSC still has to take a serious look however. Introducing T+0 might be useful at some point in the future trading of the market is deemed to need a boost in liquidity. But current liquidity is already abundant.

#### Key positive and negative factors for the Vietnamese stock market in 2018

	Importance level	Likelihood in next 3 months	Likelihood in next 6 months	Likelihood in next 12 months
<b>Macroeconomic changes</b>				
GDP growth to remain fairly stable in 2017	Primary	High	High	High
As inflation accelerates towards 4%	Primary	Low	High	High
Currency to depreciate at a faster rate	Primary	Low	Medium	High
Manufacturing and consumer sectors to grow faster	Secondary	Medium	Medium	High
Recovery in agriculture to continue as prices grow	Secondary	Medium	Medium	High
Mining and resource sector output to fall hard	Secondary	High	High	High
Some movement on regional trade pacts	Tertiary	Low	Low	Medium
<b>Monetary policy changes</b>				
Credit growth and M2 to decelerate slightly in 2018	Primary	High	High	High
Interest rates to increase at a moderate pace	Primary	Low	Medium	High
Liquidity gap to remain negative for now	Primary	High	Medium	Low
<b>Fiscal policy changes and BOP</b>				
Budget deficit to narrow as new revenue sources kick in	Primary	Medium	High	High
Trade surplus to double as export growth accelerates	Primary	High	High	High
Currency reserves to build on BOP surplus	Primary	High	High	High
Decline in ODA will have a minor impact	Primary	High	High	High
FDI to continue to increase	Primary	High	High	High
<b>Structural changes</b>				
SOE equitisation to continue at a steady pace	Primary	High	High	High
Addition of covered warrants and possible exchange merger	Secondary	Low	High	High
<b>Other changes</b>				
Continuing interest in M&A as foreigners look to snap up assets	Primary	High	High	High
Cleanup of bank sector management to continue	Secondary	High	High	High
Regional geopolitical tensions to rise	Primary	Medium	Medium	High
Global stock markets likely to more volatile as bull market matures	Primary	Medium	High	High
Taper tantrum risk at some of very high	Primary	Low	Medium	High

Source: HSC collection and view

## MACROECONOMIC & STRATEGY 2018 (Cont.)

### 2.3 EQUITISATION PROGRAM CONTINUES INTO 2018. MORE HEADLINE GRABBING IPOs AND AUCTIONS EXPECTED

#### Private sector listings and other major events coming in 2018

Name	Ticker	Current OTC price	Outstanding shares	Estimated market capitalisation \$US million	Listing timing
<b>Major private sector listings expected in 2018</b>					
Techcombank	TCB	62,000	887,807,871	2,424.8	Q2 2018
Viet Nam Engine And Agricultural Machinery Corporation	VEAM	20,000	1,328,800,000	1,170.7	Q2 2018
Truong Hai Auto	Thaco	56,000	352,500,000	869.6	2018
Yeah1	YEG	NA	24,000,000	Above US\$ 200 million	Q3 2018
Orient Commercial Bank	OCB	15,000	400,000,000	264.3	2H 2018
<b>Switch from Upcom to HSX</b>					
Vietnam International Bank	VIB	24,900	564,442,500	619.1	1H 2018
Airport Corporation of Vietnam	ACV	116,700	2,177,173,236	11,192.8	1H 2018

Source: Media, HSC

The equitization program ended on a high note in 2017 with two highly successful auctions:

- **Sabeco** - 53.59% stake for US\$ 4.8 billion between a single corporate buyer and a solitary retail player.
- **VNM** - 3.33% stake at a consideration of US\$ 395 million to a single buyer.

We have seen a slew of large listings; private placements and stake sale auctions. Involving a massive transfer of equity:

- From government hands into mostly foreign investor hands.
- From private sector hands into mostly foreign investor hands.

FY2018 marks year two of a three-year SOE equitisation plan. And therefore, it will be a year of continuation. Some of the equitisations and listings have already been well signalled. Especially those offcuring in Q1 FY20018. However, as for the calendar for the rest of the year there is the usual guesswork:

- **SOE IPOs** - PV Oil, PV Power and Binh Son Refinery already took place in 1Q2018. Along with one of the EVN power generating companies and then likely Vietnam Rubber Group & Maritime Bank. Then with a table yet to be confirmed we expect VEAM & Thaco to also come to the market. Finally wild card equitisations include Mobifone which may or may not come to the market this year.

- **Private sector listings** - Amongst private sector listings HDBank has just listed. And now we expect Techcombank; Ben Thanh Group and Vietnam International Bank to follow in the 1H. Some of these will also involve pre-listing private placements such as HDBank completed in Q4 FY2017.

- **Stake Sales** - Amongst stake sales we expect a sale of the government stakes (partial or full sale) in ACV; BHN; FPT; VGC; BMP and VNM within 2018. Wild card sales may include a partial stake sale in DPM and possibly even GAS.

Compared to the 2017 class of IPOs; private placements; equitisations and auctions the known 2018 events look a little less exciting frankly. We can excuse this partly on the grounds that its early days and we have little visibility on what might come in the 2H.

However the sense of excitement that was generated in 2017 by the sheer number of best of breed stocks that executed important corporate actions (VJC; VRE; VPB; HDB; PLX; VNM; SAB and VGC) will be hard to be better. Although we note important actions in FPT; ACV; BHN; Techcombank; PV Oil and PV Power that are all guaranteed to create a degree of excitement. However, to repeat last year would require telco such as Mobiphone perhaps to come to the market. And the chances of this are still unknown.

Even so, the telcos and various PVN group companies are yet to come. While the selling down of major stake such as GAS expected in 2019 will also attract a lot of interest. And of course over time, the expected timelines of some of these will become a lot clearer.

#### Major SOE IPOs and auctions expected in 2018

Company	IPO timing	Chartered Capital (VND)	Outstanding Share	Price (VND)	Market Cap in VND 1000	Market cap in US\$ million
Vietnam Rubber Group (VRG)	IPO on Feb 02 <sup>nd</sup> 2018	40,000,000,000,000	4,000,000,000	13,000	52,000,000,000	2,290.7
Power Generation Corporation 3 (EVNGENCO3)	IPO in February 2018	20,809,000,000,000	2,080,900,000	24,600	51,190,140,000	2,255.1
Binh Son Refining and Petrochemical Company Limited	IPO on Jan 17 <sup>th</sup> 2018 on HSX	31,004,996,160,000	3,100,499,616	14,600	45,267,294,394	1,994.2
PetroVietnam Power Corporation (PV Power)	IPO on Jan 31 <sup>st</sup> 2018 on HNX	23,418,716,000,000	2,341,871,600	14,400	33,722,951,040	1,485.6
Mobifone	IPO in 2018 or 2019	15,000,000,000,000	1,500,000,000	10,000	15,000,000,000,000	660.8
Vietnam Maritime Commercial Joint Stock Bank	IPO on Jan 18 <sup>th</sup> 2018 on HNX	11,750,000,000,000	1,175,000,000	11,900	13,982,500,000	616.0
Vinalines	IPO in 2018	13,961,000,000,000	1,396,100,000	10,000	13,961,000,000,000	615.0
Petrovietnam Oil Corporation (PV Oil)	IPO on Jan 25 <sup>th</sup> 2018 on HSX	10,342,295,000,000	1,034,229,500	13,400	13,858,675,300	610.5
Vietnam Cement Industry Co (VICEM)	IPO in 2019	13,005,964,974,843	1,300,596,497	10,000	13,005,964,974,843	572.9
Genco 3	IPO in 2018	12,600,000,000,000	1,260,000,000	10,000	12,600,000,000,000	555.1
Vietnam Northern Food Corporation (Vinafood 1)	IPO in 2018	5,520,334,853,938	552,033,485	10,000	5,520,334,853,938	243.2
Saigon Tourist	IPO in 2018	5,300,000,000,000	530,000,000	10,000	5,300,000,000,000	233.5
Vinafood II	IPO in Q1 2018	5,000,000,000,000	500,000,000	10,100	5,050,000,000	222.5
Saigon Water Co (Sawaco)	IPO in 2018	4,678,307,000,000	467,830,700	10,000	4,678,307,000,000	206.1
Ben Thanh Group	IPO in Q2 2018	1,936,000,000,000	193,600,000	10,000	1,936,000,000,000	85.3
Vinapaco (Apatit)	IPO in 2018	1,500,000,000,000	150,000,000	10,000	1,500,000,000,000	66.1
Lam Dong Water Supply and Sewerage Company Limited	IPO on Jan 15 <sup>th</sup> 2018 on HSX	788,000,000,000	78,800,000	11,000	866,800,000	38.2
					<b>73,717,545,189,515</b>	<b>12,750.7</b>

Source: Media, HNX, HSX

Listed stock divestments - list of expected government divestments from stocks in 2018

Company	Current market price	Number of shares outstanding	Expected Percentage of Divestment	Market Capitalisation in VND 1000	US\$ amount million	Value of the stake in VND 1000	US\$ amount million
Airports Corp of Vietnam (ACV)	119,000	2,177,173,236	20.0%	259,083,615,084	11,413.4	51,816,723,017	2,282.7
BECAMEX	31,000	1,317,000,000	48.6%	40,827,000,000	1,798.5	33,359,741,700	1,469.6
PV Power	14,400	2,341,871,600	49.0%	33,722,951,040	1,485.6	27,555,023,295	1,213.9
Petrolimex (PLX)	75,000	1,158,813,235	24.9%	86,910,992,625	3,828.7	21,606,072,767	951.8
Vietnam International Commercial Joint Stock Bank (UPCOM)	24,900	564,442,500	20.0%	14,054,618,250	619.1	11,484,028,572	505.9
PVOil	13,400	1,034,229,500	65.0%	13,858,675,300	610.5	11,323,923,588	498.9
Habeco	139,500	231,800,000	31.7%	32,336,100,000	1,424.5	10,250,543,700	451.6
Vinaconex	23,100	441,710,673	57.8%	10,203,516,546	449.5	8,337,293,370	367.3
LienViet Post Joint Stock Commercial Bank (UPCOM)	13,500	750,000,000	20.0%	10,125,000,000	446.0	8,273,137,500	364.5
Tien Phong Bank	10,000	584,210,000	20.0%	5,842,100,000	257.4	4,773,579,910	210.3
Orient Commercial Joint Stock Bank - OCB	10,000	400,000,000	20.0%	4,000,000,000	176.2	3,268,400,000	144.0
Vinapharm	20,900	237,000,000	65.0%	4,953,300,000	218.2	3,219,645,000	141.8
Vinatex	11,400	500,000,000	53.5%	5,700,000,000	251.1	3,048,360,000	134.3
Vietnam Steel Corp	7,500	678,000,000	57.9%	5,085,000,000	224.0	2,945,232,000	129.7
Bao Minh Insurance Corporation (BMI)	35,500	91,354,037	51.0%	3,243,068,314	142.9	2,649,911,119	116.7
Thai Nguyen Iron and Steel JSC	11,100	284,000,000	35.0%	3,152,400,000	138.9	2,575,826,040	113.5
Viglacera Corp (VGC)	27,200	427,000,000	20.6%	11,614,400,000	511.6	2,394,889,280	105.5
Tien Phong Plastic Joint Stock Company (NTP)	66,200	89,240,302	37.1%	5,907,707,992	260.3	2,191,759,665	96.6
Binh Minh Plastics Joint Stock Company (BMP)	83,000	81,860,938	29.5%	6,794,457,854	299.3	2,005,044,513	88.3
FPT Corporation (FPT)	60,000	530,878,729	6.0%	31,852,723,740	1,403.2	1,895,237,063	83.5
Hanel	10,000	192,600,000	29.0%	1,926,000,000	84.8	558,540,000	24.6
Vietnam Machinery Installation Corporation Lilama	13,200	79,726,104	46.9%	1,052,384,573	46.4	493,357,888	21.7
Hanoi Plastics	85,500	6,500,000	81.7%	555,750,000	24.5	454,103,325	20.0
<b>Total:</b>				<b>592,801,761,318</b>	<b>26,114.6</b>	<b>216,480,373,310</b>	<b>9,536.6</b>

Source - Media, HSC

MACROECONOMIC & STRATEGY 2018 (Cont.)

2.4 EARNINGS WILL CONTINUE TO GROW NICELY IN 2018.

TOP70 earnings by sector

Sector earning	Net Profit					%y/y			
	FY2014	FY2015	FY2016	FY2017e	FY2018F	FY2015	FY2016	FY2017e	FY2018F
Financial service	33,666,647	32,106,789	35,378,307	44,955,716	65,851,098	-5%	10%	27%	46%
Consumer	13,278,666	20,473,397	19,379,856	23,582,966	26,656,094	54%	-5%	22%	13%
Manufacturing	4,662,837	5,644,465	9,797,567	10,124,328	12,775,104	21%	74%	3%	26%
Real Estate	6,465,407	6,227,505	10,562,351	15,108,238	18,552,054	-4%	70%	43%	23%
Energy	20,412,209	17,358,825	15,244,070	14,330,400	16,077,437	-15%	-12%	-6%	12%
Technology	1,701,928	2,060,156	2,113,805	2,476,794	2,762,790	21%	3%	17%	12%
Transportation	2,990,771	3,388,437	9,713,437	11,036,089	13,481,645	13%	187%	14%	22%
Pharmaceuticals	619,052	681,611	811,280	879,490	942,019	10%	19%	8%	7%
Logistics	779,043	681,618	632,875	2,694,926	753,386	-13%	-7%	326%	-72%
Utilities	1,403,977	812,272	801,022	1,182,906	1,049,160	-42%	-1%	48%	-11%
Retails	2,405,113	4,092,673	6,004,572	5,766,116	6,795,038	70%	47%	-4%	18%

Source: HSC's Analyst forecasts

**HSC forecasts EPS growth of 16.7% for the VN TOP70 in 2018.** Like 2017 also we are expecting consistent gains from sales growth all the way down to EPS growth. This breaks the pattern of the past where strong sales growth was often dissipated by falling margins or dilution on the way down to EPS. This was not the case in 2017, although in the second year of an earnings cycle the chance of dilution increases as some listed firms may look to boost equity.

- Sales growth will decelerate slightly on last year; although the initial projections are not that dissimilar to what we were expecting at this time in 2017.
- We expect to see moderate GPM gains mainly due to a further improvement in financial sector earnings and efficiency gains elsewhere due to economies of scale. It's also important to note that the class of 2017 SOE listings should start to show efficiency gains also.
- Our assumptions for net profit margins are almost unchanged on last year. Mainly due to expectations that gains higher up will be offset by higher interest expenses.
- EPS growth will decelerate on last year partly due to dilution and partly as we do not forecast extraordinary gains according to standard practice.

By sector we see earnings growth for 9 out of the 11 sector that we look at:

- **Financial services look set for another good year as decent top line growth is coupled with lower provisioning. Brokers and insurers also set to grow.** Financial services should have another good year as banks; brokers and insurers benefit from the continued low inflation growth environment. Loan growth should continue at roughly the same pace as last year. Then we see a moderate increase in interest rates which are positive for financials in general and bank NIMs in particular. **Top sector picks include VCB, MBB, HDB, EIB, VIB, BVH, BMI and SSI, with LPB as the wild card.**
- **Prospects for consumer names look more mixed, although most companies will show decent earnings growth.** Consumer names are showing a fairly mixed picture for 2018. Amongst the core consumer names, we expect VNM and SAB will show decent growth this year given long term secular growth trends. However, the numbers for MSN and KDC will be pulled down to one-off gains in 2017. We believe that in 2018, consumption of FMCG products will grow broadly in line with GDP growth given (1) rising per capita income, (2) ongoing urbanization and (3) still a relatively low penetration rate for several product segments compared to countries in the region. **Top sector picks include MSN, VNM, MWG, LTG and GTN, with HAG as the wild card.**

## MACROECONOMIC & STRATEGY 2018 (Cont.)

- Manufacturing had a fairly difficult in 2017. Prospects for this year look a lot better overall.** Manufacturing had a rather indifferent year in 2017 as they caught in whipsaw of rising and then falling raw material prices, which left some taking a hit from high priced raw material inventories. This year prospects look a bit better, partly on a low base effect and partly as key companies such as HPG are expected to see a decent increase in earnings in 2018. **Top sector picks include HSG, HPG, AAA, PHR, and DRC, with Thaco as the wild card.**
- Real estate sector earnings to grow nicely in 2018, as real estate cycle hits a peak.** For FY2018, we expect earnings for real estate developers to still grow strongly this year as the last of the projects which saw strong pre-sales in the period FY2015-2017 will be handed over and recognized as earnings. In FY2018 we forecast:
  - Total sales of the 6 listed developers that we follow which accounts for 82.7% of total market cap of the whole sector will increase by 47% y/y to VND 161.8 trillion and that NPATMI will increase by 38% y/y to VND 11.5 trillion;
  - Pre-sales expected to increase significantly by 70% to 38,546 units, including apartments and townhouses & villas, with total contracted sales expected to increase 30% y/y to VND 127.9 trillion given more affordable products launch into the market;
  - Following the launch of a total of 57,213 units (+473% y/y) as some large developers such as VIC, NVL and DXG have an aggressive launch program for 2018. **Top sector picks include VIC, NVL, DXG, KDH, NLG, SJS, VRE, CTD, CII, REE, FCN, KBC, VGC.**
- Resource sector should show earnings improvement this year given a higher oil price and low base.** We expect resource stocks will have a better year in 2018, as we estimate average crude oil price will improve to US\$ 60/bbl (+10% y/y), or well above the break-even point of US\$ 55/bbl for Vietnamese oil & gas operators. With higher prices and aging fields, we expect to see a major boost to capex for E&P activities and estimate it will increase by around 15% to VND 23 trillion in FY2018. This is good news for downstream service providers such as PVD and PVS. Other players such as GAS will benefit from capacity increases as new pipelines are being added after a long delay. **Top sector picks include GAS, PVD and PV Oil, with DPM as the wild card.**
- Transportation & Logistic sector will see decent growth in FY2018 earnings.** We expect transportation and logistics sector earnings to expand in FY2018, especially in the aviation sector, given tremendous growth in passenger and cargo numbers. The key drivers are (1) Strong growth in exports and imports which help underpin earnings at logistic companies (2) continued strong growth in passenger and cargo volumes. According to the Vietnam Administration of Tourism, the number of foreign tourists visiting Vietnam is expected to increase 24% y/y to 16 million tourist this year. Against that, we have to factor in higher fuel costs which will affect most companies in the sector. However, with the exception of ACV, most valuations in the sector are still fairly reasonable. **Top sector picks include VJC and VSC, with HVN as the wild card.**
- Utility sector will see mixed performance in 2018, with PV Power IPO the main event.** For the period 2017-2020, according to the Vietnam Power Development plan 7, Vietnam's electricity consumption is forecasted to grow at a CAGR of 10%. The increases in material price (coal & gas price) might hurt power companies' margin. However, proposed increase of up to 10% in competitive generation market ceiling price should reduce this impact. We see mixed earnings prospects in FY2018 for the Top 70 utility players. Thermal power players should see a recovery from a low base in FY2017, while hydropower player performance may suffer as we leave the strong rainfall patterns of 2017 behind. **Top sector picks include PV Power and NT2.**
- Technology sector outlook looks good.** Technology stocks are heading for a better year in 2018. IT expenditure, either domestic or global, will enjoy strong growth, especially the expenditure for enterprise software and IT services as enterprises move further into digital and cloud. In global markets, hardware budgets are expected to decrease while budgets for software and hosted/cloud-based services are expected to increase strongly. Meanwhile, in the domestic market, software budgets, especially of those in financial sector and public services are expected to grow quickly, while hardware budgets might increase at a modest rate but still claim to the largest share of IT expenditure in 2018. Domestic budgets for hosted/cloud-based services will increase fast but still account for a small portion in total IT budget. **Top sector picks include FPT and CMG, with Yeah1 as the wild card.**

## 3. KEY RISKS FOR 2018

The key global risks for 2018 that we have identified are as follows;

### Risks for the global market & economy in 2018

Risks	Impact on Vietnam's economy & stock market	Risk weighting
<b>Federal Reserve Bank balance sheet winddown shock</b>	Bond yields will spike globally Spillover in currency and equity markets Risk-off mentality will lead to FII outflows	<b>Medium to high</b>
<b>Sabre rattling on trade</b>	Canada warns US may signal intent to leave NAFTA next month Tough talk from US on China continues	<b>High</b>
<b>Core inflation may surge later this year</b>	Headline inflation will follow after a quarter or two Global interest rates will spike Spillover into equity markets and real economy	<b>Low to medium</b>
<b>Geopolitical risk might spill over</b>	Sudden withdrawal of capital from frontier and emerging markets Risks to currency; FDI and underlying economy	<b>Medium</b>

Source: HSC opinion

- Taper tantrum Part 2** - The Federal Reserve Bank's plans to reduce its balance sheet will climax over the summer of 2018 as the level of monthly financial instrument maturities will reach the maximum under the plan. This will test the U.S. financial market's readiness to deal with the taper. The ECB is also in the initial phases of winding down its own QE, however the American effort is what presents the greatest risk to global markets this year. The main effect could be a surge in U.S. Treasury bond yields as heavy planned issuance this year meets a demand shortfall as the Fed drops out.
- Any surge in core inflation** - The last decade of easy money and record low interest rates has only been possible because core inflation has remained moribund. Any signs of a real resurgence there will turn up first in Chinese producer prices.
- Rising concerns over possible trade wars** - Talk of the U.S. possibly announcing its intention to quit NAFTA over the next few month, coupled with more aggressive language on trade towards China, has raised temperatures and could be a risk to global economic growth prospects.
- Emerging markets carry the highest risks from Fed tightening** - Emerging markets, as ever, will be at more risk than the U.S. from tighter Fed policy, as many EM economies keep their exchange rates at least partially fixed to the U.S. and as suggested below they increasingly carry very heavy levels of U.S. denominated debt.
- Emerging market debt maturities heavy in 2018** - The Institute of International Finance has warned of "heavy emerging market redemptions" this year, noting that over \$1.5 trillion of bonds and syndicated loans will mature from now through to the end of 2018. Countries such as China, Russia, Korea and Brazil have heavy repayment loans coming up this year.
- Global debt levels at record highs** - Global debt levels soared to a record high of US\$ 233 trillion in the third quarter of 2017 with an increase of US\$ 16 trillion seen in Q3. A decade of easy money and low interest rates has been the cause of this.
- Geopolitical risks remain higher than normal** - Ongoing global crisis or standoffs have not yet found a diplomatic solution. Concerns over North Korea's nuclear ambitions are the most serious of these, with many observers seeing 2018 as the year when things will come to a head.



SUPPORTING  
FUNCTIONS

## INFORMATION TECHNOLOGY

HSC has constantly leveraged its technological capabilities to provide a unique and differentiated user experience through its integrated trading platform. The IT architecture is regularly upgraded with a wider range of system functionalities that automate work processes to achieve higher effectiveness and efficiency in business processes, and further enrich client satisfaction. The enterprise system implementation focused on Security Management and IT Services Management. For IT governance, data security and protection, HSC took significant efforts to strengthen its security measures. The development of the core trading system and maintenance of business functionalities were guided by the policies and regulations of security management.

### 2017 - ENHANCEMENT OF IT SYSTEMS IN 2017

In 2017, HSC began adopting and applying emerging technologies for market-making and market participation to improve operation workflows across business functions:

- **Developing the trading system for Derivatives in accordance with international standards** - In August 2017, HNX launched the Derivatives market with its first product - Index Futures in Vietnam. As one of six securities companies to be granted market trading membership, HSC worked closely with HNX to ensure its Derivatives trading system functioned both timely and accurately in accordance with international standards. With the Derivatives market ripe and ready for greater growth, this system upgrade allows HSC institutional clients both domestic and foreign to be part of the growth momentum right from the beginning.
- **Integrating market making system supporting Covered Warrant and ETF trading to core system** - In 2017, the HSC IT Services successfully completed the necessary IT infrastructure plans and system processes to integrate a market-making system supporting Covered Warrants and ETFs to the core system. This included the development and integration of the Horizon Market Making System, a low-latency, scalable platform which supports options market making and trading. The System also comes with advanced algorithmic capabilities, which allows HSC to rapidly develop, test and execute automated trading strategies. Algorithm trading is currently being applied to areas such as market making, block trading and hedging, with plans for eventual application to all products. The integration of Covered Warrants and ETFs allows for quicker access to information across multiple channels,

which enhances HSC's ability to provide prop traders relevant information for timely decision-making in profit maximisation. With these upgrades, HSC is poised to take a giant step forward in its preparations for trading in Covered Warrants and ETFs in 2018.

- **Connected to Reuters Order Routing Network** - In addition to our existing Bloomberg Connection, we have also connected to the Reuters Order Routing Network in 2017. This allows our institutional clients to connect and trade across different platforms with greater ease.
- **Disaster Recovery Site deployed** - In 2017, the IT Governance Project achieved one of its major milestones: the deployment of HSC's very own Disaster Recovery Site, one of the very few to do so within the Vietnamese securities industry. Prior to deployment, the HSC IT Services set up data connections to all HSC transaction offices and tested the operational readiness of the Data Center to back up streamed data, which is key to ensuring business continuity and protection of core data assets in contingency events. The IT Governance Project was initiated years ago to strengthen HSC's IT framework in preserving data integrity through ongoing development and maturing of its IT systems. By deploying the Disaster Recovery Site, HSC demonstrates its commitment to ensuring the safekeeping of sensitive and critical information related to clients, assets and transactions.
- **Systems to Support Business Functions** - The Human Resource System was deployed to support HR Management functions within HSC. Also, we upgraded the new version of SunSystems Accounting software, with newer features and capabilities enabled for HSC book-keeping records. The IT systems support provided for these business functions lays the foundation for future business growth by building on current processes.



### STRATEGY FOR 2018: DIGITIZATION FOR HIGHER EFFICIENCY AND GROWTH

Looking ahead, the HSC IT Services foresees that core systems will remain the same for the next 2-3 years, whilst more information channels will be integrated into existing systems. The aim is to create a HSC trading platform that provides better UX to clients, meeting a variety of client needs from self-service usage to high speed trading. In addition, we will be looking at the use of Data Analytics for greater insights and understanding on client behavior so as to create more personalized services for each HSC client.

- **Digital Transformation Project** - HSC IT Services will launch a Digital Transformation Project that aims to digitize all customer services for easy online access via a client portal. This project aims to promote synergy in the execution of various operational functions, such as cash management, account management, investor education and product distribution. Once completed, the digital transformation is expected to significantly reduce operational costs for years to come.
- **Cyber-Security** - With the rising threats posed by hackers, security breaches and data leaks, HSC continues to enhance security measures through various measures. The upgrading of our Information Security Management System (ISMS) Program according to ISO 27001:2013 will improve overall Enterprise Security Architecture by reducing prior system weaknesses susceptible to exploitation by intruders. We continue to strictly enforce our Information Protection protocols to ensure data security in all business operations, adhering to our Authorization Matrix to allocate information access keys based on need-to-know basis.
- **Systems Upgrades** - System upgrades allows HSC to automate systems delivery that optimizes costs and provides higher customer service levels. In 2018, HSC will continue its IT investments and industry capability to spur product development and elevate operational efficiency sustainably and systematically.
  - ▶ Continue to work on the development and deployment of Market Making System in preparation for the launch of the first Covered Warrant product in May 2018. We will also proceed with our works on Winner Trade's trading system display and customer statements to promote ease of access to information, as well as deploying Omnibus Accounts for capital management companies and foreign securities companies.

- ▶ Upgrade our Trading System to be ready for new products such as Day Trading and Securities Borrowing and Lending (SBL). Our Core System will be upgraded to comply with the new Core Trading System of HOSE, thereby fulfilling regulatory requirements. Information Technology Service Management (ITSM) will also be upgraded to focus on Capacity Management and Service Catalog to provide detail SLA for internal clients. In addition, we will also be modernizing all office equipment and enhance internal use applications for a modern working environment.
- ▶ Develop an Order Management System (OMS) dedicated for institutional clients and principal investments to enhance orders delivery. We will also develop supporting services for customer cash transactions via Payment Gateway to promote greater ease of payment.
- **Strengthening IT Capacities** - Given the increasing prevalence of IT services required for business operations, there is a need to strengthen our IT capacities. Staffing is a key issue for IT, with technical staff required in various functions such as Risk, Products, Digital, Core Trading System, Traders and Middle Office. The intent is to build up the IT team in the following ways: i) involving existing staff in various projects, so they either learn by doing or invent new ways of executing solutions; ii) recruit new staff, attracting top talents by offering remuneration above market rates. In addition, there is a need to enlarge the existing pool of IT vendors to meet current and future needs for both hardware and software in the company.

The IT Strategy for 2018 shall strengthen the technological capabilities in HSC, enabling the firm to rise above its peers in the securities sector in Vietnam. The leveraging of new and upgraded system functionalities, that augments the technology capability of the staff, shall enable HSC to achieve another significant milestone in 2018. The tracking of client transactions, client preferences and location of the transactions will provide much fuel for trajectory growth of HSC in 2018.

## SECURITIES SERVICES

The securities market evolved positively in 2017 and the outlook, in line with that of the economy, remains bright. For HSC, this means that opportunities will continue to abound in Vietnam's securities sector over the next few years. However, capacities and processes need to be optimised to take advantage of these opportunities, particularly in the prevailing competitive environment. HSC has already been improving its securities services operations to meet international standards over the past five years in preparation for future growth, but as 2017 has shown, more effort will be needed.

In 2017, the Securities Services function undertook and continued several major new initiatives commenced in 2016 under the main theme of "Improving Efficiency". New products were launched and prepared for launch, with ETFs, Futures and Covered warrants taking center-stage. The range of functionalities was expanded, and there was a digitization of services from front-end to middle office through to support-end.

The Securities Services Department completed a series of projects enhancing HSC's services:

- Connected to Reuters Order Routing Network
- Upgraded the HSC Core Trading System to improve operational efficiency for better client-user experiences and developing the trading system for Derivatives in accordance with international standards. Internal delivery processes for services such as opening client accounts, transferring securities and depository and securities withdrawal were impressively expended.
- Developed Project Management Office - the office was set up to improve efficiency in the business and all the core operational processes with digital transformation. A team of capable staff was tasked to plan and implement new digitized processes for business optimization and seamless workflows between sales, marketing and trading desks.

Looking ahead, HSC will be expanding its services to include high speed trading, self-service platforms, data analytics, and portfolio management. There is a need to pursue on-going product development and innovations whilst ensuring that client confidentiality and integrity of service delivery are practiced in accordance with the HSC Code of Conduct.

### STRATEGY FOR 2018 - ACCESSIBILITY TO NEW MARKET SEGMENTS

In 2018, Securities Services Department shall continue its expansion in two market segments - Fund Certificates and Covered Warrants. Greater growth is targeted in both market segments, whereby a leading market position is considered viable with HSC's strong IT infrastructure, especially for market making and client interfacing.

In 2018 Securities Services Department will continue its development of the following products and services:

- Develop Futures trading services for foreign investors - to support futures trading services for foreign investors, HSC is working with HNX, SSC and depository banks to create and prepare regulations, trading system, clearing payment processes which allows foreign institutional investors to conveniently access to the Vietnamese Derivatives market regardless of their physical location.
- Completion of the HSC WinnerTrade's trading system display and Derivatives Trading Account Statement.
- Preparation for the upcoming bond futures market - expected to launch in 3Q/4Q 2018.
- Deployment of Omnibus Account for foreign capital management companies and foreign securities companies - The Omnibus Account is designed to allow foreign investors to trade futures products more easily and conveniently. Positions will not be netted off automatically in the Omnibus Account, so that long and short positions for different underlying asset can be managed in the same futures contracts.
- Launch first Covered Warrant product in 2Q of 2018 - Covered Warrants are to provide an alternative investment for investors, particularly foreign investors who already hold 30-49% shares in selected Vietnamese companies. HSC will launch its first Covered Warrant product on a large-cap stocks listed on VN30 in early of Q2.2018.
- Finally, HSC is looking to launch a new service: intra-day trading for unsettled stocks, for which legal regulations have already been established in Vietnam.

## RISK MANAGEMENT

The year in 2017 saw the Risk Management Department (RMD) focusing on internal controls, compliance and legal aspect of the company. As in the previous years, the RMD team performed continuous internal control and compliance audits throughout the year. Relevant audit findings were immediately addressed and acted upon by the relevant business units' risk owners to mitigate those risks-related issues.

As a result, HSC has maintained its lead as one of the most compliant securities firms in Vietnam. This has led to further trust and confidence gained from various stakeholders including clients, investors and regulators.

Likewise, risk management and risk mitigation assessments were carried out seamlessly and were in alignment with the company's business strategy as a whole. Risk tolerance limits were developed for each type of risks and for every relevant business unit.

### THE RISK INTERVENTIONS INCLUDED:

- Developing a mechanism for control and oversight to contain risk within the required statutory limits and company's internal threshold; and
- Formulating policy frameworks and processes to identify, measure, control and mitigate key risks, of which the Enterprise Risk Management (ERM) Manual was a pivotal piece as the company's risks management guiding principle.

To further boost Vietnam's securities industry, a new derivatives product (Index Futures) was launched during 2017. As such, the RMD team implemented an internal project to draft and apply risk management processes for this new product and enforced relevant regulations therein to support HSC's relevant business units.

Furthermore, HSC's in-house lawyer from RMD's Legal Section was assigned to be a member of the working group for Vietnam's new Securities Law, which included other chosen members from HSC's major shareholders. The working group reviewed and drafted the details for the new Vietnam's Securities Law. To date, we received positive feedback for the contribution of this working group in the completion of the relevant Draft Law for government's final consideration.

Through its Legal section, the RMD commenced to update the Company Charter and to revise the Internal Corporate Governance Policy. This was to comply with the new regulations on Corporate Governance, also known as Decree 71, to supervise publicly listed companies such as HSC. Also, the Legal Section contributed to the RMD's interventions such as policy formulation, planning and conduct of applicable legal training for appropriate stakeholders. These actions are aimed at strengthening the risk management culture, risk and legal awareness.

More importantly, these foundational capacity building efforts brings positive impact on governance at the organizational level.

Acting in its capacity as the second line of risk defense, the RMD continued to collaborate with Internal Audit Department (third line of risk defense) when the latter performed their own scheduled independent audits with those applicable business units. The latter (business units) and other relevant departments would be the first line of risk defense, where the trading orders are received and carried out within stipulated guidelines and limits. The views, opinions and inputs from RMD were invariably given due consideration by Internal Audit Department when drafting its own independent findings and recommendations.

Like previous years, many risk management's internal control and compliance audit programs were undertaken and completed by RMD in 2017. Two major areas, namely Margin Lending and Principal Investment's activities, demanded continuous and constant monitoring from the Risk Management Team. These two services carried significant risks but also the highest upside potential; hence, cautious attention was given to them. Likewise, there was an audit program designed for the new derivative product (Index Futures). The audit program was added to the list of other audit programs undertaken for other business units and departments, such as Retail Brokerages, Institutional Sales and Investment Banking.

During the year, it is noteworthy that HSC did not incur any penalty nor receive any major reprimands from Vietnam regulators (i.e., SSC) as there was adequate compliance to statutory limits and state regulations reinforced by the company's internal controls.

The RMD's specific focus remained as guardian of internal control, compliance and risk mitigation on enterprise wide basis. The newer the service, the greater the depth of monitoring and control provided. This served to ensure that the new products or services were protected and sustained in a stable environment to allow them take off successfully.

Some of the risk management initiatives reported in the 2016 Annual Report continued to review, re-focus, and re-organize in 2017. This further strengthened risk management at HSC and also allowed the firm to follow best practices.

## RISK MANAGEMENT FUNCTION (Cont.)

Relevant findings on non-compliance or weak compliance in business operations as identified by Internal Audit Department or by RMD were immediately addressed and rectified. These findings were recorded in the Monthly Risk Register regularly and circulated to relevant Risk Owners and to the EXCO/BRMC members. There were active discussions on the risk events and the reasons for the breaches and weak compliance. The discussions resulted in decisions and guidelines for risk mitigation. For every case, best-practice resolutions were identified to be implemented to manage the risk event.

There was strict monitoring and control on the limits of authority, that included internal and statutory limits. During the year, the Legal Section aided the relevant stakeholders within HSC to address various regulations and guidelines to ensure that the company was compliant in all areas. Also, the Legal Section ensured that HSC staff and management have fully understood risk and legal implications surrounding their business units' operations.

Several pieces of new regulations were introduced in 2017, where HSC has confirmed full compliance to the legal requirements. Some of the key pieces of regulations are listed below.

### THE LAWS TO BE ENFORCED BY 2018 INCLUDED:

- Decision 87/2017/QĐ-UBCK dated Jan 25, 2017 on Margin Lending;
- Circular No. 87/2017/TT-BTC dated August 15, 2017 on compliance to prudential ratios and remedies taken by securities trading institutions who are on-compliant;
- Decree 71/2017/NĐ-CP dated Jun 06, 2017 on recommendations for managing public companies;
- Circular 36/2017/TT-BTC, amending Circular No.217/2013/TT-BTC for guidelines for sanctioning of administrative violations in securities market;
- Circular 134/2017/TT-BTC dated December 19, 2017 - guidelines for e-transactions for the securities market;
- Circular 115/2017/TT-BTC dated October 25, 2017 - guidelines for the surveillance of securities trading on the securities market;
- Circular 95/2017/TT-BTC dated 22 September 22, 2017 - guidelines on Corporate Governance for Public Company;
- Decision 1205/QĐ-UBCK dated December 27, 2017 for amending Decision 87/QĐ-UBCK on Margin Lending; and
- Circular 107/2016/TT-BTC dated 29/6/2016 on Covered Warrants Offering and Transaction.

In 2017, the RMD was under the purview of HSC top management for drafting, enacting, and monitoring guidelines on risk awareness, maintaining the risk and reward balance, and monitoring and control, all in close alignment with the ERM Manual.

### RISK EVALUATIONS, ASSESSMENTS, AND MANAGEMENT WERE CONDUCTED ACCORDING TO A 5-STEP PROCESS:

- Risk identification, to seek and identify the risk events;
- Risk measurement and assessment, to quantify the potential loss should the risk eventuates;
- Risk limit identification, to identify the limits of authority in the operations;
- Risk monitoring, to continuously track, identify and analyze potential risk events; and
- Risk handling, to perform damage control and risk management should the risk eventuates.

Looking ahead for 2018, the RMD aims to be a significant part of strengthening the HSC Corporate Governance policies and processes. The key piece of legislation is Decree 71. The process of building capacities will involve formulation of risk mitigation strategies and policies to guide management to comply with processes as legislated in the new Corporate Governance Law of Decree 71.

For the coming launch of Covered Warrants in 2018, the RMD will undertake to design, develop and implement appropriate audit assessments to identify and mitigate product risk. The completion of RMD's internal control processes for this new product will be the top priority in 2018. The risk mitigation processes must be aligned to Decision 72/QĐ-UBCKNN dated January 18, 2018 on Covered Warrants Offering and Hedging.

Finally, the adequate management of credit risks, liquidity risks, operation and market risks will continue to be undertaken on a daily and weekly basis, and other periodic basis to enhance risk management and control processes to ensure the compliance of HSC's core businesses.

The mission of the Internal Audit Department is to provide independent, objective assurance and consulting services designed to add value and improve the HSC's operations. It helps HSC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The scope of work of the Internal Audit Department is to determine if HSC's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed;
- Interaction with the various governance groups occurs as needed;
- Significant financial, managerial and operating information is accurate, reliable, and timely;
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are economically acquired, efficiently used and adequately protected;
- Programs, plans and objectives are achieved;
- Quality and continuous improvement are fostered in HSC's control process;
- Significant legislative or regulatory issues impacting HSC are quickly recognized and addressed appropriately and in time; and
- Opportunities for improving management control, profitability, and the organisation's image may be identified during audits, which will be communicated to the appropriate level of management.

The Internal Audit Director has a functional reporting line to the Chairperson of the Board Audit Committee (BAC) and administrative reporting line to the Supervisory Board and the CEO.

### The Internal Audit Department is responsible for the following:

- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the BAC for review and approval as well as periodic updates;
- Implement the annual audit plan, as approved, including as appropriate, any special tasks or projects requested by management, Board of Directors and the BAC;
- Inspect, review and assess the adequacy, efficiency and effectiveness of the internal control system, including risk management activities (i.e. identification, assessment and management of risks);

## INTERNAL AUDIT

- Assist in the investigation of significant suspected fraudulent activities within the organisation and notify management and the BAC of the results; and
- Advise the management on the establishment of internal policies and procedures.

In the setting up of Internal Audit Department in 2014, KPMG was appointed as HSC's co-sourcing internal audit partner. The professional firm helped to provide internal audit services and laid the foundation for audit planning and design. Since establishment, six internal audits have been performed on key processes, including (i) Process of Margin lending management, (ii) Retail brokerage (iii) Proprietary trading and Treasury, (iv) Institutional client, (v) IT, and (vi) Accounting and Financial Reporting to strengthen internal control processes, risk management practices and governance systems.

### 2017 LIST OF INTERNAL AUDIT REVIEWS

The 2017 Internal Audit Plan reviewed several substantial processes and procedures with a focus towards risk mitigation. HSC conducted audit examinations jointly with KPMG. The collaborative effort has contributed to skills transfer from KPMG to HSC auditors, thereby helping the operational effectiveness and efficiency over the long term.

Item #	Internal Audit Review
1	Anti-money Laundering Review (2016)
2	Margin Lending Management Internal Audit Follow-up
3	Institutional Brokerage Internal Audit Follow-up

The findings noted that whilst controls are in place to mitigate risks, there are formal policies and procedures to be written for certain key processes, which were earmarked for development in 2018.

### 2018 INTERNAL AUDIT PLAN

In 2018 audit plans, the Board of Directors and Board of Management would want IA to focus on Margin Lending and Risk Management as HSC needs to be at forefront of effective and efficient financial management.

The 2018 planned audit reviews are listed as:

Item #	Internal Audit Review
1	Anti-money Laundering Review (2017)
2	Margin Lending Management Internal Audit
3	IT & Security Management Review
4	Risk Management Internal Audit



**CORPORATE  
GOVERNANCE**

## BOARD OF DIRECTORS



**Mr. DO HUNG VIET**

- Chairman
- Independent member of the Board of Directors

Date of 1 <sup>st</sup> appointment:	30 June 2007
Date of 1 <sup>st</sup> reappointment:	08 April 2011
Date of 2 <sup>nd</sup> reappointment:	21 April 2016
Duration:	10 years 6 months
Age:	63 years old
Education level:	Bachelor of Economics - Faculty of Banking
<b>Professional experiences</b>	
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)
<b>Present positions</b>	
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 1 <sup>st</sup> appointment:	30 June 2007
Date of 1 <sup>st</sup> reappointment:	08 April 2011
Date of 2 <sup>nd</sup> reappointment:	21 April 2016
Duration:	10 years 6 months
Age:	48 years old
Education level:	Master of Business Administration
<b>Professional experiences</b>	
2010 - present	CEO of Dragon Capital Group (DCG)
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
<b>Present positions</b>	
At listed companies	Vice Chairman of the Board of Directors of HSC
At other companies	CEO of Dragon Capital Group (DCG)



**Mr. LE THANG CAN**

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

Date of 1 <sup>st</sup> appointment:	16 April 2015
Date of 1 <sup>st</sup> reappointment:	21 April 2016
Duration:	2 years
Age:	41 years old
Education level:	Bachelor of Economics
<b>Professional experiences</b>	
2/2016 - present	Head of Investment of Hochiminh City Finance and Investment State-owned Corporation (HFIC)
2013 - 02/2016	Deputy Manager of Finance - Accounting of Hochiminh City Finance and Investment State-owned Corporation (HFIC)
2006 - 2013	Finance - Accounting Specialist of Hochiminh City Finance and Investment Stated-owned Corporation (HFIC)
2004 - 2005	CFO of Viet Huy Ltd. Company
1999 - 2004	Chief Accountant of Ruby Ltd. Company
<b>Present positions</b>	
At listed companies	Member of the Board of Directors of HSC
At other companies	Head of Investment of Hochiminh City Finance and Investment State-owned



**Mr. JOHAN NYVENE**

- Member
- Executive member of the Board of Directors

Date of 1 <sup>st</sup> appointment:	30 June 2007
Date of 1 <sup>st</sup> reappointment:	08 April 2011
Date of 2 <sup>nd</sup> reappointment:	21 April 2016
Duration:	10 years 6 months
Age:	52 years old
Education level:	Bachelor of Banking and Finance
<b>Professional experiences</b>	
2007 - present	CEO of HSC
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
<b>Present positions</b>	
At listed companies	CEO of HSC
At other companies	None



**Mr. NGUYEN THANH LIEM**

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

Date of 1 <sup>st</sup> appointment:	08 April 2011
Date of 1 <sup>st</sup> reappointment:	21 April 2016
Duration:	6 years 8 months
Age:	59 years old
Education level:	Master of Business Administration
<b>Professional experiences</b>	
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
<b>Present positions</b>	
At listed companies	Vice chairman of the Board of Directors of HSC
At other companies	Deputy Director of HCMC Finance and Investment State-owned Corporation (HFIC)



**Mr. PHAM NGHIEM XUAN BAC**

- Member
- Independent member of the Board Of Directors

Date of 1 <sup>st</sup> appointment:	02 December 2002
Date of 1 <sup>st</sup> reappointment:	30 June 2007
Date of 2 <sup>nd</sup> reappointment:	08 April 2011
Date of 3 <sup>rd</sup> reappointment:	21 April 2016
Duration:	15 years 1 month
Age:	56 years old
Education level:	Master of Business Administration, Bachelor of Law
<b>Professional experiences</b>	
1999 - present	CEO of Vision & Associates Company
1989 - 1999	Deputy Director of Invest Consult Group Vietnam
<b>Present positions</b>	
At listed companies	Member of the Board of Directors of HSC
At other companies	<ul style="list-style-type: none"> <li>• CEO of Vision &amp; Associates Company</li> <li>• Chairman of the Board of Managing Partners of Vision &amp; Associates Legal</li> <li>• Chairman of the Board of Directors of Cong Huong JSC</li> </ul>



**Mr. LE HOANG ANH**

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

Date of 1 <sup>st</sup> appointment:	21 April 2016
Duration:	1 year 8 months
Age:	49 years old
Education level:	Doctor of Economics
<b>Professional experiences</b>	
2008 - present	Director of Dragon Capital Markets Limited (DC)
2004 - 2007	Associate Director of Dragon Capital Markets Limited (DC)
2000 - 2004	Senior Analyst of Dragon Capital Markets Limited (DC)
1998 - 2000	Economic specialist of Department of Planning and Investment of Hochiminh City
1994 - 1998	Financial Analyst of NLN Trading Company, Hungary
<b>Present positions</b>	
At listed companies	<ul style="list-style-type: none"> <li>• Member of the Board of Directors of HSC</li> <li>• Member of the Board of Directors of VietFund Management (VFM)</li> </ul>
At other companies	Director of Dragon Capital Markets Limited (DC)

## SECRETARY OF THE BOARD OF DIRECTORS

**Ms. THAN THI THU DUNG**

- Secretary of the Board of Directors

Date of appointment:	16 March 2006
Duration:	11 years 8 months
Age:	43 years old
Education level:	Bachelor of Economics
<b>Professional experiences</b>	
2006 - present	Secretary of the Board of Directors of HSC
2005 - 2006	Secretary of the Board of Directors of Saigon Health Investment Corporation
2000 - 2005	Assistant to CEO at Hoang Lan Ltd. Company
<b>Present positions</b>	
At listed companies	Secretary of the Board of Directors of HSC
At other companies	None

# BOARD OF DIRECTORS REPORT

## I. 2017 PERFORMANCE EVALUATION BY THE BOARD OF DIRECTORS

### A. HSC 2017 PERFORMANCE REVIEW

HSC had very impressive financial performance for 2017. There are three major factors allowing HSC to make hay while the sun shines. Firstly, HSC operations rode on the back of a booming economic, both at home and abroad. Secondly, HSC was trusted by the network of partners that ranged from shareholders to stakeholders to intermediaries, and even vendors. Lastly, the HSC staff contingent was complemented and strengthened with additional capabilities that improved the ability to seek, identify, and execute the trades and boosted the corporate finance advisory services. The three elements provided the trilogy to reach high levels of financial governance and transparency that would ensure the future development of HSC and its corporate sustainability.

HSC's financial results for 2017 were impressive and positive with total revenue reaching an all-time record of VND 1,540 billion. The figure represented a quantum leap of 87% and surpassed 52% of the planned target for 2017. The after-tax profit reached VND 554 billion, 82% higher than in 2016. It also exceeded 53% of the plan set by the 2016 Annual General Meeting of Shareholders (AGM) 2016. HSC's brokerage market in 2017 accounted for 11.3% of total, which was a slight but stable improvement from 2016 of 11.2%. However, it was under the planned target of 12.3%. In the brokerage market, HSC's individual client brokerage market share was 6.4% while institutional client brokerage market achieved 4.5%.

### B. BOD'S SUPERVISION OVER THE CHIEF EXECUTIVE OFFICER AND BOARD OF MANAGEMENT

In 2017, the BoD maintained a close supervision over the CEO and BoM in implementing the resolutions passed by AGM and BoD. The details are as follows:

#### 1. Methods of Supervision

The Board of Directors (BoD) and the Supervisory Board (BoS) thoroughly cooperated and examined the business operations of HSC. The high level of understanding has enabled the two Boards to support and guide the CEO and BoM to implement the corporate plan and fulfil their core responsibilities.

The committees of the BoD regularly met and reported to the BoD. The sub-committees and their reporting activities are listed:

- The Risk Management Committee reported all significant risks, such as liquidity risks, credit risks, and capital risks arising in each quarter, and proposed recommendations and necessary actions for risk mitigation;
- The Internal Audit Committee reported on the number of internal audits conducted in the quarter, the audit findings, and audit recommendations for strengthening the internal operational processes, procedures, systems and technology environments; and
- The Remuneration Committee considered, evaluated and approved the compensations, benefits, and remuneration policies for 2017.

At all times, The BoD and the BoS assess the feasibility of the action plans and recommendations, thereby proposing solutions that are more practical and appropriate to the company's operations.

The BoD issued resolutions after each periodic meeting and upon special request, and to approve the business results and business plan for each quarter. At the same time, the BoD also provided strategic guidance, market assessments and overall economic situation to support the review of business plans for the subsequent quarter. There were regular communications and interactions between the CEO, the BoM and the BoD, which supported the implementation of policies and monitoring the results of those policies to ensure that the overall objectives of HSC are achieved.

### 2. Supervision results

The financial performance for 2017 with basic financial indicators are as follows:

Unit: VND million

Target	2017	2016	Change ratio (%)	2017 Plan	Plan completion ratio (%)
Revenue	1,540,043	824,245	87%	1,011,913	152%
Profit before tax	692,601	384,602	80%	450,866	154%
Profit after tax	554,059	304,531	82%	361,123	153%

### 3. Conclusion

In accordance with HSC Company Charter, company's policies and procedures, the BoD authorized the CEO and BoM to implement and manage the day-to-day operations of HSC, and to ensure the deployment of resources to achieve the strategic decisions aligned with the business plans. Through the mechanism of reporting periodical inspection, supervision, financial performance, the daily operation of the Company and reports on unexpected affairs as required, the Board of Directors concluded that the CEO and The BoM had exercised its rights and duties in accordance with the prevailing laws, as well as the Company's Charter and other resolutions as

discussed in the AGM 2016. Besides, the Board of Directors has exercised the assigned rights and responsibilities in a prudent, professional and integrity manner to ensure the maximum legitimate interests of the Company and its shareholders. Moreover, the CEO and BoM have done their best to meet and exceed the business objectives approved by the AGM 2016. At the same time, the CEO and the BoM also did well in building a great business environment where the main focuses were sustainable development, strong corporate governance, risk management enhancement and great control ability.

### C. STRATEGIC PLANS AND ORIENTATIONS OF THE BOARD OF DIRECTORS

The Vietnam stock market in 2018 will see optimism and to be full of potential. There are many signals to drive that optimism and to sustain the continued growth of 2017. Firstly, the stock market will continue to receive attractive financial intermediation opportunities from SOE equityizations and IPO by large SOEs in key areas. Secondly, a number of financial products, such as covered warrants or government bond futures which will be deployed in Q3/Q4.2018 will increase market liquidity, provide more investment opportunities and hedging instrument to investors. And finally, the legal framework for the capital market will continue to improve in the coming time, especially when the Ministry of Finance is expected to complete the amendment of the Securities Law in 2019. The revised Law on Securities market will create a conducive environment for enterprises to undertake capital raising, by issuing instruments such as shares or bonds, create legal framework for new products, improve the quality and effectiveness of inspection and supervision activities of the stock market, thereby improving the quality and effectiveness of financial intermediation as well as ensuring the sustainability of market development and transparency.

Given the optimistic outlook of the stock market in 2018, the BOD shall focus on the following initiatives:

- Developing strategic business development plan;
- Strengthening and promoting the core business activities of the company by diversifying its products, improving service quality for customers as well as seizing new opportunities in the stock market to develop and diversify products which maximize customer's benefit and experience;
- Enhancing corporate governance, risk management and risk control system, especially in financial management, accounting and auditing, by improving competencies of the BoD Committees;
- Continuing to seek higher levels of transparency in business operations and enhance the role of Independent Directors;
- Standardizing processes, systems and procedures to improve efficiency and ensure compliance with legal regulations, especially in the areas of information security, risk management, internal control, internal audit and margin lending;

## BOARD OF DIRECTORS REPORT (Cont.)

- Increasing the efficiency of capital utilization through enhancing current financial products and services and investing in research and development to create new products and services that meet international standards, regulatory requirements and clients' needs.
- Promoting corporate values of sustainable development in the drafting and promulgation of the CSR strategy and initiatives; and
- Developing a succession plan for the next generation of leaders.

## II. CORPORATE GOVERNANCE IN 2017

Strong and compliant corporate governance is one of the key factors for building a strong corporate foundation that delivers sustainable business value. The HSC approach for enacting corporate governance is to promote a set of values and behaviours that directs its day-to-day operations, provides transparency and accountability, and maximizes financial value to shareholders, stakeholders, and partners. We are committed to maintain high standards of corporate governance, financial accountability, and financial transparency that will ensure long term sustainability.

In order to maximize business value, HSC focuses not only on business development goals for revenue and profit growth, but also on enhancing corporate governance in line with international practices that creates sustainable value in the long run.

### 1. ENGAGING SHAREHOLDERS, INVESTORS AND PARTNERS

#### 1.1. Annual General Meeting

In addition to the information provided in the Quarterly Financial Statements, the Annual Report, and newsletters, the Annual General Meeting (AGM) of Shareholders is an important opportunity for the Company to disseminating and engaging with shareholders, investors and partners. At the AGM, the BoD presents the financial results and initiatives undertaken in the past year, the business plan for the next financial year, and other information deemed important to seek the decisions of all shareholders.

On 24 April 2017, HSC held the 2016 Annual General Meeting (2016 AGM) in Ho Chi Minh City. The AGM followed and complied with the current statutory regulations, company mandate, and procedures to ensure the protection of shareholders' benefits and rights.

- All shareholders whose registrations were undertaken on latest 09 March 2017, as provided by the Ho Chi Minh City Branch of the Vietnam Securities Depository, received full and clear information related to the AGM 2016 as detailed in their notice of invitation. The notice of invitation has clearly specified the time, venue,

agenda and basic information about the registration of the meeting. The 2016 AGM full documents were published on HSC's website in Vietnamese and English languages, twenty-one (21) days before the date of AGM 2016. In addition, the notice of invitation for AGM 2016 was broadly published on newspaper.

- In order to facilitate all shareholders and their authorized representatives, the 2016 AGM was held on a working day and the registration and admission desk were opened one hour prior to the meeting. HSC used barcodes to confirm shareholders' identification and other supporting documents as well as calculating the voting and election ratios.
- The Chairman of the BoD, BoD members, Chairman of the Committees, and BoM chaired the 2016 AGM. In addition, the representatives of independent audit firm were in attendance. The representatives of minority shareholders were entitled to nominate themselves in the Vote Tally Committee to count the votes.
- The chaired members were responsible and available to respond to any questions and encouraged shareholders or authorized representatives to comment in order to jointly build sustainable growth for HSC.
- The minutes of the meeting, voting results report, and the 2016 AGM Resolutions were published on HSC website in English and Vietnamese languages within 24 hours after the AGM.

#### 1.2. Dividend Payout

Dividend policy is reviewed by the Board of Directors annually but HSC is committed to ensure that at least 50% of the after-tax profit would be used to pay dividends to shareholders. Based on the financial performance of previous years, the dividend payout rate ranged from 12% to 20%. HSC is committed to pay the correct amount or even higher if approved by AGM.

At the 2016 AGM, shareholders approved an ordinary share dividend payment rate of 12% payable in 2017. The execution plan for the dividend payment of 2017 is summarized as follows:

- HSC paid the first cash dividend of 2017 at 6%, which was paid to shareholders on 24 January 2018. This was announced by the Board of Directors in Resolution No. 16/2017/NQ-HDQT dated 25 December 2017.
- In order to maintain an attractive Return of Investment for shareholders, the BoD proposed a higher rate of second cash dividend payment at AGM 2017 comparing to approved plan.

#### 1.3. Investor relations

HSC is always proactive in engaging shareholders, investors, and the wider partnership community networks to provide timely, useful, complete, reliable and accurate information. The data and information are provided through a number of communication and media channels, such as, the website, AGM, newsletters, videos and direct email blast to the investment community with registered email addresses.

HSC has encouraged all shareholders, investors, and partners to discuss, share ideas, provide questions and all possible forms of information contribution to HSC by emailing to Director of Communications.

## 2. SHAREHOLDERS' EQUAL RIGHTS

### 2.1. Appointing a proxy to the Annual General Meeting

HSC strongly encourages shareholders participation at the AGM. Should a shareholder unable to attend the AGM, they may nominate an authorized representative such as a BoD member or BoS member to vote on their behalf and to decide on any resolutions and issues discussed at the AGM.

### 2.2. Voting at the AGM

Each shareholder or their authorized representative attending the AGM are given voting cards and voting forms printed by HSC. The cards and forms have barcodes so that the vote counting process can be more efficient and accurate. The shareholders shall use voting cards to vote for resolutions raised at the AGM. Key information content for the AGM was sent to shareholders prior to the meeting. The shareholders must confirm their voting by marking a cross in one of the three boxes provided. The contents of the three boxes were "approve", "not approve" and "no comment". The shareholders were required to sign the form to confirm and validate the vote.

### 2.3. Conflicts of Interest Management

There is a need to prevent conflicts of interest in operations and decision making. Recognizing this need resulted in the development of internal policies, procedures, systems of control and monitoring at HSC. The system and processes served to prevent or mitigate "conflicts of interest" situations. The risks that are to be prevented or mitigated include actions of personal gain but at the loss to shareholders, investors, partners and HSC.

Right now, HSC is compliant with the "conflict of interest avoidance" regulation under Vietnam law. The BoD has plans to raise HSC's compliance to follow international benchmarks and best practices.

### Related Parties Transactions

HSC has developed policies to control, monitor and handle transaction of related parties. The policy will be placed centrally within the corporate governance framework to ensure that any potential conflicts of interest when dealing with related parties are strictly monitored and controlled.

Firstly, the related parties must report and disclose information at least three working days prior to the date of trading of HCM stock to the Ho Chi Minh Stock Exchange ("HOSE") and report within three (03) working days from the date of execution to the State Securities Commission and HOSE.

Secondly, the related parties must inform the BoD of all interests that may conflict with the interests of HSC. The interests could be benefits and opportunities received through economic entities, transactions, and other individuals. These benefits and opportunities are not allowed to be received for personal purposes. This relates to privileged information too, that is obtained by virtue of their position, and used for personal gains.

Thirdly, HSC does not provide loans or guarantees to these related parties unless decided by the AGM.

Fourthly, HSC is not allowed to engage in transactions with value at 35% or more of the total assets recorded in the latest financial statement with these related parties or engage in transactions with shareholders/their proxy owning more than 10% of HSC's total ordinary shares and their related parties, unless decided by the AGM.

## BOARD OF DIRECTORS REPORT (Cont.)

### 3. ROLE OF STAKEHOLDERS

#### Clients

In order to maintain our financial services' brand of trust, HSC is committed to creating the most favorable conditions and optimal products and services to our customers. HSC has always been one of the pioneers who have worked with the authorities since the early days to build the operating system for new products in the market such as Covered Warrant of Ho Chi Minh City Stock Exchange (HSX) and futures products for Hanoi Stock Exchange (HNX) and State Securities Commission (SSC). In addition to constantly support the market in developing new products, HSC is also striving to create its own products and services such as Managed Account, which has been one of important revenue stream to HSC in 2017.

In addition, at HSC, client confidentiality and client data privacy are the top priorities. The client is put on the pedestal and holds the pivotal position in the business operations. HSC measures its success through client satisfaction based on the user experience.

#### Shareholders

It can be said that the position of HSC today cannot be achieved without the strong support of all the shareholders. To the shareholders, HSC wants to provide information access that is timely, transparent, usable and accurate to assure equal rights, without distinction between major shareholders, strategic shareholders or minority shareholders. All shareholders have the right to be provided with all the necessary information to make appropriate investment decisions. And above all, HSC is committed to bringing sustainable investment efficiency with shareholders' return being at least above the industry average. As evidence of this commitment, thus far, HSC has maintained its status as one of the top three securities companies in Vietnam.

#### Staff

Generally, corporate culture is a foundation of human in a company. In order to foster an outstanding culture that meets both corporate and corporate expectations, HSC aims to build a corporate culture, in which every staff of HSC does not put only strong emphasis in professionalism, capability, knowledge but also integrity and compassion for the community.

On the other hand, corporate culture is reflected in the relationship between colleagues in the company. There is little distinction between high level leaders and senior managers and staff - they see and treat each other as "partners". Effective relationships between partners in their own departments, across different divisions and throughout the organization can be established through the sharing of information, ideas and innovative approaches. More importantly, building effective relationships with our "Partners" within the Company is the key to enhance cooperation and understanding. Furthermore, establishing relationships and working with external partners is important to capture and utilize every opportunity for cooperation. The "Partnership" culture has started and being spreading strongly in the "HSC partner community", inspiring "one day in HSC is a happy day" for all staff.

HSC will identify the appropriate set of values and embed them in the organization to shape the identity and bring positive values and greater opportunities to all shareholders, stakeholder, and partners.

#### Community

The sense of community sharing has been built and promoted throughout the company's history since its early days. At an organizational level, HSC is committed to help build the country by creating employment opportunities and contributing to public finance through the payment of taxes. HSC has set up the Humanity Foundation to help with the sudden hardships and emergency illness of the staff. Besides, HSC has organized training sessions to assist students to improve their skills through familiarizing themselves with the business environment so that they have an easier access and transition to the workplace when they graduate. At the same time, there are volunteer activities, sharing and helping the less privileged and disadvantaged groups of people. This has become an upright tradition for HSC. The spirit of "sharing the happiness" is actively communicated throughout HSC.

HSC endeavors to implement initiatives that have long lasting impact on communities where HSC is located. HSC is dedicated to contributing to all aspects of community development. Community development is at the core of CSR where HSC believes will be an essential component for long term success.

#### Environment

HSC recognizes its responsibility to contribute to the development of Vietnam's capital markets and the wider economy. HSC is ranked as a pioneer in the securities market. The organization supports the holistic growth in financial investment products, financial intermediation and corporate advisory services. HSC plays a proactive role in actively discussing and communicating regularly with regulators, thereby contributing to the process of market shaping, market development and related regulatory requirements. This role is considered essential for the long-term development of HSC.

##### 3.1. Audit firm

HSC is committed to always select one of the Big 4 Audit Firms in Vietnam to ensure the quality of the independent external audit examinations. Price Waterhouse Coopers (PwC) Vietnam Limited was chosen for the fiscal year 2017, replacing Ernst & Young Vietnam Limited. The selection was approved by the State Securities Commission of Vietnam under the framework of issuing, listing and securities trading organizations. The audit examination was undertaken on the annual financial statements and review of quarterly financial statements. This change was made with the aim of bringing new perspectives to HSC's financials.

The audit fees amounted to VND 924,000,000 payable to Price Waterhouse Coopers Vietnam who were contracted to perform the external audit. The audit review and examination process undertaken include:

- Review of interim financial statements;
- Review of the interim Liquidity Ratio Report;
- Auditing financial statements at year end;
- Audit Report on liquidity ratios at year end;
- Auditing the special financial information of the Company at year end in accordance with international accounting standards (IFRS)

In addition, HSC also paid non audit fees of VND 620,225,155 to its joint audit company, KPMG.

**“ HSC will identify the appropriate set of values and embed them in the organization to shape the identity and bring positive values and greater opportunities to all shareholders, stakeholders, and partners. ”**

##### 3.2. Contact for Media Inquiries

Currently, the only point of contact for media inquiries to HSC is the Communications Department. Any questions from stakeholders will be forwarded to the relevant heads of department. The responses to the questions will be sent to the Communications Department who shall represent HSC in responding by phone or email.

### 4. INFORMATION DISCLOSURE

#### Policy and implementation of information disclosure

The information disclosure framework at HSC is in compliance with the statutory regulations, internal policies and corporate governance policies. The information disclosures must be in accordance with the following fundamental principles:

- The disclosed information should be accurate, complete, clear and must be disclosed within the agreed time frame;
- The disclosed information must strictly comply with current statutory regulations;
- All stakeholders have the right to access the disclosed information;
- Information that may have a significant impact on the share price of HCM, or possibly influence an investor's decision, affecting shareholder rights, or may cause a serious event that may adversely affect the legitimate interests of investors, should be disclosed in timely manner and shall be disclosed in HSC's official website, and to the Ho Chi Minh City Stock Exchanges (HOSE) and the State Securities Commission (SSC).

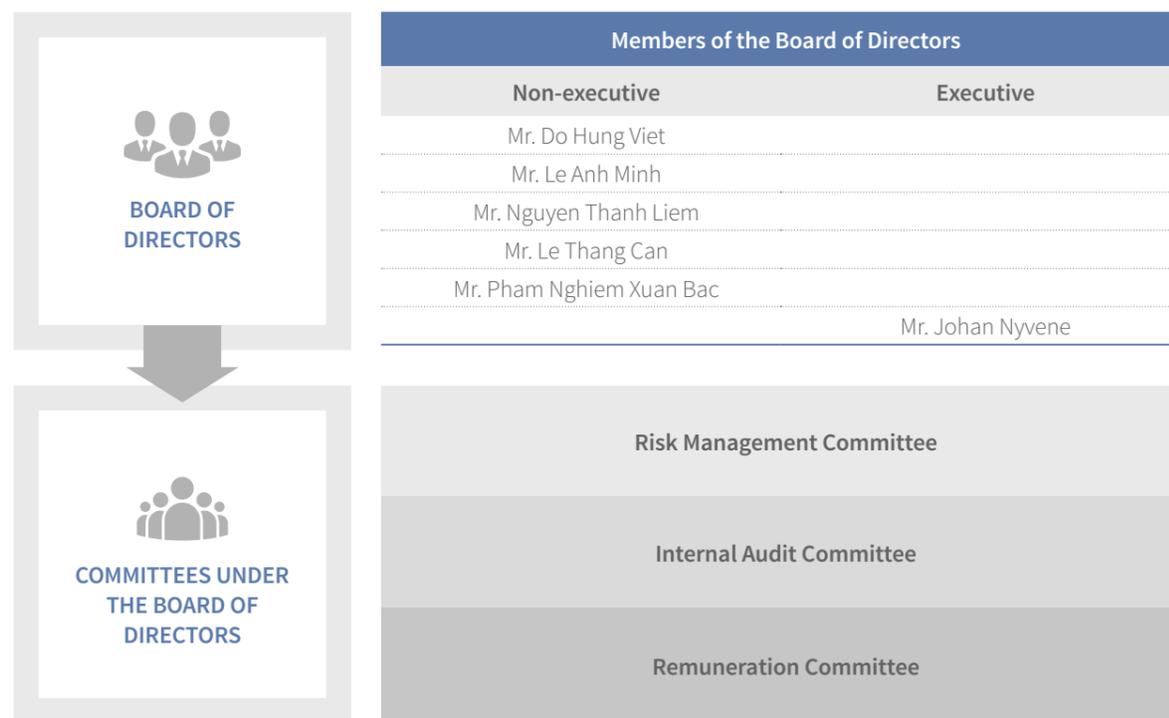
## BOARD OF DIRECTORS REPORT (Cont.)

### 5. BOARD OF DIRECTORS

The Board of Directors is responsible for ensuring that the best corporate governance practices are applied throughout the Company. The Board of Directors has been and is going to implement the best corporate governance standards from the highest level of management board to every HSC employee as the foundation to achieve the Company's goals. Not only that, it is empowered by HSC to carry out its role and responsibilities and fulfil its obligations to the shareholders, as well as enhance the company value.

#### 5.1 Members and Composition

In 2017, the BoD has maintained its operations in compliance with the Company Charter and corporate governance policies. The BoD consists of seven members. The composition of the Board ensures the balance with skills, knowledge and experience in legal, finance and securities as well as the balance between executive and non-executive members. Below is the list of board members:



#### 5.2 Roles and responsibilities of the Board of Directors

Under the Enterprise Law and the HSC Charter, the Board of Management is the governing body of the Company and has full authority to act on behalf of the Company to exercise its rights and obligations beyond the authority of the BoD.

When performing their functions and tasks, the Board of Directors must strictly comply with the provisions of law, the Charter of the Company and resolutions of the General Annual Meeting of Shareholders. In the event where decisions are made by BoD contravenes the law or Company Charter, thereby causing detriment to HSC, the members who voted in favour for these decisions are jointly and individual liable for any damages as according to the relevant law.

#### 5.3 Activities Completed by the Board of Directors in 2017

The BoD called for 19 meetings in 2017, in which 11 meetings were direct meetings and 08 meetings were in the form of written consultations. Notices and the meeting agendas were sent to BoD members at least 15 days in advance and meeting documents to be sent at least 5 days prior to the meeting. As for written consultation via email, the consulted contents were presented in detail in the proposals and deadline for response is no later than 7 days after the submission date.

At the meetings, the Board discussed quarterly business results, reviewed the market trends and strategic plans for the next quarter, and granted approval for issues under its authority. Periodically at the first meeting of the fiscal year, the Board assesses the situation of domestic and international markets, thereby reviewing HSC's vision and mission in light of the current environment and market trends.

The resolution is only passed and adopted if there is over 50% agreement among the total number of participants.

The list of members participating in Board meetings in 2017 is as follows:

#### Board of Directors meetings in 2017

No.	Meeting date	Meetings		Resolution No.
		Direct meetings	Meetings in the form of written consultations	
1	17/01/2017	√		01/2017/NQ-HDQT
2	13/03/2017		√	02/2017/NQ-HDQT
3	24/03/2017	√		03/2017/NQ-HDQT
4	05/06/2017	√		04/2017/NQ-HDQT
5	08/06/2017	√		05/2017/NQ-HDQT
6	28/06/2017		√	06/2017/NQ-HDQT
7	27/07/2017	√		07/2017/NQ-HDQT
8	02/08/2017	√		08/2017/NQ-HDQT
9	02/08/2017	√		09/2017/NQ-HDQT
10	25/08/2017	√		09A/2017/NQ-HDQT
11	29/08/2017		√	10/2017/NQ-HDQT
12	02/10/2017		√	11/2017/NQ-HDQT
13	06/10/2017	√		12/2017/NQ-HDQT
14	25/10/2017	√		13/2017/NQ-HDQT
15	14/11/2017	√		14/2017/NQ-HDQT
16	14/11/2017		√	15/2017/NQ-HDQT
17	14/11/2017		√	16/2017/NQ-HDQT
18	14/11/2017		√	17/2017/NQ-HDQT
19	14/11/2017		√	18/2017/NQ-HDQT

#### Board of Directors meetings in 2017

No.	Member	Position	Number of Board meetings attended	Attendance ratio
1	Mr. Do Hung Viet	Chairman	19/19	100%
2	Mr. Le Anh Minh	Vice Chairman	19/19	100%
3	Mr. Nguyen Thanh Liem	Vice Chairman	19/19	100%
4	Mr. Pham Nghiem Xuan Bac	Member	19/19	100%
5	Mr. Le Thang Can	Member	19/19	100%
6	Mr. Johan Nyvene	Member	19/19	100%
7	Mr. Le Hoang Anh	Member	19/19	100%

## BOARD OF DIRECTORS REPORT (Cont.)

### Contents adopted in the Resolution of the Board of Directors

Subject Matter	Approved content
<b>Financial performance and Business Plan</b>	Business Plan 2017 Forecast (NQ 01/2017)
	Expected business results for the first quarter of 2017 (Resolution 03/2017)
	Projections of business results first 6 months of 2017 (Resolution 07/2017)
<b>Risk Management</b>	Projections of business results first 9 months of 2017 (Resolution 13/2017)
	Total value of loans of the company in 2017 (Resolution 01/2017, Resolution 03/2017, Resolution 10/2017)
	Adjustment of the total value of margin lending (Resolution 07/2017)
	Approval of the proposal to raise credit lines in banks (Resolution 01/2017, Resolution 02/2017, Resolution 04/2017, Resolution 05/2017, Resolution 08/2017, Resolution 09/2017, Resolution 11/2017, Resolution 12/2017, Resolution 14/2017, Resolution 17/2017)
	Approval of the time, venue and agenda for AGM 2016 and the main contents of the report to be submitted to the AGM 2016 (Resolution 01/2017)
	Supplementary content of the annual shareholders' meeting of FY 2016 (Resolution No. 03/2017)
	Approving the main contents of the bond issuance plan (Resolution No. 13/2017)
	Report on the performance of the operations of derivative securities (NQ 01/2017)
	Implementation of individual customer account management consultancy service (NQ 03/2017)
	To approve the principle of conducting professional operations of the covered warrants product (Resolution No. 03/2017)
<b>Corporate Governance</b>	Review the adjustment of foreign ownership to 100% (Resolution No. 03/2017)
	The establishment of Hoan Kiem Transaction Office in the North (NQ 03/2017)
	Expansion of Kim Lien Transaction Office in the North (Resolution No. 15/2017)
	Relocated and renamed Cho Lon Transaction Office in the South (Resolution 18/2017)
	First dividend payout in 2017 in cash at the rate of 6% (Resolution 13/2017)
	Adjusting the 1st dividend payment in 2017 from 5% to 6% (Resolution No. 16/2017)
	Price Waterhouse Coopers Vietnam Limited was selected as the audit firm for FY 2017 (NQ 06/2017)
	Agreed to submit to the 2012 Annual General Meeting of Shareholders for approval of the bonus and welfare fund 2016 (NQ 01/2017)
	Approval for Advisory Service Contract between Ho Chi Minh City Securities Corporation and Dragon Capital Markets Limited (DC) (Resolution 01/2017)
	Adjustment of the Charter of the Company in accordance with the new capital after completing listing 2.5 million shares of the Company in the share issue program for the employees (ESOP 2016) (Resolution No. 3/2017)
<b>Other Issues</b>	Authorize the CEO to sign the employee's retirement plan to take part in the ESOP 2016 retirement plan (Resolution 13/2017).
	Approval for the investment in the Transaction system (Resolution 07/2017)

### 5.4 Activities of Non-executives and Independent Members of the Board of Directors

#### 1. Assess the independence and tenure of independent members of the Board of Directors

The independence of a member is not based on the length of time served on the Board of Directors, such as five or nine consecutive years, as stipulated by the Vietnamese statutes. There are many other factors including the skills and knowledge, quality of advice, experience, ethical standards, and especially integrity and objectivity. The strengths of independent members are their understanding and insights of the core business and their depth of analysis and critical thinking to make the right decisions. These competencies can only be acquired with time, exposure to, and experience in, the industry.

There are two independent board members, Do Hung Viet and Pham Nghiem Xuan Bac, who have served 10 years, and have exceeded the statutory limit of 9 years. After consulting the current legal regulations as well as international practices, the HSC Board recognizes that the independence of thought and actions of the two members are still assured. They are able to review operations and make recommendations with an independent perspective. Additionally, they have made valuable contributions to the development of the company. Therefore, the company decided that although the re-appointment of these two members was not in compliance with the current regulations on independent members of the Board of Directors but in terms of nature, they do play an important role of independent members of the board.

#### 5.6 The Board Committees

There are three committees reporting to the BoD. They are Risk Management Committee, Audit Committee, and Remuneration Committee.

The three committees are tasked with advising and assisting the Board in maintaining and enhancing internal control operations. All three committees have independent, non-executive and executive members. The members were selected based on expertise and experience as well as their contribution to the committee:

No.	Name	Position	Board Risk Management Committee	Board Internal Audit Committee	Board Remuneration Committee
1	Mr. Do Hung Viet	Chairman Independent Board member	√	Chairman √	√
2	Mr. Le Anh Minh	Vice Chairman Non-executive Board member	Chairman √		Chairman √
3	Mr. Le Thang Can	Member Non-executive Board member		√	
4	Mr. Le Hoang Anh	Member Non-executive Board member	√		
5	Mr. Johan Nyvene	Member Executive Board member			√
6	Mr. Vo Van Chau	Head of Supervisory Board			√
7	Ms. Dang Nguyet Minh	Member Member of Supervisory Board		√	

The composition of HSC's current board members ensures the balance between executive and non-executive members, of which at least one third of the members are independent members. Compliance with regulations on the percentage of independent and non-executive members helps the BoD to make objective, fair and independent decisions.

Most independent and non-executive members of the Board are members of committees. Therefore, in addition to the general duties on the Board, these members also undertake the tasks assigned to them under the Committees.

#### 2. Separation of the role of the Chairman and the CEO

The separation of the role of the Chairman and the CEO reflects independence and clear division of responsibilities between the BoD and the BoM to ensure the fair division of powers in decision-making, increased accountability and enhanced governance. The powers and duties of the Chairman and the CEO are clearly stated in the Company Charter.

The HSC chairman has been on the BoD since its inception. He was appointed in 2007 and is currently in the fourth term on the Board.

#### 5.5 Board of Directors members' role at other companies

HSC's Board of Directors is committed to comply with current laws, which is not to concurrently serve as a board member in more than five other companies. This regulation encourages BoD members to have more time to focus on the development efforts of HSC.

## BOARD OF DIRECTORS REPORT (Cont.)

### 5.7 Activities of the Committees under the Board of Directors

#### 1. Board Risk Management Committee

The Risk Management Committee is responsible for advising the Board on the issuance of risk management strategies, processes and policies. The Risk Management Committee is also responsible for analyzing and issuing warnings about the company's safety against potential risks as well as recommending preventive measures. Besides, the Committee must analyze the company's overall risk level, measuring the risk tolerance level of every functions as well as HSC's overall operations, monitor the implementation of policies and examine the company's capital, liquidity and capital mobilization. The Risk Management Committee is responsible for reviewing and changing the risk management structure of the Company to meet the risk management requirements of the regulatory authorities. In addition, the Risk Management Committee must evaluate the performance of the Risk Manager.

Activities of the Risk Management Committee in 2017:

- In 2017, the Risk Management Division has reviewed and revised the annexes on the Policy on Limits of Authority, specifically the annex on Limits of Expenditure and the appendix on Limits on Investment in Government Bonds. In addition, risk management policy, risk notification for margin lending, procurement policy and commissions policy for stock distribution have been issued.
- The Risk Management Division continues to strengthen the risk management models to minimize the risk impacts on HSC's business activities.
- On a quarterly basis, the Risk Management Division sends the list of key risks identified together with the risk mitigation plan and monitoring results to the RCD.
- On a monthly basis, the BoM sends the monthly transactions report to the Risk Management Committee
- The Risk Management Committee holds meetings when approving transactions within its authority limits.

#### 2. Internal Audit Committee in 2017

The Internal Audit Committee was founded in early 2014. The Internal Audit Committee acts in accordance with the principle in the Code of Conduct and the Charter, which has been approved by the BoD.

The Internal Audit Committee has completed the joint internal audit contract with KPMG Vietnam Limited for the period of three (03) years from 2014 to the end of 2016. Thus, in 2017, HSC had an independent Internal Audit Department, reporting directly to the Audit Committee under the Board of Directors.

Activities of the Internal Audit Department and Follow-up on Internal Audit Findings.

In 2017, the Internal Audit Department has issued the following audit reports:

- Anti-money laundering review report
- Follow-up on Institutional Client Brokerage Internal Audit Report
- Margin Lending Internal Audit monitoring and reviewing process.

Currently the Internal Audit Department is conducting audits on the following processes:

- Human resource management
- Individual Clients Brokerage management (second audit)
- Monitoring and reviewing the progress of internal audit of the accounting and financing reporting process.
- Monitoring and reviewing the progress of Capital Management and Principal Investment

The Internal Audit Progress Report was reported at the periodic meeting of the Internal Audit Committee.

#### 3. Board Remuneration Committee

The Board Remuneration Committee was officially established in June 2016. The Remuneration Committee was established with the aim of advising and proposing compensation, remuneration and benefits of the members of BoD, BoS and BoM. The committee also reviews the annual budget for staff compensation and decides on issues related to the Employee Selection Program for selected employees.

#### 5.8 Participation of the Board of Director members in corporate governance programs

All members of the BoD and the BoS participated in "Corporate Governance" training course, except for Mr. Pham Nghiem Xuan Bac who had an unforeseen circumstance. HSC will arrange reasonable time for him to join a similar training in the future.

#### 5.9 Assessment of Operational Effectiveness of the Board of Director

The BoD has made great efforts to improve corporate governance and align the standards with current regulations and international best practices. For example:

- The Board of Directors maintains regular activities in accordance with the Company Charter, ensuring that regular meetings were held and that all Board members attended the meetings to meet the legal requirements.
- Clearly defined the roles of independent and non-executive members to maximize interests of all shareholders;
- Supervised the implementation of the BoD' decisions and resolutions at the AGM;

- Directed and supervised the implementation of various important projects at HSC, including projects related to risk management, internal audit, new product development and issuance of individual bonds of HSC.
- Supervised the Committees' activities to ensure compliance with the operations principles and Company Charter.

## 6. TRANSACTIONS, REMUNERATION AND BENEFITS OF THE BOARD OF DIRECTORS, BOM AND BOS

### 6.1. Remuneration of the Board of Directors and the Supervisory Board

The operating fund of HSC's BoD and BoS in 2017 amounted to 1.5% of after-tax profit, as approved at the AGM 2016.

The quarterly remuneration payments to the members of the BoD and BoS will continue to comply with Resolution 12/2011/NQ-HDQT, dated 21 December 2017, which covered the approval of remuneration for the BoD and BoS.

#### Remuneration for members of the Board of Directors in 2017

No.	Member	Position	Specialization	Executive	Remuneration per month (after tax) (VND)
1	Mr. Do Hung Viet	Chairman	√		Salary employing
2	Mr. Le Anh Minh	Vice Chairman			10,000,000
3	Mr. Nguyen Thanh Liem	Vice Chairman			10,000,000
4	Mr. Pham Nghiem Xuan Bac	Member			10,000,000
5	Mr. Le Thang Can	Member			10,000,000
6	Mr. Johan Nyvene	Member		√	Salary employing
7	Mr. Le Hoang Anh	Member			10,000,000

#### Remuneration for members of the Board of Supervisor in 2017

No.	Member	Position	Remuneration per month (after tax) (VND)
1	Mr. Vo Van Chau	Chairman	10,000,000
2	Mr. Doan Van Hinh	Member	6,000,000
3	Ms. Dang Minh Nguyet	Member	6,000,000

Based on the remuneration presented above and the prevailing number of members of the BoD and BoS at specific times, the payment of remuneration and operating expenses to the members of the BoD and BoS are detailed as below.

#### Remuneration and operating expenses of the BoD and Supervisory Board in 2017

No.	Details	Amount (VND)
1	Operation fund of the BOD & Supervisory Board in the beginning of 2017	129,753,794
2	Operation fund of the BOD & Supervisory Board in 2017 (account for 1.5% of profit after tax in 2016)	4,567,964,720
3	Operating expenses of the BOD & Supervisory Board <i>In which:</i>	3,678,534,098
	1. Remuneration for Board of Directors & Board of Supervisors in 2017	959,999,992(*)
	2. Other operating expenses	2,718,534,106
4	Unused fund of the BOD & Supervisory Board	1,019,184,416

Note: (\*) Total remuneration of the Board of Directors was VND 666,666,660 and Supervisory Board was VND 293,333,332 (including personal income tax). The remuneration of the BoD increased about 5% compared to 2016 because Mr. Le Hoang Anh was elected as a member of the HSC Board of Directors from 21 April 2016 and was paid 3 quarters remuneration (since Q2/2016)

## BOARD OF DIRECTORS REPORT (Cont.)

### 6.2. Regulation of Bonuses for Members of BoD and BoS

In addition to the remuneration for members of the Board of Directors and Board of Supervisors mentioned above, independent members of the Board of Directors, non-executive members of the Board of Directors and Supervisory Board do not receive any income or bonuses from the company's bonus and welfare fund.

### 6.3 Regulation of Benefits for Members of BoD and BoS

Currently, HSC's regime of cost benefits (the company's car use regime, telephones, social, medical and other insurance; annual health check, and other items specified in the Company's policies) and other benefits in internal policies are only applicable to the Chairman of the Board of Directors. Only business travel expenses from other members of the BoD and BoS are charged to HSC (if costs are incurred).

### 6.4 Share trading transactions of internal shareholders

In the year 2017, HSC announced the transactions of HCM shares, which was traded by the members of the BoD and related organizations with members on the HCM City Stock Exchange, to the authorities within three working days. Under the current regulations, they are reported as follows:

No.	Name	Relationship with internal shareholders	Number of shares owned initially		Number of shares owned at the end period		Reasons for increase, decrease (purchase, sell, convert, reward)
			Number of shares	Percentage (%)	Number of shares	Percentage (%)	
1	Cong Huong Joint Stock Company	Company related to Pham Nghiem Xuan Bac - Member of the Board of Directors	481,672	0.37	450,442	0.35	Registered to buy 100,000 shares from 02/06/2017 to 29/06/2017, but sold 31,230 shares due to inappropriate shares' price.
			450,442	0.35	450,442	0.35	Registered to buy 200,000 shares from 12/07/2017 to 11/08/2017, but not yet purchase due to inappropriate shares' price.
2	Mr. Pham Nghiem Xuan Bac	Board of Directors	360,000	0.28	290,000	0.22	Registered to buy 50,000 shares from 02/06/2017 to 29/06/2017, but sold 10,000 shares due to inappropriate shares' price.
			290,000	0.22	290,000	0.22	Registered to buy 150,000 shares from 12/07/2017 to 11/08/2017, but not yet purchase due to inappropriate shares' price.

### 6.5. Transactions between the Company and major shareholders

HSC and Dragon Capital Markets Limited (DC) have signed a contract to provide business consulting services, in which DC advises HSC on market research, institutional clients brokerage, mergers and acquisitions, etc. The contract term is three years from 2017 to 2019. The consultancy fees for 2017 were VND 9,663,896,000 (VAT included).

No.	Related parties	Relationship	Headquarter	Date of transaction	The Board of Directors Resolution No.	Quantity, percentage of shares after transactions	
						Quantity	Percentage
1	Dragon Capital Markets Limited (DC)	Related parties	Room1501, 15 <sup>th</sup> Floor, Me Linh Point, No 02 Ngo Duc Ke Street, District 1, HCMC	12/2017	No. 01/2017/NQ-HĐQT dated 17/01/2017	39,278,810	30.87

## SUPERVISORY BOARD



**Mr. VO VAN CHAU**

Chairman  
of the Supervisory Board

Date of 1 <sup>st</sup> appointment:	02 December 2002
Date of 1 <sup>st</sup> reappointment:	30 June 2007
Date of 2 <sup>nd</sup> reappointment:	08 April 2011
Date of 3 <sup>rd</sup> reappointment:	21 April 2016
Duration:	15 years 1 month
Age:	64 years old
Education level:	Bachelor of Economics

### Professional experiences

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 in Danang and Daklak

### 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



**Ms. DANG NGUYET MINH**

Member  
of the Supervisory Board

Date of appointment:	26 April 2013
Date of 1 <sup>st</sup> reappointment:	21 April 2016
Duration:	4 year 8 months
Age:	30 years old
Education level:	Bachelor of Economics and Business Administration

### Professional experiences

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)



**Mr. DOAN VAN HINH**

Member  
of the Supervisory Board

Date of 1 <sup>st</sup> appointment:	30 June 2007
Date of 1 <sup>st</sup> reappointment:	08 April 2011
Date of 2 <sup>nd</sup> reappointment:	21 April 2016
Duration:	10 years 6 months
Age:	64 years old
Education level:	Bachelor of Economics

### Professional experiences

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

## REPORT OF THE SUPERVISORY BOARD

The Supervisory Board consists of three members, including two independent members, who act together as shareholders' representatives to continue examining, supervising, and advising on risk management and corporate governance issues at HSC. In 2017, the main areas overseen by the Supervisory Board were as follows:

- The implementation of resolutions passed at the FY2017 Annual General Meeting ("AGM"); and the activities of the Board of Directors (BOD);
- Business activities and 2017 financial results; and
- Internal audit activities in 2017.

### 1. SUPERVISING THE ACTIVITIES OF THE BOD, AND THE IMPLEMENTATION OF RESOLUTIONS PASSED AT THE FY2017 AGM.

The Supervisory Board participated in all four BOD meetings, took into consideration the actual situation of HSC, providing insights into HSC's performances, advising the BOD and the Executive Committee (EXCO) on the implementation of resolutions approved at the FY2017 AGM.

Key issues discussed in the BOD's meetings include:

- Quarterly business updates
- The use of capital in each segment and capital needs in the coming years
- Incremental adjustment of dividend payment
- Report on derivatives product development
- Approved covered warrants product deployment, investment in the trading system, and the establishment of new transaction offices.

Inputs from the Supervisory Board in its roles as supervisors and representatives of investors, were all respected by, and considered in the decisions of the BOD.

### 2. BUSINESS ACTIVITIES AND 2017 FINANCIAL RESULTS

In 2017, together with other members of the BOM, the Supervisory Board participated in meetings with HSC's external auditor, PricewaterhouseCoopers Vietnam Limited, to discuss about the audit scope, audit findings and other relevant matters detailed in the Management Letter. Accordingly, HSC's business operations were conducted in a transparent manner, with no violations in relation to the accounting, finance and operational processes of HSC. Moreover, PricewaterhouseCoopers Vietnam Limited only provided audit services to HSC and the company did not provide any other advisory services.

The total expenditure for 2017 audit services was VND 924 million (VAT included).

Additionally, the Supervisory Board analyzed all the quarterly financial statements, reviewed half year and full year audited reports, as well as any financial information presented by EXCO at BOD meetings. In terms of financial safety, HSC has a high standard of liquidity and capital-related ratios, with capital adequacy ratio (CAR) continuing to be one of the top in the industry, at 526%.

In terms of financial results, HSC has excellently exceeded 52% of revenue target and 53% of profit target approved by AGM2016. Among the activities of HSC:

- Proprietary trading income increased by VND 430 billion with profitability ratio reaching 40% per year, 3.5 times higher than the previous year
  - ▶ The market making for ETFs and derivatives trading are new activities that have been recently launched but achieved very positive results, contributing more than 30% of proprietary trading income.
- Brokerage fees increased by VND 601 billion, equivalent to 72% increase compared to 2016. In which:
  - ▶ Brokerage fees for individual clients and institutional clients increased 52% and 100% respectively.
  - ▶ In 2017, HSC has successfully conducted outstanding brokerage deals with record-breaking contract values in Vietnam market e.g arranged for the Jardine Group to acquire 10% of Vinamilk's shares, both from the market and from the state-owned State Capital Investment Corporation (SCIC).
- Revenue from margin lending and interest income increased by VND 439 billion, or an increase of 28% compared to last year.
- Revenue from advisory services increased by VND 45 billion, recorded an 84% increase, which exceeded 37% of the approved target.
- Overall, total operating expenses increased by 93% along with the increases of trading activities. The Cost to Income ratio was 55% in 2017, setting it apart as being more cost-efficient compared to the Top 10 securities companies in Vietnam (whose average cost to income ratio stood at 60%). This also highlighted that operating cost for 2017 was well monitored and well-controlled and reflected the wise management of expenses.

## REPORT OF THE SUPERVISORY BOARD (Cont.)

In 2017, the Supervisory Board found that all the business divisions of HSC, especially the Corporate Finance Division and the Institutional Clients Brokerage Division, had cooperated closely and created valuable results. The record-breaking performance will be a major motivation for all business divisions in creating new products, conducting more large deals for both HSC and Vietnam's stock market.

### Basic financial ratios

No.	Key ratios	Y2017	Y2016
1	<b>Capital Adequacy Ratio</b>	526%	710%
2	<b>Liquidity and Solvency Ratios</b>		
a	Current Ratio (times)	1.67	2.84
b	Total Debt to Total Assets Ratio (times)	0.58	0.34
3	<b>Capital Structure Ratios</b>		
a	Owner's Equity to Total Assets Ratio (times)	0.41	0.66
4	<b>Profitability Ratios</b>		
a	ROAE (Net Profit after Tax to Average Owners' Equity)	21.38%	13.04%
b	ROAA (Net Profit after Tax to Average Total Assets)	10.76%	9.06%

### 3. SUPERVISING INTERNAL AUDIT ACTIVITIES IN 2017

In the year 2017, due to some personnel changes in the Internal Audit Department as well as the audited departments, some plans were not implemented as scheduled. Auditing activities focused on monitoring progress, reminding the departments to follow the procedures and operating regulations as recommended in the first-time internal audit report.

With the intention of standardizing HSC's operational procedures in accordance with best practice standards, the Project Management Office is scheduled to be established and will be officially operated from the beginning of 2018. The Supervisory Board strongly supports the decision and expects close coordination between the Internal Audit Department and the Project Management Office. This is to ensure that HSC operations are safely controlled and risk limited.

### 4. REMUNERATION OF THE SUPERVISORY BOARD IN 2017

Total remuneration of the Supervisory Board in 2017 was VND 293,333,332 (inclusive of personal income tax). Specific remuneration to each member is as follows:

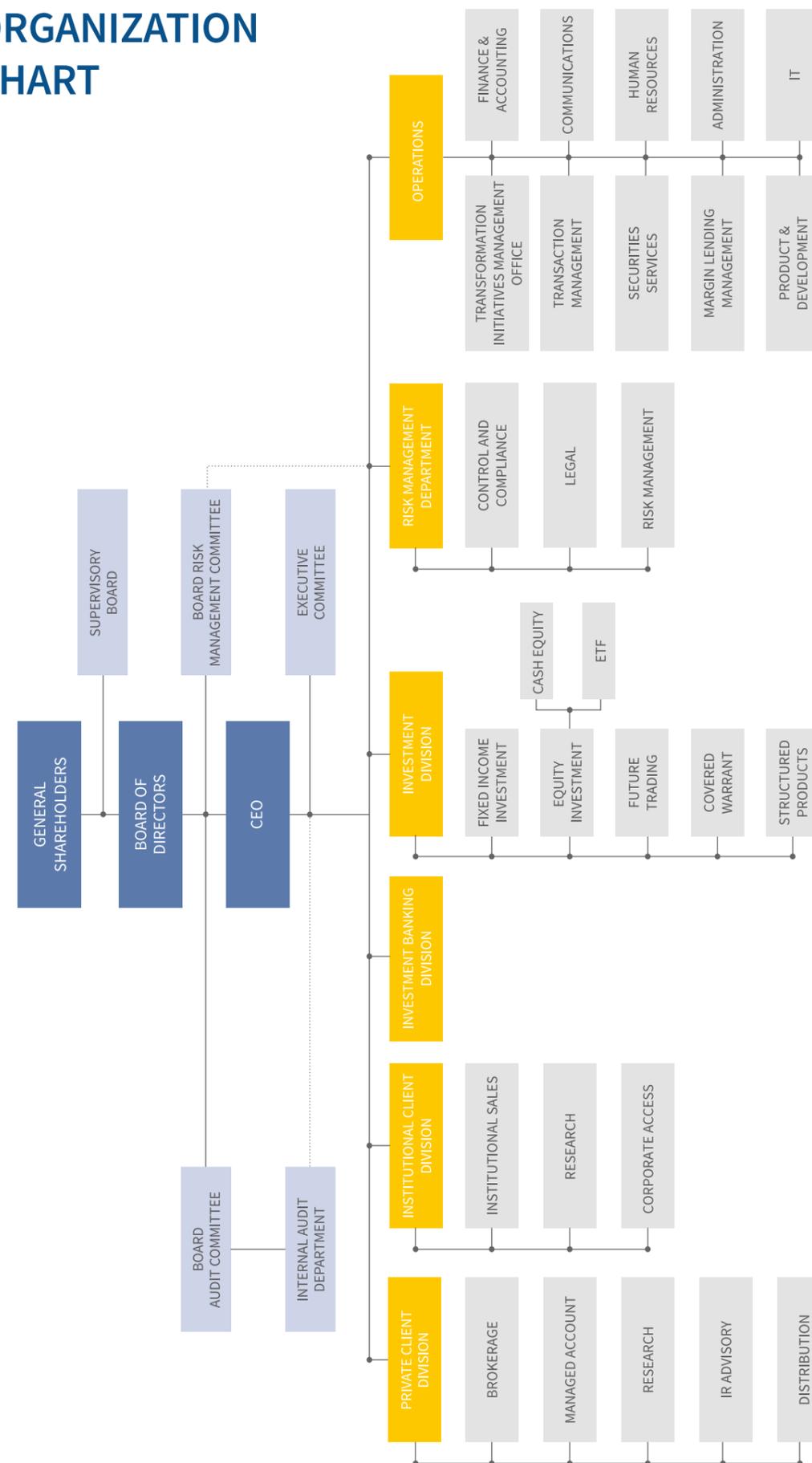
No.	Member	Position	Remuneration per month (after tax) (VND)	Note
1	Mr. Vo Van Chau	Chairman	10,000,000	
2	Mr. Doan Van Hinh	Member	6,000,000	
3	Ms. Dang Minh Nguyet	Member	6,000,000	

### 5. PLAN OF THE SUPERVISORY BOARD FOR 2018

The Supervisory Board continues to accompany and supervise the Internal Audit Department in completing the audits started in 2017 and new audits in the following processes:

No.	Audit processes
1	Anti-money laundering processes (annually)
2	Margin lending process (2nd review)
3	IT Security Management (2nd review)
4	Risk Management (1st review)

## ORGANIZATION CHART



# MANAGEMENT BOARD



**Mr. JOHAN NYVENE**

- Chief Executive Officer

Date of appointment: 15 May 2007  
 Age: 52 years old  
 Education level: Bachelor of Banking and Finance

**Professional experiences**

2007 - present CEO of HSC  
 12/2014 - 12/2015 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. FIACHRA MAC CANA**

- Managing Director
- Head of Institutional Client Division

Date of appointment: 01 March 2008  
 Age: 53 years old  
 Education level: Bachelor of Commerce

**Professional experiences**

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. TRINH HOAI GIANG**

- Deputy CEO
- Chief Operating Officer

Date of appointment: 15 May 2007  
 Age: 48 years old  
 Education level: Master of Business Administration

**Professional experiences**

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's Treasury



**Mr. ARNOLD V. PANGILINAN**

- Managing Director
- Head of Risk Management Division

Date of appointment: 12 August 2013  
 Age: 53 years old  
 Education level: Bachelor of Business Administration

**Professional experiences**

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



**Mr. LE CONG THIEN**

- Deputy CEO
- Managing Director  
Head of Private Client Division

Date of appointment: 12 August 2013  
 Age: 49 years old  
 Education level: Master of Business Administration

**Professional experiences**

2012 - present Deputy CEO - Managing Director - Head of Private Client Division of HSC  
 2010 - 2012 Managing Director - Head of Brokerage and Sales, Private Client Division at HSC  
 2008 - 2010 Head of Small and 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. BACH QUOC VINH**

- Managing Director
- Head of Northern Region

Date of appointment: 17 August 2007  
 Age: 43 years old  
 Education level: Bachelor of Finance

**Professional experiences**

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



**Mr. LAM HUU HO**

- Chief Financial Officer

Date of appointment: 1 November 2007  
 Age: 44 years old  
 Education level: Bachelor of Finance & Accounting, University of Economics Ho Chi Minh city

**Professional experiences**

2007 - present Chief Financial Officer of HSC  
 2003 - 2007 Internal Audit Manager - Cai Lan Oils & Fats Industries Company  
 1997 - 2003 Officer - KPMG Vietnam



**Mr. LE ANH QUAN**

- Chief Partnership Officer

Date of appointment: 15 January 2018  
 Age: 51 years old  
 Education level: MBA, UCLA Anderson School of Management, Los Angeles, Calif

**Professional experiences**

2018 - present Chief Partnership Officer of HSC  
 2014 - 2017 Global Associate, Management System (Los Angeles, California)  
 2013 - 2014 Chief Marketing Officer, Techcombank (Ho Chi Minh City, Vietnam)  
 2010 - 2013 Vice President Marketing, Kinh Do Group (Ho Chi Minh City, Vietnam)  
 2007 - 2010 Commercial Director, DID TV  
 2005 - 2007 Business Unit Director, Unilever (Ho Chi Minh City, Vietnam)  
 2000 - 2004 Online Marketing Manager, The Walt Disney Company, Los Angeles, USA



**Mr. PHAM NGOC BICH**

- Managing Director
- Head of Corporate Finance Division

Date of appointment: 17 January 2016  
 Age: 62 years old  
 Education level: Master of Business Administration

**Professional experiences**

2016 - present Managing Director of Corporate Finance Division of HSC  
 2010 - 2014 Managing Director of Saigon Securities Inc.  
 2007 - 2009 CEO of Prudential / Eastspring Vietnam Fund Management  
 1994 - 2007 Vice President and then Managing Director at CIBC Global Asset Management in Canada and in Hong Kong  
 1993 - 1994 Assistant VP - Derivative Trading of Credit Lyonnais Canada



**Ms. NGUYEN ANH XUAN TRANG**

- Managing Director  
Project Management Office

Date of appointment: 12 March 2018  
 Age: 39 years old  
 Education level: Bachelor of Business

**Professional experiences**

2018 - present Managing Director - Project Management Office of HSC  
 2009 - 2017 Director - Head of Consulting, Director, Senior Manager  
 • KPMG Tax & Advisory Ltd  
 2007 - 2009 Consultant, Veolia Water Australia  
 2001 - 2006 Computershare Limited  
 1999 - 2000 Investment Officer, Banker Trust Australia

# SHAREHOLDER'S INFORMATION

## DETAILS OF INSIDE SHAREHOLDERS AND SPOKEPERSON

No.	Full name	Position	Restricted transferable shares (*)	Transferable shares (*)	Total (*)	Percentage of Ownership (%)	Percentage of Representative (%)
<b>BOARD OF DIRECTORS</b>							
1	Do Hung Viet	Chairman	-	17,968	17,968	0.01%	-
2	Nguyen Thanh Liem	Vice Chairman	-	26,250,000	26,250,000	0.00%	20.26%
<i>Quantity of Ownership</i>							
	Quantity of Representative HCMC Finance and Investment state-owned Company (HFC) (State-owned shareholders)		26,250,000	26,250,000		20.26%	
3	Le Anh Minh	Vice Chairman	-	19,683,373	19,683,373	0.03%	15.16%
<i>Quantity of Ownership</i>							
	Quantity of Representative HCMC Finance and Investment state-owned Company (HFC) (State-owned shareholders)		19,639,405	19,639,405		15.16%	
4	Le Thang Can	Member	-	11,250,000	11,250,000	0.00%	8.68%
<i>Quantity of Ownership</i>							
	Quantity of Representative HCMC Finance and Investment state-owned Company (HFC) (State-owned shareholders)		11,250,000	11,250,000		8.68%	
5	Pham Nghiem Xuan Bac	Member	-	290,000	290,000	0.22%	-
6	Le Hoang Anh	Member	-	290,000	290,000	0.22%	-
7	Johan Nyrene	Member, Chief Executive Officer	150,000	20,151,071	20,301,071	0.51%	15.16%
<i>Quantity of Ownership</i>							
	Quantity of Representative Dragon Capital Markets Limited (DC)		150,000	511,666	661,666	0.51%	
	Quantity of Representative HCMC Finance and Investment state-owned Company (HFC) (State-owned shareholders)		19,639,405	19,639,405		15.16%	
<b>TOTAL</b>			<b>150,000</b>	<b>77,642,412</b>	<b>77,792,412</b>	<b>0.78%</b>	<b>59.26%</b>
<b>MANAGEMENT TEAM</b>							
1	Johan Nyrene	CEO	-	-	-	-	-
2	Trinh Hoai Giang	Deputy CEO	150,000	123,665	273,665	0.21%	-
3	Le Cong Thien	Deputy CEO	140,000	64,125	204,125	0.16%	-
<b>TOTAL</b>			<b>290,000</b>	<b>187,790</b>	<b>477,790</b>	<b>0.37%</b>	<b>-</b>
<b>SUPERVISORY BOARD</b>							
1	Vo Van Chau	Chairman	-	17,322	17,322	0.01%	-
2	Doan Van Hinh	Member	-	4,687	4,687	0.0036%	-
3	Dang Nguyet Minh	Member	-	-	-	-	-
<b>TOTAL</b>			<b>-</b>	<b>22,009</b>	<b>22,009</b>	<b>0.02%</b>	<b>-</b>
1	Lam Huu Ho	Chief Financial Officer	55,000	83,853	138,853	0.11%	-
1	Truong Ngoc Quynh Tien	Communications Director	10,000	3,500	13,500	0.01%	-
<b>TOTAL</b>			<b>505,000</b>	<b>77,939,564</b>	<b>78,444,564</b>	<b>1.29%</b>	<b>59.26%</b>

Note: (\*) Mr. Johan Nyrene - Member of the Board of Management, CEO - has dual citizenship: (1) US citizenship with the name Johan Nyrene, (2) Vietnam citizenship with the name Nguyen Quoc Huan. All the shares owned by Mr. Johan Nyrene currently belongs to the securities account under the name of Nguyen Quoc Huan

## SHAREHOLDER STRUCTURE WITH MAJOR SHAREHOLDERS AND SECURITIES COMPANIES (SCs)

No.	Object	Number of stocks	Percentage of ownership (%)	Quantity	Shareholder structure (*)	
					Institutional	Individual
1	Major Shareholders (above 5% ownership, not classified as Securities Companies)	-	-	-	-	-
	<i>Local</i>	-	-	-	-	-
	<i>Foreign</i>	-	-	-	-	-
2	Securities Companies (above 5% ownership)	86,138,826	66.38%	3	3	-
	<i>Local</i>	37,500,000	28.90%	1	1	-
	<i>Foreign</i>	48,638,826	37.48%	2	2	-
3	Securities Companies (less than 5% ownership)	27,411,576	21.13%	58	58	-
	<i>Local</i>	2,327,652	1.79%	19	19	-
	<i>Foreign</i>	25,083,924	19.33%	39	39	-
<b>TOTAL</b>		<b>113,550,402</b>	<b>87.51%</b>	<b>61</b>	<b>61</b>	<b>-</b>

## OWNERSHIP STRUCTURE

Category	Restricted transferable shares	Transferable shares	Total	Percentage of Ownership (%)
<b>I. Special Shareholders</b>	505,000	77,939,564	78,444,564	60.46%
<b>II. Treasury shares</b>	-	<b>186,390</b>	<b>186,390</b>	<b>0.14%</b>
<b>III. Other shareholders</b>	1,910,000	49,215,804	51,125,804	39.40%
<b>1. Local</b>	<b>1,585,000</b>	<b>13,592,283</b>	<b>15,177,283</b>	<b>11.70%</b>
1.1 Individual	1,585,000	10,531,166	12,116,166	9.34%
1.2 Institutional	-	3,061,117	3,061,117	2.36%
<i>In which State-owned:</i>	-	37,500,000	37,500,000	28.90%
<b>2. Foreign</b>	<b>325,000</b>	<b>35,623,521</b>	<b>35,948,521</b>	<b>27.70%</b>
2.1 Individual	325,000	428,085	753,085	0.58%
2.2 Institutional	-	35,195,436	35,195,436	27.12%
<b>TOTAL</b>	<b>2,415,000</b>	<b>127,341,758</b>	<b>129,756,758</b>	<b>100.00%</b>

## SHAREHOLDER'S INFORMATION (Cont.)

### SHAREHOLDER'S EQUITY RATIO

No.	Category	Stocks	Percentage of ownership (%)	Number of shareholders	Shareholder structure (*)	
					Institutional	Individual
1	State Shareholders	37,500,000	28.90%	1	1	-
2	Major Shareholders (above 5% ownership)	39,278,810	30.27%	2	2	-
	Local	-	0.00%	-	-	-
	Foreign	39,278,810	30.27%	2	2	-
3	Treasury Shares	186,390	0.14%	-	-	-
4	Other Shareholders	52,791,558	40.69%	2,754	122	2,632
	Local	16,843,037	12.98%	2,592	65	2,527
	Foreign	35,948,521	27.70%	162	57	105
	<b>TOTAL</b>	<b>129,756,758</b>	<b>100.00%</b>	<b>2,757</b>	<b>125</b>	<b>2,632</b>
	Including: Local	54,529,427	42.02%	2,594	67	2,527
	Foreign	75,227,331	57.98%	163	58	105

### SHARES

<b>Total number of shares</b>	<b>129,756,758</b>	<b>Shares</b>
Type of outstanding shares	Common	
Par value	10,000 VND/shares	
Treasury shares	<b>186,390</b>	shares
Number of outstanding shares	<b>129,570,368</b>	shares
Number of restricted transferable shares	2,415,000	shares
Number of transferable shares	127,155,368	shares

### TREASURY SHARES

Category	Number of Treasury Shares as of 01/01/2017		Number of Treasury Shares changed (*increase) in term		Number of Treasury Shares as of 31/12/2017	
	Quantity	Percentage	Quantity	Percentage	Quantity	Percentage
Number of Treasury Shares	101,390	0.080%	85,000	0.066%	186,390	0.144%

Note: \* In 2017, HSC has withdrawn 85,000 shares of three (3) staff, who involved in the ESOP 2016 program but left their job at HSC, in accordance with the regulations on issuing shares for HSC key officers

### SPECIAL SHAREHOLDERS

No.	Name of Institution / Individual	ID/ Passport/ Business License	Date of issue	Address	Stocks	Percentage of Ownership (%)	Restricted transferable shares
<b>A. State Shareholders cum Strategic Shareholders (above 5% ownership)</b>							
1	Hochiminh city Finance and Investment state-owned Company (HFIC)	300535140	4/13/10	33- 39 Pasteur, District 1, HCMC	37,500,000	28.90%	-
1.1	Nguyen Thanh Liem	020829128	12/5/07	684/34 Tran Hung Dao, Ward 2, District 5, HCMC	26,250,000	20.23%	-
1.2	Le Thang Can	025776876	4/18/13	60/21/6 D4, KP5, Truong Tho, Thu Duc, HCMC	11,250,000	8.67%	-
	<b>TOTAL A:</b>				<b>37,500,000</b>	<b>28.90%</b>	<b>-</b>
<b>B. Major Shareholders cum Strategic Shareholders (above 5% ownership)</b>							
2	Dragon Capital Markets Limited (DC)	C00001	7/27/00	P.1901, Floor 19, Me Linh, 02 Ngo Duc Ke, Dist.1, HCMC	39,278,810	30.27%	-
	<b>TOTAL B:</b>				<b>39,278,810</b>	<b>30.27%</b>	<b>-</b>
<b>C. Major shareholders (above 5% ownership)</b>							
3	PXP Vietnam Emerging Equity Fund Limited	C00413	10/10/05	6th Floor, Opera View Building, 161 Dong Khoi, Dist.1, HCMC, Vietnam	9,360,016	7.21%	-
	<b>TOTAL C:</b>				<b>9,360,016</b>	<b>7.21%</b>	<b>-</b>
	<b>TOTAL (A+B+C):</b>				<b>86,138,826</b>	<b>66.38%</b>	<b>-</b>



**SUSTAINABILITY  
REPORT**

# SUSTAINABILITY REPORT

## A. OVERVIEW OF SUSTAINABILITY REPORT

### 1. INTRODUCTION

Sustainability is necessary for the long-term growth and profitability for HSC. As a leading securities firm in Vietnam, HSC places high priority in sustainable growth by reviewing the causes and impacts of business operations in relation to corporate governance, economy, environment and society. In recent years, investors have called for greater transparency in sustainable practices of major corporations. To align HSC's sustainability thrust with current regulatory standards, the Sustainability Report 2017 is prepared in accordance with the Global Reporting Initiatives (GRI) G4 Standards Sustainability Reporting Guidelines [Core Option], focusing on the following categories of disclosures: Economic Performance; Labour Practices and Decent Work; Training and Education; 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 its 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.

HSC's 2017 Sustainability Report is a supplementary document, attached to the Company's 2017 Annual Report and 2017 Financial Statements. The financial data used in the Sustainability Report has been taken from the audited financial statements for 2017, as presented in the Annual Report. This report details HSC's achievements in sustainable development for the period as well as its related objectives of HSC for the future. The report covers data and activities across the entire business, including the 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.

### 2. SUSTAINABILITY FRAMEWORK

The HSC Sustainability Framework is guided by its vision, **"To be a leading financial institution that is most admired, trusted, and valued, and an active contributor to the economy and community of Vietnam."** The sustainable development approach focuses on delivering positive impact to three areas of company, market and society.

#### HSC's Sustainability Development Framework



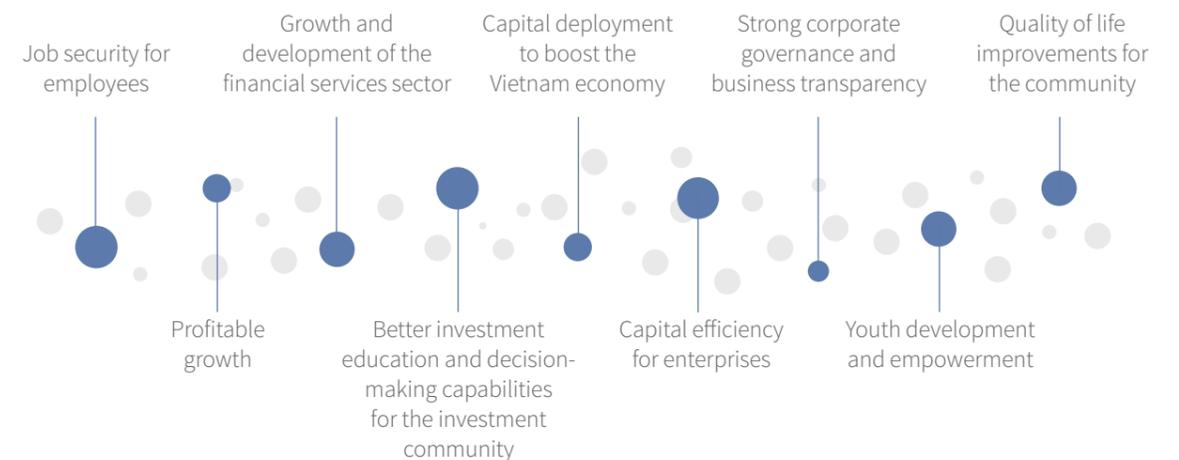
The Board of Directors spearheads frequent reviews of best-practice sustainable approaches through proactive communication with its stakeholders, ensuring effective implementation in line with the organization strategy and direction for sustainability. The initiatives are adopted through the following corporate governance model:

#### HSC's Sustainability Governance Model



### 3. SUSTAINABILITY OBJECTIVES

In 2017, HSC further built on a strong sustainable foundation with initiatives that will drive growth and development opportunities within the organization, and positively impacting the Vietnam securities market and the society. Significant milestones have been achieved:



## SUSTAINABILITY REPORT (Cont.)

### B. REPORT ON HSC SUSTAINABILITY DEVELOPMENT INITIATIVES

#### 1. POSITIVE IMPACTS TO THE COMPANY

##### 1.1 Pursuing stable and steady growth - Business Performance

Sustainability is necessary for long-term growth and profitability, and HSC will continue to refine and develop its sustainability development initiatives in relation to corporate governance, economy, environment and society.

In 2017, HSC experienced growth on three main fronts. It expanded the scale of our operations, actively participated in the development of new financial products to help grow its markets and increased both revenue and profits to record levels. Revenue in 2017 increased 87% to reach VND 1,540 billion, with a compound annual growth rate ("CAGR") of 11% over the previous five years. Profit after

tax increased 82% to reach VND 554 billion, contributing to a CAGR of 9% profit over the previous five years. The growth in its financial performance enables the provision of competitive salaries and benefits for employees.

Alongside growth in revenue and profit, the Company's total assets have also increased at a CAGR over the previous five years of 7%. Overall, the shareholders' return achieved 127% in this period, and are among the highest in Vietnam for securities companies, demonstrating HSC's effective use of capital.

##### 1.2 Ensuring labour practices and decent work - Employment

HSC employment policies have been strengthened by stable and sustainable growth in recent years. It has resulted in having competitive salaries, fair remuneration and other benefits for employees. In line with government regulations, the employee salaries are dependent on both divisional and individual performances. In order to motivate and reward employees both fairly and

competitively, HSC has designed and implemented a human resource management system, which utilizes a Management by Objective approach: i) identification of objectives and ii) individual performance targets as a measure against agreed organizational targets on salary, remuneration, training and development. All HSC employees undergo annual performance appraisals.

In 2017, HSC expended close to VND 253 billion in staff salaries, compensations and benefits:

Description	Y2017 (VND)	Y2016 (VND)	Y2015 (VND)
Salaries	104,334,685,218	82,261,510,479	73,357,702,877
Social insurance, health insurance and union fee	14,066,467,500	11,961,205,002	10,971,071,000
Unemployment insurance expenses	810,611,000	667,208,998	591,940,000
Remuneration	134,710,790,040	68,928,650,022	54,567,739,809
<b>Total</b>	<b>253,922,553,758</b>	163,818,574,501	139,488,453,686

##### 1.3 Ensuring labour practices and decent work - Training and Education

Training and education for employees plays an important role in building work competencies and acquiring new skills to set the foundations for long term growth. Over the years, HSC has invested in staff development at all levels. The company recognizes the value of skills and qualification to raise organizational capacity.

Focusing on both internal training and securities market certifications, the courses that improve skills and competence were continuously supported with financial incentives and time-off. At HSC, employees

are encouraged to pursue higher education through its Employee Development Program, which reimburses employees upon successful attainment of professional qualifications, such as CPA, ACCA, CFA, Legal, professional licenses as required by the State Securities Commission (SSC).

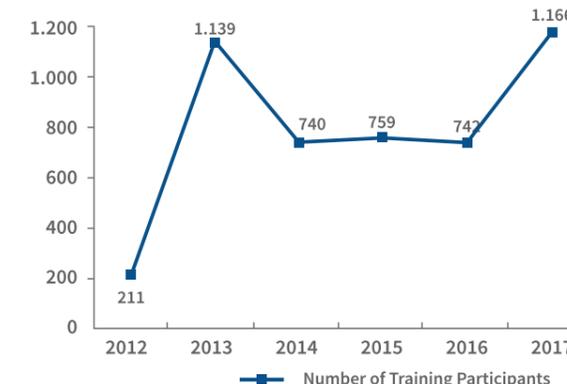
Employees participation in training has been consistently high in the last five years. This is important for HSC to achieve and continuously build upon its leading position in the securities sector.

Training Indicators	Y2017
Total number of courses conducted in 2017	125
Internal training	62
Securities certificates	45
External training - Professional and skills development	18
Number of participants (including brokers)	1,166
Number of participants (excluding brokers)	801

Number of Training Courses



Number of Training Participants

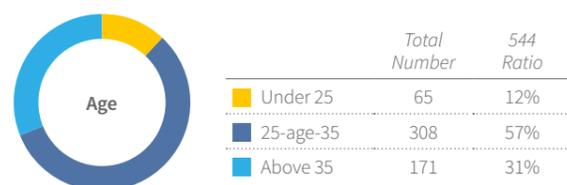
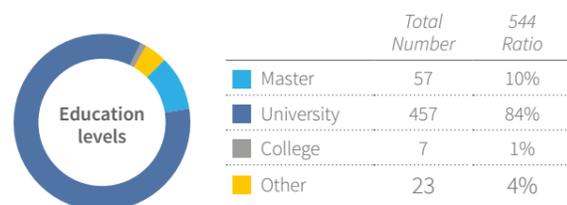


The number of training courses conducted increased significantly from 2014 to 2017 in response to the rapid growth of the securities market. HSC recognizes the need to provide regular training courses that equip employees with new industry knowledge and expertise based on best global practice. It is critical to build skillsets in an increasingly competitive brokerage market.

## SUSTAINABILITY REPORT (Cont.)

### 1.4 Ensuring labour practices and decent work - Diversity and Equal Opportunity

#### Workforce statistics in 2017



The focus on talent development is demonstrated through in-house training that encourages staff skills, knowledge and competencies, building upon job experience. Most employees have Bachelor's Degrees, while others also have Master's Degrees and other professional qualifications. The high percentage of employees with Bachelor's degree demonstrates HSC's intent to deliver high quality financial products and services. The majority of HSC employees are aged between 25 and 35, although this may change as a result in time.

Statistical data 2017		Total
Employees turnover rate	Ratio	12%

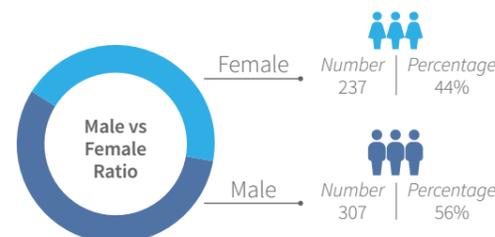
The low turnover rate of 12% is attributed to successful HR policies of HSC. Despite a competitive environment, there is work-life commitment.

#### % of Employees with 5+ years at HSC: >50%

Head-count	Length of service				
	2 years	3 years	5 years	7 years	>10 years
544	207	52	63	117	105
%	38%	10%	12%	22%	19%

There is a large percentage of staff who have worked more than seven years, which shows company loyalty. More than 50% of staff have been with HSC for over five years.

#### Employees by Gender in 2017



The balanced number of male and female employees reflects the support of gender equality and women empowerment. This mirrors the increasing participation of women in Vietnam's financial services sector. Recruitment policies are driven on the basis of skill, knowledge, and work experience, as evidenced by the 94% of workforce who possess a Bachelor's degree.

#### Local vs Foreign Employee Ratio

Year	Gender	Expat		Local	
		No.	%	No.	%
2017	Female	0	0%	237	44%
	Male	6	100%	301	56%
<b>Total</b>		<b>6</b>		<b>538</b>	

99% of HSC employees are Vietnamese, which reflects our sustainability development model: positive impact on market and society through meaningful and gainful employment for local citizens. At the same time, we recognize the need to look beyond Vietnam's shores for qualified talents with critical skillsets that enhance HSC's service offerings.

### 1.5 Ensuring labour practices and decent work - Anti-Corruption

The Anti-Corruption policies support internal control systems and processes in maintaining transparency and accountability which is conducive to good governance and business integrity. It provides assurance to shareholders on the legality of transactions and operations and thus help prevent financial mismanagement and malfeasance:

- **Code of Conduct** dictates that HSC's employees are expected to abide by the highest standards of ethical conduct in terms of integrity, skill, care, diligence and good market conduct in their business relationships with each other, customers, competitors and the public. The Code of Conduct is fundamental to achieve corporate sustainability.
- **Personal Account Dealing Policy** denotes that disclosures of all personal trading transactions are compulsory and that personal interests should not supersede clients' interests so as to protect the integrity and accountability.
- **Fraud Control Policy** has been established to outline the requirements for the development of controls that will assist in detecting, preventing and responding to Fraud. Fraud Control Policy promotes consistent organizational behavior by providing guidelines in

- ▶ assigning responsibilities for the development of controls and conduct of investigations;
  - ▶ enforces employee compliance for proper and accurate information disclosures;
  - ▶ reinforces the internal controls; and
  - ▶ improves risk management and risk mitigation.
- **Anti-Bribery and Corruption Policy** is a statement on mitigating bribery and corruption. This policy provides policy guidance in identifying, reporting, and preventing bribery and corruption. It disallows HSC employees from neglecting their fiduciary responsibilities against the interest of clients. This aims to protect financial assets of clients.
  - **Conflict of Interest Policy** provides HSC with a framework to identify and manage conflicts of interest arising from the firm. It has detailed guidance and systematic steps to limit the exposure of sensitive information to unauthorized parties. This aims to prevent conflict of interest at any point of time.
  - **Delegation of Authority Policy ("DoAP")** ensures the levels of approvals for expenditure by the Board of Management. The policy articulates the Limits of Authority to monitor and approve the budgeted items and off-budget expenditures.

### 1.6 Ensuring labour practices and decent work - Other policies: Workplace Enhancement and Employee Welfare

In addition, HSC has introduced several HR policies enhancing workplace conditions and employee welfare to promote staff appreciation and promote a greater sense of belonging:

Policies	Results
<b>Emergency Supporting Policy</b>	This policy assists employees who face financial difficulties by providing help for their family members or themselves. This policy is valid under the condition that they are required to perform efficiently at work. There is a considerable number of employees who have applied for this policy.
<b>Working in Distance Policy</b>	This policy has been effective in supporting employees who has had health problems or difficulties causing them to be physical challenged or having limited mobility for business travels.
<b>Incentive Payment Policy</b>	This policy is in addition to the base salary paid to the sales staff and service fee paid to the relevant external party. Both HSC staff and external party have the opportunity for additional earnings in the form of commission/referral fee as an incentive scheme to retain and attract them to stay and for doing a cross-selling activity for HSC's business enhancement.

## SUSTAINABILITY REPORT (Cont.)

HSC also pioneered the HSC Employee Stock Ownership Plan (ESOP) program, one of many initiatives designed to attract and retain talent. Under the ESOP program, stocks are distributed to employees based on each individual's performance in terms of ability and development potential. Since its inception in 2007, the ESOP program has been executed successfully six times due to its effectiveness as a tool for retaining talent, rewarding good work performance and enhancing employee engagement.

FY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
ESOP - Number of total share	1,016,800		836,900		1,610,000		1,200,000			2,500,000
% Headcount	100%		100%		16%		18%			21%

## 2. POSITIVE IMPACTS TO MARKET

### 2.1 Optimizing shareholders' value

As of 9 January 2018, HSC has 2,757 shareholders, of which 125 are institutional and 2,632 are individual. HSC has adopted a dividend policy that is designed to ensure a regular, stable income for shareholders.

HSC devotes significant resources in Investor Relations to preserve its shareholders' rights to access relevant, accurate and timely information about the Company. Investor Relations at HSC are managed by the Communications Department and led by the Communications Director, who is also authorised to directly disclose information. Through the AGM, Annual and other Reports, shareholders are fully informed of HSC's operating results and activities as well as any strategic developments, including sustainability development initiatives.

Apart from traditional Investor Relations channels, HSC has introduced several new communication channels in line with international best practices. HSC regularly organizes face-to-face meetings with investors and media partners to report on the Company's quarterly financial updates and deliver accurate, relevant and timely information to stakeholders. HSC has also built its shareholders' contact details database, which is kept up-to-date to ensure effective dissemination of information. HSC welcomes comments, feedback, queries and requests for meetings and discussions from investors.

HSC website [www.hsc.com.vn](http://www.hsc.com.vn) is part of the program to enhance the Company's Investor Relations functionality and service quality. The Investor Relations section provides access to regularly updated 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. Annual reports are provided in both HTML and PDF formats, allowing investors the option to either view them online or download for reading as preferred. Functionality and user experience are enhanced through the availability of content in both English and Vietnamese as well as an easy-to-use website search engine. Furthermore, there is a comprehensive "Information Request" section, which includes a contact form and answers to frequently asked questions.

### 2.2 Developing Vietnam Securities Market

As one of the leading securities companies in Vietnam, HSC is aware of the key role it plays in contributing to the development of the securities market. Through spearheading innovations and developing new products, HSC actively functions as a game changer in supporting market innovations within the industry.

As a member of the Market Development Advisory Council of Ho Chi Minh City Stock Exchange ("HOSE"), HSC provides advices and expert recommendations on trends and developments in local and global stock markets. We strongly support HOSE in developing strategic initiatives, effective and efficient policies, and channelling important investments to develop the securities market. HSC also meets the needs of intermediary institutions, issuers, investors and market participants through technological challenges and new product innovations.

In the early days of its development, HSC was an active leading member in the strategic program to launch and develop Vietnam's derivatives market. Working with State Securities Commission (SSC), the Hanoi Stock Exchange (HNX) and Vietnam Securities Depository (VSD), HSC contributed specifically to product design, operational rules and regulations, accounting system and information system.

In 2017, HSC was one of the pioneer firms to launch a new product - VN30-Index futures contract - in Vietnam's derivatives market. In addition, HSC participated in the creation of regulations designed to grant foreign investors access to Vietnam's derivatives market.

HSC is part of the "Action Team", which was formed through partnerships with HOSE, SSC, VSD and other securities companies. The "Action Team" is the driving force for the launch and incorporation of the new Covered Warrant, which is expected to go to market in early Q2-2018.

In addition, HSC also contributed regularly towards product and system enhancements in 2017, such as improving ETF products, revising margin lending regulations and initiating administrative governance by the State Bank of Vietnam (SBV), transferring the transaction function of government bonds from commercial banks to SBV.

### 2.3 Supporting Vietnam Market Development

#### CLSA Frontier Market Forum (CLSA Sri Lanka)

HSC participated in the CLSA Asia Frontier Market Forum 2017, held in Sri Lanka from 3-5 May 2017. Over 20 international asset management firms were in attendance, with VIPs including Finance Minister Ravi Karunanayake, Central Bank Governor Dr. Indrajit Coomaraswamy and IMF Resident Representative Eteri Kvintradze. The event saw 31 participants representing 26 of the largest global asset management firms from Asia, Europe and the US, with leading corporates from Sri Lanka, Pakistan, Bangladesh and Vietnam interacting with foreign institutional investors.

#### Vietnam Private Sector Forum (VPSF)

HSC participated in the Vietnam Private Sector Forum (VPSF) held at Melia Hanoi on 31 July 2017. Prime Minister Nguyen Xuan Phuc chaired the Forum, which focused on the theme "From the Party Central Committee's Resolution 5 to the Action Programme of the Private Sector in Vietnam". Over 1,000 local and foreign delegates from the public and private sector came together to discuss economic developments in agriculture, tourism, trade facilitation and digital economy. VPSF is an initiative of Vietnam Young Entrepreneurs' Association (VYEA) and Mekong Business Initiative (MBI), funded by the Asian Development Bank (ADB) and the Australian government. The forum is considered a bridge between the government, public authorities, and the private sector for continuous and close consultation on public and private policies.

#### Vietnam Conference 2017

HSC's investment event held in September 2017 in Ho Chi Minh City attracted over 150 international investment firms and provided investment engagement opportunities for more than 12 local companies. During the conference, participants received updates on the Vietnamese macro-economic outlook for 2017 as well as market potential in local markets, which held lucrative opportunities for foreign investors. The conference provided a platform that helped connect local companies to foreign investors, bridging connections between available funds to investment needs and forged strong partnerships between international investors and leading Vietnamese companies from different industries (e.g. consumer goods, finance and banking, information technology, real estate, resources etc).

#### Vietnam Economic Outlook 2018

HSC participated in the annual Vietnam Economic Outlook 2018 held on December 7, 2017. Organized by CEO Club Vietnam, the half-day event focused on topics such as banking and finance, real estate, consumer and market trends as well as updates in government policies and regulations across different industries. Over 150 C-level executives, government officials, foreign diplomats and investors and representatives from trade and export associations participated in the event.

## SUSTAINABILITY REPORT (Cont.)

### 3. POSITIVE IMPACTS TO SOCIETY

#### 3.1 Fulfilling commitments to Government

HSC contributes to the economic, social and environmental development of Vietnam through significant tax payments. In 2017, HSC's total contribution to Government revenues was VND 253 billion at local and national levels. This places HSC at 250<sup>th</sup> in the 2016 V1000, a list of the 1,000 largest corporate income taxpayers in Vietnam, jointly produced by the Viet Nam Report Company and the Taxation Department.

FY	2010	2011	2013	2014	2015	2016
HSC's ranking	221	194	179	145	108	250

#### 3.2 Contributing to community development - Labor Management Relations

Labor management relations are paramount to building a conducive and nurturing work environment, free of conflicts and obstacles that will hamper work motivation levels. Employees are at the heart of an organization's growth and sound management in labor relations helps organizations achieve its corporate objectives effectively. In light of this, HSC has devoted resources to navigate complicated employment relation matters and foster good labor-employer relations.

In 2017, HSC started employee clubs in interests such as football, badminton, gym, tennis, yoga, books and photography to promote staff health, well-being and camaraderie. In addition, it organized/co-organized various inter-company competitions to encourage active interactions with its peers from the securities industry: HOSE Football, Football Tournament - Le Lai; HOSE Tennis; KPMG Badminton Tournament 2017; HSC Badminton Tournament. The events were well-received, with the Football Tournament - Le Lai attracting nearly 300 participants who enthusiastically demonstrated their sportsmanship during the tournament. Through these competitions, HSC hopes to foster close-knit relations between management and employees and strengthen corporate identity.

HSC also worked closely with the Trade Union to hold meaningful activities for its employees, co-organizing events such as:

- Mid-Autumn Festival, where 150 children and employees celebrated;
- Woman's Day, where 350 ladies were presented with flowers, gifts and photo-taking;
- Children's Day, where 150 children and employees went to the movies.

The close collaboration with the Trade Union has promoted closer understanding and mutual trust between employees and management. HSC will continue to perform joint-exercises and initiate programs with the Trade Union to ensure positive labor relations.

In addition, HSC's labor management relations extend to large-scale events for employees, including the Year-End Party (400 attendees), Team Briefing (300 attendees) and Cancer Seminar (100 attendees). These initiatives further enhance HSC's labor relations by increasing labor satisfaction levels and reinforcing HSC's image as an employee-oriented corporation.

#### 3.3 Investing in Community Development

HSC takes great pride in its societal role to support local communities, especially the disadvantaged children. The firm believes that education is a long-term investment, and every child in Vietnam deserves access to proper education to achieve better lives, living and livelihoods. HSC also supports youth leadership programs that nurtures future leaders for the sustainable development of Vietnam communities. In addition, HSC participates in various community engagement programs throughout Vietnam. The CSR initiatives held by HSC for 2017 are listed below:

##### Investment in the next generation

- **Computer Donations for Students:** In June 2017, HSC donated 10 computers and one laptop to teachers and students from An Boi Primary School, located in rural Kien Xuong District, Thai Binh Province. Access to information technology helps the students increase their speed of learning, allowing them to become better equipped and more knowledgeable to contribute to the future development of Vietnam.

- **Premium Sponsor for Students of Educational Opportunity Vietnam ("SEO"):** SEO is a partnership between two non-profit organizations - local Interns in Vietnam and US-based SEO - which develops leadership potential amongst young and talented Vietnamese university students globally. As a SEO partner and sponsor, HSC has provided internship opportunities and organized career development talks on the world of professional finance.

- **University Seminars:** "Training and Practice" is the goal of HSC CSR activities with local universities. Throughout 2017, HSC organized seminars and career days for many local universities with the objective of providing career orientation seminars, training courses, company visits and internship programs. These provide student some background and prospects and expectations one can gain from financial sectors. Some of universities HSC have worked in 2017 include: Foreign Trade University (FTU), Ho Chi Minh City University of Technology (HUTECH), Banking University, FPT University, University of Economics and Finance (UEF), University of Economics Ho Chi Minh City (UEH), University of Economics and Law (UEL), Hoa Sen University, Ton Duc Thang University.

##### Philanthropic Investment

- **Humanity Blood Donation 2017:** In Aug 2017, HSC actively participated in the Human Blood Donation 2017 organized at Thai Van Lung Branch. The event saw 45 successful blood donors who donated over 13,500 ml of blood and was a big success, given the humanitarian appeal of giving blood to those in need. One unit of blood can help to save up to three lives. Knowing that blood levels can easily be depleted, HSC will continue to organize annual blood donation drives as one of its various contribution to society.
- **HSC Charity 2017:** Towards the end of 2017, HSC launched the HSC Charity 2017 program where many meaningful activities for charity fundraising were held such as: selling organic fruits and vegetables via small fairs right at the offices. After 2 days, VND 70 million was donated to purchase 230 gifts sets for 170 Xa Pho ethnic minority students in Lao Cai. A trip is being planned to present the gifts to the children by 33 representatives of HSC.



- **Humanity Fund:** This is an employee-initiated scheme whereby participants pledge a portion of their monthly salary (either a fixed percentage or a flat amount) as contributions to this fund. To date, close to 100 staff (nearly 20% of total employees) have signed up to this fund. Since its first launch in Q3.2016, the Fund has already played a vital part in supporting the medical treatments of some HSC employees who was diagnosed with serious diseases. This is a huge testimony of HSC's culture of strong support for employees in times of need. We work together, we care for each other.

## SUSTAINABILITY REPORT (Cont.)

### C. TRANSPARENT COMMUNICATION - STAKEHOLDER ENGAGEMENT

HSC engages its stakeholders on sustainability initiatives via a two-way and 360-degree communication process. Stakeholders are encouraged to provide feedbacks and insights through open channels. Apart from complying with regulatory requirements on transparency and accountability, the dialogue promotes greater participation and support from stakeholders. It has enabled HSC to deliver appropriate responses after review of sustainability performance. HSC has developed the following communication channels that improve the quality of stakeholder engagement:

Stakeholders	Communication Channels	
<b>Employees</b>	Quarterly team briefings Direct meeting to exchange ideas via programs: Luncheon with CEO and Happy lunch	Internal communication channels: <ul style="list-style-type: none"> <li>• Intranet</li> <li>• Telephones and emails</li> <li>• Internal training programs</li> </ul>
<b>Shareholders</b>	Annual General Meeting Face-to-face meetings Investor relations channel including Q&A via HSC's Investor Relations page: <a href="https://www.hsc.com.vn/en/investor/info-request/ir-contact">https://www.hsc.com.vn/en/investor/info-request/ir-contact</a> Regular emails updating business results	Publications: <ul style="list-style-type: none"> <li>• Financial statements</li> <li>• Annual report</li> <li>• Sustainability report</li> </ul>
<b>Clients / Investors</b>	Workshops, seminars and conferences Meetings Call center with number: <b>(+84 28) 3823 3298</b> Help Center: <a href="https://www.hsc.com.vn/en/help-center">https://www.hsc.com.vn/en/help-center</a>	Service departments supporting function Other communication channels <ul style="list-style-type: none"> <li>• Email: <a href="mailto:support@hsc.com.vn">support@hsc.com.vn</a></li> <li>• Letterbox for comments and suggestions, located at the Transaction offices</li> </ul>
<b>Government Offices and Associations</b>	Meetings Conferences Workshops	Annual Report Monthly/quarterly reports as prescribed Other communication channels (i.e. website, email, phone)
<b>Professional associations and organizations</b>	Membership in associations & clubs: <ul style="list-style-type: none"> <li>• Vietnam Private Sector Forum (VPSF)</li> <li>• Vietnam Association of Financial Investor (VAFI)</li> <li>• Vietnam Association of Securities Business (VASB)</li> <li>• Vietnam Bond Market Association (VBMA)</li> <li>• Vietnam Business Council for Sustainable Development (VBSD)</li> <li>• CEO Club</li> </ul>	Billboards
<b>Society and the young generation</b>	Support for youth activities through young persons and student's organizations and universities; Participation in community development activities, including providing assistance for differently abled people, and Active participation in community activities organized by NGOs and non-profit organizations.	Charity and donation events Environment and community activities <ul style="list-style-type: none"> <li>• Coordinators &amp; Action team: Charity Groups</li> <li>• Website: CSR page: <a href="https://www.hsc.com.vn/en/csr/contact">https://www.hsc.com.vn/en/csr/contact</a></li> </ul>
<b>Media / Press</b>	Press conferences and interviews; Forums and workshops organized by the press industry; Quarterly Analyst Briefings to present HSC's financial results and strategic updates	Other communication channels: <ul style="list-style-type: none"> <li>• Phones and emails</li> <li>• Q&amp;A via HSC's website, Communication page: <a href="https://www.hsc.com.vn/en/media/contact">https://www.hsc.com.vn/en/media/contact</a></li> <li>• Press releases as required.</li> </ul>

### D. FOCUS FOR 2018

In 2018, HSC will continue its focus on two key areas of sustainability:

#### Internal: Employee Training and Development and Synergistic Partnership

The Fourth Industrial Revolution has ushered in a new wave of digitization, disruption and innovation globally. In the domestic front, Vietnam's securities market will continue its rapid growth, driven by the country's overall strong economy and a growing middle class. Competition will inevitably intensify. Organizations will go through major shifts, as companies expand, consolidate, restructure, and add more functions.

Given these conditions, it is vital that HSC employees are equipped with the latest skills and knowledge to perform increasingly complex tasks. To prepare the employees for new challenges, HSC will invest more in training and development. In addition to technical training, staff will have access to English courses and other soft skills courses. More outreach activities will be planned to bring in the best students from universities and colleges. Through all these initiatives, HSC aims to become one of Vietnam's employers of choice to secure a sustainable talent pool for future growth and continue grooming them, building them up to progress to the next level in their career paths. New initiatives for 2018 will also include succession plan and a new performance management system to better motivate staff to achieve company's goals.

In 2017, HSC succeeded in implementing an incentive program to reward cross-selling, linking everyone in the company to revenue-generating activities. The underlying concept of partnership in the program helped HSC unlock new synergies among departments and individuals. At the same time, it made visible new challenges and work to be done. For partnership to work, HSC will need to put in place new policies, redefine structures and clarify roles. The communication function will become critical in creating messages that foster better collaboration and promote partnership as one of the company's core values.

#### External: Positive influences and Investments in the next generation

HSC has always been a positive influence on its community, contributing to improving not only the securities industry but also the overall business environments in Vietnam. In 2017 through partnerships and alliances with Dragon Capital - HSC's strategic investor, and sister company VFM, and other business partners, peers, and even competitors, HSC took a leadership role to develop new business models and execute transactions at unprecedented scale. HSC will continue build on those models and deliver great values to all participating partners. As an influential force of the securities industry, HSC will work closely with regulators to help shape policies, set standards, and introduce new products.

The national development of Vietnam is crucial to the long-term well-being of its people, environment, economy and society. In line with its Vision statement, HSC will continue to actively contribute to the economic and community development of Vietnam in both material and non-material ways. Building on the successes in 2017, HSC will continue to organize various charitable events and activities in 2018, that do not simply contribute cash and gifts, but also create sustaining opportunities and strengthen relationships between company and staff with different communities.

It is HSC's hope that employees develop a keen awareness and appreciation for their community beyond corporate sustainable development initiatives.

Through these efforts, HSC aims to build a corporate culture of sustainability and stability for its long-term development as one of Vietnam's leading securities firms.



**FINANCIAL  
STATEMENTS 2017**

## CORPORATE INFORMATION

Establishment and operation licence	
No.11/UBCK-GPHDKD dated 29 April 2003 issued by the State Securities Commission. The establishment and operation licence was amended several times and the latest amendment No. 09/GPDC-UBCK was issued on 2 March 2017.	
Board of Directors	Name
	Mr. Do Hung Viet Chairman
	Mr. Le Anh Minh Vice Chairman
	Mr. Nguyen Thanh Liem Vice Chairman (resigned on 7 March 2018)
	Mr. Pham Nghiem Xuan Bac Member
	Mr. Le Thang Can Member
	Mr. Johan Nyvene Member
	Mr. Le Hoang Anh Member
Board of Management	Name
	Mr. Johan Nyvene Chief Executive Officer
	Mr. Trinh Hoai Giang Deputy Chief Executive Officer
	Mr. Le Cong Thien Deputy Chief Executive Officer
	Mr. Fiachra Mac Cana Managing Director
	Mr. Bach Quoc Vinh Managing Director
	Mr. Arnold V. Pangilinan Managing Director
	Mr. Pham Ngoc Bich Managing Director
	Mr. Henry Dickon Verey Managing Director
Legal Representative	Name
	Mr. Johan Nyvene Chief Executive Officer
Registered office	Address
	5-6 <sup>th</sup> Floor, AB Tower, 76 Le Lai Street, Ben Thanh Ward, District 1, Ho Chi Minh City, Vietnam
Auditor	PwC (Vietnam) Limited

## STATEMENT OF THE RESPONSIBILITY OF THE BOARD OF MANAGEMENT IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Management of Ho Chi Minh City Securities Corporation (“the Company”) is responsible for preparing the financial statements which give a true and fair view of the financial position of the Company as at 31 December 2017 and of the result of its operations, cash flows and changes in equity for the year then ended. In preparing these financial statements, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board of 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 which enable the financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the financial statements. The Board of Management 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 errors.

### APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements as set out on pages 100 to 167 which give a true and fair view of the financial position of the Company as at 31 December 2017 and of the results of its operations, cash flows and changes in equity for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and prevailing regulations on preparation and presentation of financial statements applicable to securities companies operating in Vietnam.

On behalf of the Board of Management

**Johan Nyvene**  
Chief Executive Officer

Ho Chi Minh City, Vietnam  
22 March 2018

# INDEPENDENT AUDITOR'S 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") which were prepared on 31 December 2017 and approved by the Board of Management on 22 March 2018. The financial statements comprise the statement of financial position as at 31 December 2017, the statement of income, the statement of cash flows and the statement of changes in equity for the year then ended, and explanatory notes to the financial statements including significant accounting policies, as set out on pages 111 to 167.

## The Board of Management's Responsibility

The Board of Management of the Company is responsible for the preparation and the true and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and prevailing regulations on preparation and presentation of financial statements applicable to securities companies operating in Vietnam and for such internal control which the General Director determines is necessary to enable the preparation and fair presentation of the 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 the 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 standards and requirements, plan and perform the audit in order to obtain reasonable assurance as to 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 an 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 controls relevant to the entity's preparation and true 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of 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.

## Auditor's Opinion

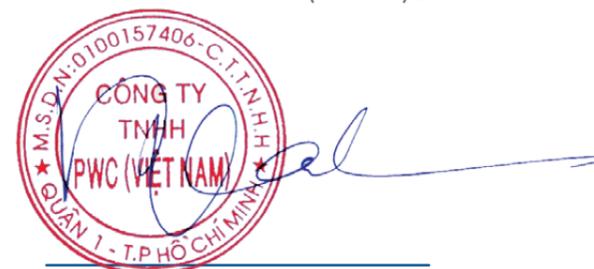
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, the results of its operations, cash flows and changes in equity for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and prevailing regulations on preparation and presentation of financial statements applicable to securities companies operating in Vietnam.

## Other matter

The financial statements of the Company for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 March 2017.

The independent auditor's report is prepared in Vietnamese and English. Should there be any conflict between the Vietnamese and English copies, the Vietnamese copy shall take precedence.

## For and on behalf of PwC (Vietnam) Limited



**Nguyen Hoang Nam**  
Audit Practising Licence No.  
0849-2018-006-1  
Authorised signatory

**Nguyen Thi Cam Nhung**  
Audit Practising Licence No.  
2636-2018-006-1

Report reference number: HCM6729  
Ho Chi Minh City, 22 March 2018

As indicated in Note 2.1 to the financial statements, the accompanying financial statements are not intended to present the financial position, results of operations, changes in equity and cash flows in accordance with accounting principles generally accepted in jurisdictions other than Vietnam, and furthermore their utilisation is not designed for those who are not informed about Vietnam's accounting principles, procedures and practices.

## STATEMENT OF FINANCIAL POSITION

Form B 01 – CTCK

As at 31 December

Code	ITEMS	Note	2017 VND	2016 VND
<b>ASSETS</b>				
<b>100</b>	<b>CURRENT ASSETS</b>		<b>6,505,802,971,605</b>	<b>3,472,717,136,729</b>
<b>110</b>	<b>Financial assets</b>		<b>6,402,627,990,511</b>	<b>3,468,203,146,189</b>
111	Cash and cash equivalents	3.1	196,221,037,531	60,193,684,900
111.1	Cash		196,221,037,531	60,193,684,900
112	Financial assets at fair value through profit or loss (FVTPL)	3.2	860,630,190,796	306,371,695,555
114	Loans	3.3	4,501,592,303,606	2,750,945,233,394
115	Available-for-sale financial assets (AFS)	3.4	399,255,614,501	-
116	Provisions for impairment loss of financial assets and mortgages	3.3	(33,631,027,290)	(19,997,479,770)
118	Prepayments to suppliers		521,277,025	424,654,405
119	Service related receivable	3.5	471,021,351,378	370,008,403,676
122	Other receivables	3.5	46,601,035,112	35,167,679,780
129	Provision for doubtful debts	3.6	(39,583,792,148)	(34,910,725,751)
<b>130</b>	<b>Other current assets</b>		<b>103,174,981,094</b>	<b>4,513,990,540</b>
131	Advances		1,008,685,484	433,534,797
133	Short-term prepaid expenses		6,880,258,510	4,052,697,143
134	Pledged assets, mortgages, security deposits in short term		3,460,031,100	27,758,600
137	Other current assets		91,826,006,000	-
137.1	Deposits for derivatives trading activities	3.7	91,826,006,000	-

Form B 01 – CTCK

As at 31 December

Code	ITEMS	Note	2017 VND	2016 VND
<b>200</b>	<b>NON-CURRENT ASSETS</b>		<b>174,769,071,916</b>	<b>144,125,197,959</b>
<b>220</b>	<b>Fixed assets</b>		<b>38,006,860,366</b>	<b>9,116,376,326</b>
221	Tangible fixed assets	3.8(a)	17,914,374,586	5,630,956,930
222	Historical cost		58,519,025,049	45,772,044,510
223a	Accumulated depreciation		(40,604,650,463)	(40,141,087,580)
227	Intangible fixed assets	3.8(b)	20,092,485,780	3,485,419,396
228	Historical cost		51,357,006,015	29,853,565,250
229a	Accumulated amortisation		(31,264,520,235)	(26,368,145,854)
<b>240</b>	<b>Construction in progress</b>	<b>3.8(c)</b>	<b>6,851,041,776</b>	<b>11,158,311,542</b>
<b>250</b>	<b>Other non-current assets</b>		<b>129,911,169,774</b>	<b>123,850,510,091</b>
251	Pledged assets, mortgages, security deposits in long term		5,653,083,350	4,718,807,750
252	Long-term prepaid expenses	3.9	94,258,086,424	96,160,834,900
253	Deferred income tax assets	3.17	-	3,638,284,131
254	Deposits in the Settlement Supporting Fund	3.10	20,000,000,000	19,332,583,310
255	Other long-term assets		10,000,000,000	-
255.1	Deposits in the Derivatives trading Settlement Fund	3.11	10,000,000,000	-
<b>270</b>	<b>TOTAL ASSETS</b>		<b>6,680,572,043,521</b>	<b>3,616,842,334,688</b>

The notes on pages 111 to 167 are an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION *(continued)*

Form B 01 – CTCK

As at 31 December				
Code	ITEMS	Note	2017 VND	2016 VND
<b>300</b>	<b>LIABILITIES</b>		<b>3,889,410,891,258</b>	<b>1,224,924,883,425</b>
<b>310</b>	<b>Current liabilities</b>		<b>3,874,368,196,992</b>	<b>1,224,924,883,425</b>
311	Short-term borrowings and finance lease liabilities		2,479,755,399,374	1,000,000,000,000
<b>312</b>	<b>Short-term borrowings</b>	3.12	<b>2,479,755,399,374</b>	<b>1,000,000,000,000</b>
316	Short-term issued bonds	3.12	800,000,000,000	-
318	Trading obligations	3.13	352,425,986,816	37,343,090,857
320	Short-term trade accounts payable		3,326,671,321	2,936,065,430
322	Tax and other payables to the State Budget	3.14	80,514,265,840	39,140,841,363
324	Employee welfare payables		2,971,042,385	2,681,960,041
325	Short-term accrued expenses	3.15	50,020,750,442	19,118,684,934
329	Other short-term liabilities	3.16	92,095,955,096	108,811,108,212
331	Bonus and welfare funds		13,258,125,718	14,893,132,588
<b>340</b>	<b>Non-current liabilities</b>		<b>15,042,694,266</b>	<b>-</b>
356	Deferred income tax liabilities	3.17	15,042,694,266	-
<b>400</b>	<b>OWNERS' EQUITY</b>		<b>2,791,161,152,263</b>	<b>2,391,917,451,263</b>
<b>410</b>	<b>Capital and reserves</b>		<b>2,791,161,152,263</b>	<b>2,391,917,451,263</b>
411	Owners' capital		1,625,309,121,491	1,581,839,121,491
411.1	Share capital	3.18	1,297,567,580,000	1,272,567,580,000
411.1a	Ordinary shares		1,297,567,580,000	1,272,567,580,000
411.2	Share premium		330,343,798,499	310,343,798,499
411.5	Treasury shares		(2,602,257,008)	(1,072,257,008)
412	Differences upon asset revaluation	3.19	70,064,262,508	-
414	Supplementary capital reserve		129,756,758,000	117,012,921,701
415	Financial and operational risk reserve		129,756,758,000	117,012,921,702
416	Other equity funds		3,961,374,994	3,961,374,994
417	Undistributed earnings	3.20	832,312,877,270	572,091,111,375
417.1	Realised profits		861,985,479,360	628,246,013,560
417.2	Unrealised losses		(29,672,602,090)	(56,154,902,185)
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>6,680,572,043,521</b>	<b>3,616,842,334,688</b>

The notes on pages 111 to 167 are an integral part of these financial statements.

Form B 01 – CTCK

## OFF STATEMENT OF FINANCIAL POSITION ITEMS

As at 31 December				
Code	ITEMS	Note	2017	2016
<b>A</b>	<b>ASSETS OF THE COMPANY AND ASSETS IN TRUST</b>			
004	Bad debts written off (VND)	4.1	345,059,000	345,059,000
005	Foreign currencies (original currency)	4.2		
	US Dollar		13,402.69	45,182.58
	Japanese Yen		240,905	190,755
	Singapore Dollar		300	300
	British Pound		93.17	100
	Taiwanese Dollar		3,200	3,200
	Canadian Dollar		100	100
006	Number of shares in issue (share)	4.3	129,570,368	127,155,368
007	Number of treasury shares (share)		186,390	101,390
			<i>Par value (VND)</i>	
008	Securities listed/registered to Vietnam Securities Depository (VSD)		447,684,720,000	74,178,610,000
009	Securities custodied at VSD but not yet traded		146,075,030,000	1,010,000
010	Securities awaiting settlement		12,200,000,000	2,099,960,000
012	Securities not custodied at VSD		34,897,120,000	60,297,270,000
<b>B</b>	<b>ASSETS OF AND LIABILITIES TO CUSTOMERS</b>			
021	Securities listed/registered to Vietnam Securities Depository (VSD)		18,338,836,463,686	12,992,363,100,000
021.1	Freely traded securities		14,920,958,190,000	10,695,622,580,000
021.2	Blocked securities		235,619,410,000	12,819,940,000
021.3	Mortgaged securities		2,733,898,110,000	1,964,810,500,000
021.4	Suspended securities		93,676,820,000	90,276,820,000
021.5	Securities awaiting settlement		310,630,550,000	228,833,260,000
021.7	Customers' deposits for derivatives trading		44,053,383,686	-
022	Securities custodied at VSD but not yet traded		172,212,900,000	38,878,010,000
022.1	Securities custodied at VSD but not yet traded – freely traded securities		139,206,100,000	22,049,360,000
022.2	Securities custodied at VSD but not yet traded – blocked securities		33,006,800,000	16,828,650,000
023	Securities awaiting settlement		391,444,340,000	219,655,840,000

The notes on pages 111 to 167 are an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION *(continued)*

Form B 01 – CTCK

### OFF STATEMENT OF FINANCIAL POSITION ITEMS *(continued)*

Code	ITEMS	As at 31 December	
		2017 VND	2016 VND
<b>B</b>	<b>ASSETS OF AND LIABILITIES TO CUSTOMERS <i>(continued)</i></b>		
026	Customers' deposits	944,598,631,066	581,883,723,061
027	Customers' deposits for securities trading	900,545,247,380	581,883,723,061
027.1	Customers' deposits at VSD	44,053,383,686	-
031	Payables to customers relating to their deposits at the Company for securities trading	900,545,247,380	581,883,723,061
031.1	Payables to domestic customers relating to their deposits at the Company for securities trading	899,585,811,824	581,657,003,061
031.2	Payables to foreign customers relating to their deposits at the Company for securities trading	959,435,556	226,720,000

The notes on pages 111 to 167 are an integral part of these financial statements.

## STATEMENT OF INCOME

Form B 02 – CTCK

Code	ITEMS	Note	For the year ended 31 December	
			2017 VND	2016 VND
<b>OPERATING INCOME</b>				
01	Gains from financial assets at fair value through profit or loss (FVTPL)		428,248,267,000	99,024,690,204
01.1	Realised gains on disposals of FVTPL financial assets	5.1	333,375,626,482	61,894,006,092
01.2	Gains from revaluation of FVTPL financial assets	5.2	34,575,574,912	5,246,169,979
01.3	Dividends and interest income from FVTPL financial assets		60,297,065,606	31,884,514,133
03	Interest income from loans and receivables		439,218,521,489	343,656,813,084
06	Brokerage fee income		601,941,990,625	348,957,129,710
09	Custody service income		6,723,580,746	5,056,975,249
10	Financial consultancy service income		45,178,947,072	24,601,902,383
11	Other operating income		16,266,327,089	1,868,685,936
<b>20</b>	<b>TOTAL OPERATING INCOME</b>		<b>1,537,577,634,021</b>	<b>823,166,196,566</b>
<b>OPERATING EXPENSES</b>				
21	Losses from financial assets at fair value through profit or loss (FVTPL)		(158,409,352,306)	(17,764,618,901)
21.1	Realised losses on disposals of FVTPL financial assets	5.1	(150,316,077,489)	(14,268,022,902)
21.2	Losses from revaluation of FVTPL financial assets	5.2	(8,093,274,817)	(3,496,595,999)
24	Provisions for diminution in value of financial assets and impairment losses and borrowing costs to finance lending activities	5.3	(156,024,647,341)	(65,564,043,908)
26	Self-trading expenses		(100,063,505,528)	(23,567,021,196)
27	Brokerage fee expenses		(285,215,150,671)	(206,830,545,356)
30	Custody fee expenses		(6,896,562,514)	(5,096,284,054)
31	Financial consultancy expenses		(8,970,191,476)	(9,996,332,411)
32	Other operating expenses		(9,139,867,544)	(18,865,791,047)
<b>40</b>	<b>TOTAL OPERATING EXPENSES</b>		<b>(724,719,277,380)</b>	<b>(347,684,636,873)</b>

The notes on pages 111 to 167 are an integral part of these financial statements.

## STATEMENT OF INCOME *(continued)*

Form B 02 – CTCK

For the year ended  
31 December

Code	ITEMS	Note	2017 VND	2016 VND
<b>FINANCIAL INCOME</b>				
42	Dividend income and interest income from demand deposits		2,464,966,108	1,078,380,134
<b>50</b>	<b>TOTAL FINANCIAL INCOME</b>		<b>2,464,966,108</b>	<b>1,078,380,134</b>
<b>62</b>	<b>GENERAL AND ADMINISTRATION EXPENSES</b>	<b>5.4</b>	<b>(123,000,555,130)</b>	<b>(91,966,241,312)</b>
<b>70</b>	<b>OPERATING RESULT</b>		<b>692,322,767,619</b>	<b>384,593,698,515</b>
<b>OTHER INCOME AND EXPENSES</b>				
71	Other income		278,036,363	789,590,907
<b>80</b>	<b>NET OTHER INCOME</b>		<b>278,036,363</b>	<b>789,590,907</b>
<b>90</b>	<b>NET ACCOUNTING PROFIT BEFORE TAX</b>		<b>692,600,803,982</b>	<b>385,383,289,422</b>
91	Realised profit		666,118,503,887	383,633,715,442
92	Unrealised profit		26,482,300,095	1,749,573,980
<b>100</b>	<b>CORPORATE INCOME TAX</b>	<b>5.5</b>	<b>(138,541,640,240)</b>	<b>(80,852,308,119)</b>
100.1	Corporate income tax – current		(137,376,727,470)	(84,490,592,250)
100.2	Corporate income tax – deferred		(1,164,912,770)	3,638,284,131
<b>200</b>	<b>NET PROFIT AFTER TAX</b>		<b>554,059,163,742</b>	<b>304,530,981,303</b>
<b>300</b>	<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>		<b>70,064,262,508</b>	<b>-</b>
301	Gain from revaluation of AFS financial assets	3.19	70,064,262,508	-
<b>400</b>	<b>TOTAL COMPREHENSIVE INCOME</b>		<b>70,064,262,508</b>	<b>-</b>
<b>500 EARNINGS PER SHARE</b>				
501	Basic earnings per share (VND/share)	5.6	4,289	2,395
502	Diluted earnings per share (VND/share)	5.6	4,289	2,395

The notes on pages 111 to 167 are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS (Indirect method)

Form B 03b – CTCK

For the year ended  
31 December

Code	ITEMS	Note	2017 VND	2016 VND
<b>Cash flows from operating activities</b>				
<b>01</b>	<b>Net profit before tax</b>		<b>692,600,803,982</b>	<b>385,383,289,422</b>
<b>02</b>	<b>Adjustments for:</b>		<b>161,653,748,972</b>	<b>86,102,295,256</b>
03	Depreciation and amortisation		9,560,933,260	5,921,197,566
04	Provisions		18,306,613,917	38,188,900,427
06	Interest expense		142,391,099,821	45,677,564,138
07	Profits from investing activities		(2,743,002,471)	(1,867,971,041)
08	Accrued interest income		(5,861,895,555)	(1,817,395,834)
<b>10</b>	<b>Add non-cash expenses</b>		<b>8,093,274,817</b>	<b>3,496,595,999</b>
11	Losses from revaluation of FVTPL financial assets		8,093,274,817	3,496,595,999
<b>18</b>	<b>Less non-cash income</b>		<b>(34,575,574,912)</b>	<b>(5,246,169,979)</b>
19	Gains from revaluation of FVTPL financial assets		(34,575,574,912)	(5,246,169,979)
<b>30</b>	<b>Changes in working capital</b>		<b>(2,748,696,469,964)</b>	<b>(724,821,019,913)</b>
31	Increase in FVTPL financial assets		(527,776,195,146)	(172,447,248,081)
33	Increase in loans		(1,750,647,070,212)	(141,340,458,864)
34	Increase in available-for-sale financial assets AFS		(399,255,614,501)	-
37	Increase in service related receivables		(101,012,947,702)	(312,862,986,163)
39	Increase in other receivables		(9,030,986,945)	(14,518,124,837)
41	Increase in accrued expenses (excluding interest expenses)		24,770,735,175	1,148,113,170
42	(Increase)/ decrease in prepaid expenses		(924,812,891)	3,936,476,781
43	Corporate income tax paid		(117,934,556,700)	(74,560,483,150)
44	Interest paid		(136,259,769,488)	(42,965,365,923)
45	Increase in trade payables		315,473,501,850	4,291,894,502
46	Increase/(decrease) in employee welfare payables		289,082,344	(29,362,405)
47	Increase in tax and other payables to the State Budget (excluding corporate income tax paid)		20,738,537,300	1,748,741,225
50	(Decrease)/increase in other short-term payables	6.1	(51,868,764,976)	25,589,557,951
52	Other payments for operating activities		(15,257,608,072)	(2,811,774,119)
<b>60</b>	<b>Net cash outflows for operating activities</b>		<b>(1,920,924,217,105)</b>	<b>(255,085,009,215)</b>
<b>Cash flows from investing activities</b>				
61	Purchases of fixed assets		(34,238,069,123)	(14,082,769,966)
62	Proceeds from disposals of fixed assets		305,840,000	868,550,000
<b>70</b>	<b>Net cash outflows for investing activities</b>		<b>(33,932,229,123)</b>	<b>(13,214,219,966)</b>

The notes on pages 111 to 167 are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS (Indirect method) *(continued)*

Form B 03b – CTCK

Code	ITEMS	Note	For the year ended 31 December	
			2017 VND	2016 VND
<b>Cash flows from financing activities</b>				
71	Proceeds from issuance of shares	6.1, 7.1(iii)	31,000,000,000	-
72	Payments for share repurchases	7.1(iii)	(1,054,000,000)	(1,367,550)
73	Proceeds from borrowings	6.2	29,946,435,798,979	15,916,247,935,548
74.3	Repayments of borrowings	6.3	(27,666,680,399,605)	(15,570,351,140,329)
76	Dividend paid		(218,817,600,515)	(181,549,774,401)
<b>80</b>	<b>Net cash inflows from financing activities</b>		<b>2,090,883,798,859</b>	<b>164,345,653,268</b>
<b>90</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>136,027,352,631</b>	<b>(103,953,575,913)</b>
<b>101</b>	<b>Cash and cash equivalents at beginning of year</b>		<b>60,193,684,900</b>	<b>164,147,260,813</b>
101.1	<i>Cash</i>		60,193,684,900	164,147,260,813
<b>103</b>	<b>Cash and cash equivalents at end of year</b>		<b>196,221,037,531</b>	<b>60,193,684,900</b>
103.1	<i>Cash</i>		196,221,037,531	60,193,684,900

Major non-cash transactions in the year were presented in Note 6.1.

The notes on pages 111 to 167 are an integral part of these financial statements.

## CASH FLOWS OF BROKERAGE AND TRUSTING ACTIVITIES

Form B 03b – CTCK

Code	ITEMS	For the year ended 31 December	
		2017 VND	2016 VND
<b>Cash flows of brokerage and trusting activities</b>			
01	Trade proceeds	81,100,663,005,900	55,264,325,527,560
02	Trade payments	(83,232,814,229,906)	(55,568,381,170,200)
07	Receipts for settlement of customers' transactions	2,457,689,421,144	397,986,782,186
11	Payments for custody fees of customers	(6,876,672,819)	(5,056,975,249)
<b>20</b>	<b>Net increase in customers' deposits</b>	<b>318,661,524,319</b>	<b>88,874,164,297</b>
<b>30</b>	<b>Customers' deposits at beginning of year</b>	<b>581,883,723,061</b>	<b>493,009,558,764</b>
31	Cash at bank		
32	<i>Customers' deposits at the Company for securities trading</i>	581,883,723,061	493,009,558,764
<b>40</b>	<b>Customers' deposits at end of year</b>	<b>900,545,247,380</b>	<b>581,883,723,061</b>
41	Cash at bank		
42	<i>Customers' deposits at the Company for securities trading</i>	900,545,247,380	581,883,723,061

The notes on pages 111 to 167 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

Form B 04 – CTCK

Items	As at		For the year ended		For the year ended		As at	
	1.1.2016	1.1.2017	Increase	Decrease	Increase	Decrease	31.12.2016	31.12.2017
1. Share capital	1,582,140,489,041	1,581,839,121,491	(301,367,550)	-	43,470,000,000	-	1,581,839,121,491	1,625,309,121,491
1.1 Ordinary shares	1,272,567,580,000	1,272,567,580,000	-	-	25,000,000,000	-	1,272,567,580,000	1,297,567,580,000
1.2 Share premium	310,343,798,499	310,343,798,499	-	-	20,000,000,000	-	310,343,798,499	330,343,798,499
1.3 Treasury shares	(770,889,458)	(1,072,257,008)	(301,367,550)	-	(1,530,000,000)	-	(1,072,257,008)	(2,602,257,008)
2. Revaluation reserve	-	-	-	-	70,064,262,508	-	-	70,064,262,508
3. Financial and operational risk reserve	101,786,372,632	117,012,921,702	15,226,549,070	-	12,743,836,298	-	117,012,921,702	129,756,758,000
4. Supplementary capital reserve	101,786,372,631	117,012,921,701	15,226,549,070	-	12,743,836,299	-	117,012,921,701	129,756,758,000
5. Other equity funds	3,961,374,994	3,961,374,994	-	-	-	-	3,961,374,994	3,961,374,994
6. Undistributed earnings	489,874,717,764	572,091,111,375	304,530,981,303	(222,314,587,692)	554,059,163,742	(293,837,397,847)	572,091,111,375	832,312,877,270
6.1 Realised profits	547,779,193,929	628,246,013,560	302,781,407,323	(222,314,587,692)	527,576,863,647	(293,837,397,847)	628,246,013,560	861,985,479,360
6.2 Unrealised losses	(57,904,476,165)	(56,154,902,185)	1,749,573,980	-	26,482,300,095	-	(56,154,902,185)	(29,672,602,090)
<b>Total</b>	<b>2,279,549,327,062</b>	<b>2,391,917,451,263</b>	<b>334,682,711,893</b>	<b>(222,314,587,692)</b>	<b>693,081,098,847</b>	<b>(293,837,397,847)</b>	<b>2,391,917,451,263</b>	<b>2,791,161,152,263</b>

The notes on pages 111 to 167 are an integral part of these financial statements.

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

Form B09 – CTCK

### 1 GENERAL INFORMATION

#### *Establishment and operation licence*

Ho Chi Minh City Securities Corporation (“the Company”) is a joint stock company incorporated in Vietnam under Business registration certificate No. 4103001573 issued by the Department of Planning and Investment of Ho Chi Minh City on 23 April 2003 and the establishment and operation licence No. 11/UBCK-GPHDKD issued by the State Securities Commission (“SSC”) on 29 April 2003. The establishment and operation licence was amended several times and the latest amendment No. 09/GPDC-UBCK was on 2 March 2017.

#### *Headquarter and contact information*

The Company is headquartered at 5-6th Floor, AB Tower, 76 Le Lai Street, Ben Thanh Ward, District 1, Ho Chi Minh City, Vietnam.

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Email: [info@hsc.com.vn](mailto:info@hsc.com.vn)  
Telephone: (+84 28) 3823 3299

#### *Charter*

The Company’s latest charter was approved in the Annual General Meeting of shareholders and became effective from 24 April 2017 onwards.

#### *Operations*

The principal activities of the Company are brokerage services, securities trading, securities investment consultancy services, corporate finance consultancy services, underwriting and securities custodian services.

#### *Charter capital*

The Company’s charter capital according to its latest establishment and operation licence is VND1,297,567,580,000.

#### *Investment objectives and investment restrictions*

Being a listed broker firm in the Vietnamese securities market, the Company aims to contribute to development of the securities market and deliver benefits to customers, investors and its shareholders. The Company’s investment portfolio and its investment restrictions shall be in compliance with the investment objectives and strategies as stipulated in its charter and applicable securities rules.

#### *Network of operation*

As at the reporting date, the Company had 8 branches and transaction offices in Vietnam.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 *Basis of preparation of financial statements*

The financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System, Circular 210/2014/TT-BTC dated 30 December 2014 (“Circular 210/2014/TT-BTC”), Circular 334/2016/TT-BTC dated 27 December 2016 (“Circular 334/2016/TT-BTC”) both issued by the Ministry of Finance, and prevailing regulations on preparation and presentation of financial statements applicable to securities companies operating in Vietnam. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss (FVTPL) and available-for-sale financial assets (AFS) based on market value or fair value in case market value is undetermined.

The accompanying financial statements are not intended to present the financial position, results of operations, cash flows and changes in equity in accordance with accounting principles generally accepted in jurisdictions other than Vietnam. The accounting principles and practices utilised in Vietnam may differ from those generally accepted in countries and jurisdictions other than Vietnam.

#### 2.2 *Significant changes in the Company’s accounting policies applied*

On 20 November 2015, the National Assembly of Vietnam has passed the Law on Accounting No. 88/2015/QH13 (“Accounting Law 2015”), which includes fair value concept and fair value accounting applicable to certain assets and liabilities whose value volatilise and are required to be measured at fair value pursuantly to relevant accounting standards. Accounting Law 2015 has been effective since 1 January 2017.

Accordingly, from 1 January 2017 onwards, the Company has been measuring its FVTPL financial assets and AFS financial assets at market value or at fair value (in case market value is undetermined).

The Company applied retrospectively such changes in accounting policies. Details of such restatements are presented in Note 12.

#### 2.3 *Form of records applied*

The Company uses the accounting software tailored in general journal to record its transactions.

#### 2.4 *Fiscal year*

The Company’s fiscal year is from 1 January to 31 December.

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 2.5 *Currency*

The financial statements are measured and presented in Vietnamese Dong (“VND”).

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in profit or loss of the statement of income.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are respectively translated at the buying and selling exchange rates at the reporting date of the commercial bank where the Company regularly trades. Foreign currencies deposited in bank at the reporting date are translated at the buying exchange rate of the commercial bank where the Company opens the foreign currency accounts. Foreign exchange differences arising from these translations are recognised as income or expenses in the statement of income.

#### 2.6 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit and other short-term investments with an original maturity of 3 months or less which are subject to an insignificant risk of conversion into cash.

Cash of investors for securities trading activities and cash of issuers are accounted for off statement of financial position.

#### 2.7 *Financial assets*

##### (a) *Classification*

(i) *Financial assets carried at fair value through profit or loss (FVTPL)*

Financial assets at fair value through profit or loss are financial assets held for trading or designated at initial recognition at fair value through profit or loss.

A financial asset is classified as held for trading if meeting one of the following conditions:

- It is purchased or created for resale/repurchase in short term; or
- At initial recognition, it constitutes a part of an identified portfolio of financial instruments which are traded for short-term profits; or
- It is a derivative (except those defined as financial guarantees or effective hedges).

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 2.7 Financial assets *(continued)*

##### (a) Classification *(continued)*

###### (i) Financial assets carried at fair value through profit or loss (FVTPL) *(continued)*

At initial recognition, the Board of Management designates a financial asset at fair value through profit or loss if such designation promotes the fairness of its presentation due to one of the following reasons:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency (also called as “accounting inconsistency”) that would otherwise arise due to different bases; or
- It gives rise to a group of financial assets whose performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and internally disseminated to the Company’s key management (as defined in Vietnamese Accounting Standard on Related parties disclosure) such as Board of Directors, Chief Executive Officer and major shareholders.

Financial assets at fair value through profit or loss comprise listed securities, unlisted securities and derivatives including embedded derivatives separated from their host contracts except for those designated as hedges.

Financial assets at fair value through profit or loss are initially recorded at cost exclusive of transaction costs. Transaction costs related to purchases of FVTPL financial assets are expensed off.

Financial assets at fair value through profit or loss are subsequently measured at market value or fair value (in case market value is undetermined). All gains or losses from change in fair value of FVTPL financial assets are recognised in the statement of income.

###### (ii) Held-to-maturity financial assets (HTM)

Held-to-maturity financial assets are non-derivative financial assets with the followings characteristics:

- Payments are fixed or determinable
- Maturity is fixed
- The Company has positive intention and ability to hold to maturity

The following assets are excluded from held-to-maturity financial assets:

- Non-derivatives classified as FVTPL financial assets at initial recognition;
- Non-derivatives classified as AFS financial assets; and
- Non-derivatives qualifying conditions to be classified as loans and receivables

HTM financial assets are initially recorded at cost inclusive of purchase cost, subsequently measured at amortised cost using effective interest method.

Amortised cost of HTM financial assets is determined at historical cost less principal received plus (or less) accumulated amortisation using effective interest method between historical cost and maturity value, less impairment loss (if any).

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 2.7 Financial assets *(continued)*

##### (a) Classification *(continued)*

###### (iii) Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, excluding the followings:

- Items that the Company intends to dispose of shortly or in the foreseeable future so that classified as held for trading, or designated as FVTPL at initial recognition;
- Items classified as AFS financial assets at initial recognition;
- Items that the holders could probably not recover the majority of initial investments not due to impairment of credit quality, and classified as AFS financial assets.

Loans are initially recorded at cost inclusive of purchase cost, subsequently measured at amortised cost using the effective interest rate method (“EIR”).

Amortised cost of loans is determined at historical cost less principal received plus (or less) accumulated amortisation using the effective interest method of the difference between historical cost and maturity value, less impairment loss (if any).

###### (iv) Receivables

Receivables comprise receivables from disposals of financial assets, dividends and interests receivable, service related receivables, receivables from trading errors and other receivables. Receivables are recorded on an accruals basis and presented at cost less provision for impairment (if any).

Receivables are classified as current assets and non-current assets in the statement of financial position based on their remaining maturity as at reporting date.

###### (v) Available-for-sale financial assets (AFS)

Available-for-sale financial assets are non-derivatives financial assets that are not classified as FVTPL, HTM nor loans and receivables. Available-for-sale financial assets are initially recorded at cost inclusive of directly attributable purchase cost. At reporting date, AFS financial assets are measured at fair value. Those shares not traded on active market or those whose fair value is not reliably determined are accounted at cost.

All gains or losses from revaluation of AFS financial assets are accounted directly to equity (other comprehensive income), through statement of changes in equity, exclusive of impairment losses. Such recognition is applied until the asset is derecognised.

At derecognition, accumulated gains or losses in equity are recognised in the statement of income as a reclassification. Gains using effective interest method is recognised in the statement of income in accordance with standard on revenue recognition.

Impairment loss of AFS financial asset is recorded directly to previously recognised revaluation gain in equity (if any), when there is objective evidence that the AFS financial asset is impaired, accumulated revaluation loss in equity is reclassified into statement of income despite that asset is yet derecognised.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 2.7 *Financial assets (continued)*

##### **(b) Reclassification**

###### *(i) Reclassification of non-FVTPL financial assets to be sold*

Non-FVTPL financial assets are reclassified to FVTPL financial assets before they are sold.

###### *(ii) Reclassification due to change in intention/ability to hold the financial assets*

Reclassification of financial assets due to change in intention/ability to hold is permitted, provided that:

- Non-derivative FVTPL financial assets that are not required to be classified as FVTPL at initial recognition may be reclassified as loans and receivables in limited circumstances or cash and cash equivalents if meeting certain criteria for reclassification.
- Gains and losses from revaluation of FVTPL financial assets arising before the reclassification are not reversed.
- If the change in intention/ability to hold a financial asset results in it being inappropriately reclassified as an HTM asset, that asset must be reclassified into AFS group and remeasured at fair value. Difference between its carrying value and its fair value is recognised in the statement of income - Changes in fair value of reclassified assets.

##### **(c) Recognition/ derecognition**

Purchases and sales of financial assets are recognised on trade date - the date on which the Company commits to purchase or sell the financial assets. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or the Company has transferred substantially all risks and rewards of ownership.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 2.7 *Financial assets (continued)*

##### **(d) Initial recognition**

Financial assets carried at fair value through profit or loss are initially recognised at cost exclusive of transaction costs. Other financial assets are initially recorded at historical cost.

Bonus issues and stock dividends are initially recognised as financial assets at zero value.

##### **(e) Determination of market value/fair value**

The Company follows the prevailing regulations in determining the market value/fair value, in particular:

###### *(i) Shares listed on stock exchanges, shares of the public companies registered for trading on the Unlisted Public Company Market ("UPCoM")*

These shares are revalued at the closing price of the latest trading date prior to the valuation date.

###### *(ii) Unlisted securities registered/unregistered to Vietnam Securities Depository ("VSD")*

The fair values of these shares based on the average of transacted prices announced by the three (03) independent quoting entities at the latest trading date within one (01) month prior to the reporting date. Management and executives of the Company must not be related to management and executives of the quoting entities in accordance with Securities Law.

###### *(iii) Certificates of open-ended funds/ exchanged traded fund ("ETF")*

These certificates are revalued at net asset value per fund unit as at the fund's last reporting date prior to the valuation date of the Company.

###### *(iv) Delisted shares/ shares suspended from 6 days or longer*

The fair values of these shares are determined at its book value as at latest reporting date.

Unless otherwise stated above, securities are measured at fair value based on review of financial position and book value of the issuers as at valuation date.

##### **(f) Provision for impairment of loans**

Provision for impairment of loans is made when there are indicators of decline in the recoverability of the margin loans and trading advances. Provision is determined at the difference of market value of collateral assets and carrying value of margin loans and trading advances at reporting date.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 2.7 *Financial assets (continued)*

##### (g) *Provision for impairment of receivables*

Receivables are subject impairment assessment based on the overdue status of the receivables or the estimated loss arising from undue debts of which the indebted economic entities fall bankrupt or are undergoing dissolution procedures; debtors are missing, deceased or under legal claims.

The Company has provided for overdue receivables in accordance with Circular 228/2009/TT-BTC issued by Ministry of Finance on 7 December 2009 (“Circular 228/2009/TT-BTC”). Accordingly, the provision rates for overdue receivables are as follows:

Overdue period	Provision rate
From 6 months to less than 1 year	30%
From 1 year to less than 2 years	50%
From 2 years to less than 3 years	70%
Over 3 years	100%

Provision/(reversal of provision) for impairment is debited/credited to expenses in the statement of income.

##### (h) *Recognition of gain/ (loss)*

###### *Purchasing transaction costs*

Transaction costs related to purchases of FVTPL financial assets are expensed off, while transaction costs related to purchases of other financial assets are capitalised.

###### *Selling transaction costs*

Selling transaction costs are expensed off in the year.

###### *Gain/(loss) on disposals*

Gain/(loss) on disposals of financial assets are accounted as income/(expenses) in profit or loss of statement of income. Cost of bonds disposed is determined using specific identification method while cost of other securities disposed is determined using weighted average method up to the end of trading dates.

###### *Provision/(reversal of provision) for impairment in value of financial assets*

Provision/(reversal of provision) for impairment in value of financial assets is debited/credited to expenses in the statement of income.

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 2.8 *Repurchase and reverse repurchase agreements*

Securities sold under agreements to repurchase at a specified future date (“repos”) are not derecognised from the statement of financial position. The corresponding proceed is recognised in the statement of financial position as a liability. The difference between the selling price and the repurchase price is recognised 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”) are not recognised in the statement of financial position. The corresponding cash paid is recognised in the statement of financial position as an asset. The difference between the purchase price and resale price is recognised as interest income and is allocated over the life of the agreement using the straight-line method.

For overdue commitments, the Company considers to make provision based on the aging of commitments or expected losses in accordance with Circular 228/2009/TT-BTC.

#### 2.9 *Fixed assets*

##### *Tangible and intangible fixed assets*

Fixed assets are stated at historical cost less accumulated depreciation/amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets.

##### *Depreciation and amortisation*

Fixed assets are depreciated/ amortised using the straight-line method to write off the cost of the assets over their estimated useful lives, specifically as below:

Motor vehicles	6 years
Office equipment	3 – 5 years
Computer software	3 – 4 years

##### *Disposals*

Gains or losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are recognised as income or expense in the statement of income.

#### 2.10 *Leased assets*

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 2.11 *Prepaid expenses*

Prepaid expenses include prepayments for goods and services, tools and equipment not qualified to be accounted as fixed assets under current regulations. Prepaid expenses are initially recorded at cost and allocated to expenses over their estimated useful lives.

The following items are classified as prepaid expenses and allocated to expenses over two (2) to forty (40) years in the statement of income:

- Office renovations;
- Office rentals; and
- Office supplies.

#### 2.12 *Security deposits*

Short-term/long-term security deposits are recognised when the Company completes its payments in accordance with the contractual terms and classified as other current/non-current assets.

#### 2.13 *Liabilities*

##### (a) *Recognition/ Derecognition*

Liabilities are recognised when the Company has an obligation as a result of receipts of assets, commits or becomes a party to the contractual provisions. Liabilities are derecognised when such obligations are fully discharged. Liabilities are recognised on an accruals basis and on prudent concept.

##### (b) *Classification*

Classifications of liabilities are based on their nature as follows:

- Borrowings
- Bonds
- Trading obligations including balances with Clearing House and Securities Depository
- Trade payables arising from purchases of goods or services
- Other payables not arising from purchases of goods and services

Liabilities are classified as current and non-current liabilities in the statement of financial position based on their remaining period from the reporting date to their maturity dates.

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 2.14 *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Company has an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### 2.15 *Income tax paid on behalf of customers*

According to the prevailing taxation regulations in Vietnam, the Company is required to withhold foreign contractor tax of 0.1% on trading proceeds of foreign corporate customers and pay on their behalf. For individual customers (both residents and non-residents), the Company is required to withhold personal income tax of 0.1% on the trading proceeds. The Company will declare and make tax payment on behalf of these customers. For customers being local organisations, the Company is not responsible for withholding tax as these customers have responsibility for their own tax payment and declaration.

#### 2.16 *Borrowing costs*

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the year of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the statement of income when incurred.

#### 2.17 *Accrued expenses*

Accrued expenses include liabilities for goods and services received in the reporting year but not yet paid due to pending invoice or insufficient records and documents. Accrued expenses are recorded as expenses in the reporting year.

#### 2.18 *Provisions*

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as an interest expense.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 2.19 Equity

##### (a) Share capital

Share capital represents the shareholders' contributed capital. Share capital is recorded at par value.

Share premium is the difference between the par value and the issuing price of shares and the difference between the repurchase price and re-issuing price of treasury shares.

Treasury shares are shares issued by the Company and purchased back by itself but not yet cancelled and may be re-issued in the period permitted by prevailing regulations on securities. Treasury shares are recorded at cost and deducted to equity. The Company does not account for gains/(losses) from purchase/sale, issuance/cancellation of its equity instruments.

##### (b) Undistributed profits

Undistributed profits represents cumulative undistributed post-tax profits as at reporting date including cumulative realised profits and cumulative unrealised profits.

Unrealised profit of the year is total difference between gain or loss arising from revaluation of financial assets at FVTPL or other financial assets charged into the statement of income.

Realised profit during the year is the net difference between total revenue, income and total expenses in the statement of income of the Company, except for gain or loss arising from revaluation of financial assets recognised in unrealised profit.

##### (c) Financial and operational risk reserve and supplementary capital reserve

According to Circular 146/2014/TT-BTC issued by the Ministry of Finance on 6 October 2014, the Company is required to make annual appropriation to the financial and operational risk reserve and supplementary capital reserve at 5% of the profit after tax of the Company for each reserve in each of its profitable year until the accumulated balance of each reserve reaches 10% of the Company's charter capital.

Financial and operational risk reserve is made to compensate the residual losses and damages arising in operation beyond the indemnification received from the parties causing damages and insurance companies.

##### (d) Other equity funds

Other equity funds are made in accordance with resolution of Annual General Meeting of shareholders.

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 2.20 Revenue and income recognition

##### (a) Revenue from provision of services to investors

Revenue from provision of services to investors consists of securities brokerage fees, securities underwriting fees and investment consultancy fees, securities custody services and entrustment services.

Revenue from the provision of services is recognised in the statement of income when the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenue from the provision of services is only recognised when all four following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company;
- The percentage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

##### (b) Income from securities trading and investments in other entities

Income from securities trading and investments in other entities consists of income from proprietary trading activities and dividend income.

Income from proprietary trading activities is measured as difference between selling price and costs of securities disposed. Cost of bonds disposed is determined using specific identification method while cost of other securities disposed is determined using weighted average method up to the end of trading dates.

Dividend income is recognised in the statement of income when the Company's right to receive dividend is established, except for scrip dividends which the Company adds their quantity in securities portfolio and does not recognise income.

##### (c) Income from capital activities

Income from capital activities consists of interest income from deposits at bank, income from margin loans, trading advances and financial support agreements. Income is recognised on an accrual basis unless collectability is in doubt.

##### (d) Revenue from securities repurchase and reverse repurchase agreements

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

##### (e) Other income

Other income arises from other activities and is recognised on an accruals basis.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 2.21 Expenses

##### (a) Recognition

Expenses are recognised on an accruals basis, matching with revenue and on prudence concept.

##### (b) Classification

Expenses are classified by function as follows:

- Operating expenses
- Financial expenses
- General and administration expenses
- Other expenses

#### 2.22 Current and deferred income tax

Income taxes include all income taxes which are based on taxable profits including profits generated from operations and trading activities in other countries that the Vietnam has not signed any double tax relief agreement. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profit and the current tax rates. Current and deferred tax should be recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### 2.23 Dividend distribution

Dividend of the Company is recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's Annual General Meeting of shareholders.

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 2.24 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

#### 2.25 Segment reporting

A segment is a component which can be separated by the Company engaged in providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment). Each segment is subject to risks and returns that are different from those of other segments. A reportable segment is the Company's business segment.

Segment reporting is prepared and presented in accordance with accounting policies applied to the preparation and presentation of the Company's financial statements in order to help users of financial statements to understand and evaluate the situation the operations of the Company in a comprehensive way.

#### 2.26 Nil balances

Items or balances required by Circular 210/2014/TT-BTC and Circular 334/2016/TT-BTC that are not presented in these financial statements indicate nil balances.

### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION

#### 3.1 Cash and cash equivalents

	As at 31 December	
	2017 VND	2016 VND
Cash on hand	464,466,344	614,575,794
Cash at bank	195,756,571,187	59,579,109,106
<b>Total</b>	<b>196,221,037,531</b>	<b>60,193,684,900</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (continued)

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#### 3.2 Financial assets at fair value through profit or loss (FVTPL)

	As at 31.12.2017			As at 31.12.2016		
	Ticker symbol	Cost VND	Market value/ Fair value VND	Cost VND	Market value/ Fair value VND	Market value/ fair value VND
<b>Listed shares and shares traded on UPCom</b>		<b>613,330,509,297</b>	<b>633,483,284,204</b>	<b>105,438,833,114</b>	<b>104,543,050,730</b>	
Military Commercial Joint - Stock Bank	MBB	59,387,064,847	67,995,546,000	374,963,875	394,618,000	
Vietnam Dairy Products Joint Stock Company	VNM	57,849,520,349	61,394,317,600	1,327,636,421	1,229,875,200	
Vingroup Joint Stock Company	VIC	58,903,642,753	60,559,602,800	703,482,412	707,322,000	
Hoa Phat Group Joint Stock Company	HPG	44,693,293,899	50,725,291,450	688,633,293	725,092,600	
Hoang Anh Gia Lai Agricultural Joint Stock Company	HNG	49,837,622,065	47,541,880,000	37,330,826	37,448,000	
Masan Group Corporation	MSN	41,213,708,101	45,629,213,500	712,286,280	727,056,000	
FPT Corporation	FPT	27,993,703,556	27,929,951,100	28,077,095,326	26,598,176,000	
Joint Stock Commercial Bank for Foreign Trade of Vietnam	VCB	20,064,034,957	22,612,203,300	398,839,430	407,036,900	
Sai Gon Thuong Tin Commercial Joint Stock Bank	STB	20,820,555,900	21,364,127,300	318,778,921	391,230,000	
GTNFOODS Joint Stock Company	GTN	17,500,000,000	20,250,000,000	17,500,085,500	20,750,083,000	
Hoang Anh Gia Lai Joint Stock Company	HAG	21,389,965,925	17,265,245,550	76,583,033	73,926,300	
No Va Land Investment Group Corporation	NVL	12,575,923,787	13,339,641,000	-	-	
FLC Faros Construction Joint Stock Company	ROS	11,039,766,805	11,992,745,100	-	-	
Others	-	170,061,706,353	164,883,519,504	55,223,117,797	52,501,186,730	

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### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (continued)

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#### 3.2 Financial assets at fair value through profit or loss (FVTPL)

	As at 31.12.2017			As at 31.12.2016		
	Ticker symbol	Cost VND	Market value/ Fair value VND	Cost VND	Market value/ Fair value VND	Market value/ fair value VND
<b>Unlisted and unregistered shares</b>		<b>93,725,137,636</b>	<b>41,622,042,000</b>	<b>246,484,721,548</b>	<b>191,030,138,825</b>	
Viet Nam Investment Fund Management JSC	-	21,803,640,000	21,803,640,000	21,803,640,000	21,803,640,000	
HD Saison Finance Co., Ltd	-	17,000,000,000	17,000,000,000	17,000,000,000	17,000,000,000	
Tan Binh Real Estate Joint Stock Company	-	12,025,000,000	913,500,000	12,025,000,000	6,300,000,000	
Ca Mau Seafood Joint Stock Company	CAT(*)	10,950,000,000	585,000,000	10,950,000,000	585,000,000	
Dong A Joint Stock Commercial Bank	-	16,967,999,502	503,824,000	16,967,999,502	1,511,472,000	
Can Tho Import - Export Seafood Joint Stock Company	-	4,900,000,000	251,384,000	4,900,000,000	1,586,117,750	
Saigon Postel Corporation	-	4,406,400,000	220,084,000	4,406,400,000	2,200,840,000	
Others	-	5,672,098,134	344,610,000	158,431,682,046	140,043,069,075	
<b>Listed bond</b>		<b>173,114,572,242</b>	<b>175,199,112,192</b>	-	-	
Ho Chi Minh City Infrastructure Investment Joint Stock Company	CI111790	173,114,572,242	175,199,112,192	-	-	
<b>ETF certificates</b>		<b>10,132,573,711</b>	<b>10,325,752,400</b>	<b>10,603,043,078</b>	<b>10,798,506,000</b>	
VFMVN30 ETF	E1VFMN30	10,132,573,711	10,325,752,400	10,603,043,078	10,798,506,000	
<b>Total</b>		<b>890,302,792,886</b>	<b>860,630,190,796</b>	<b>362,526,597,740</b>	<b>306,371,695,555</b>	

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (continued)

#### 3.2 Financial assets at fair value through profit or loss (FVTPL) (continued)

(\*) Ca Mau Seafood Joint Stock Company (SEAPRIMEXCO) was registered for trading on UPCoM from 11 January 2018 under ticker symbol 'CAT'.

##### As at 31 December 2017

	Comparison to market price or fair value		Market price/ fair value VND
	Cost VND	Increase VND / Decrease VND	
Listed shares and shares traded on UPCoM	613,330,509,297	37,351,976,358 (17,199,201,451)	633,483,284,204
Unlisted and unregistered shares	93,725,137,636	- (52,103,095,636)	41,622,042,000
Listed bond	173,114,572,242	2,084,539,950	175,199,112,192
ETF certificates	10,132,573,711	193,178,689	10,325,752,400
<b>Total</b>	<b>890,302,792,886</b>	<b>39,629,694,997 (69,302,297,087)</b>	<b>860,630,190,796</b>

##### As at 31 December 2016

	Comparison to market price or fair value		Market price/ fair value VND
	Cost VND	Increase VND / Decrease VND	
Listed shares and shares traded on UPCoM	105,438,833,114	5,050,707,057 (5,946,489,441)	104,543,050,730
Unlisted and unregistered shares	246,484,721,548	- (55,454,582,723)	191,030,138,825
ETF certificates	10,603,043,078	195,462,922	10,798,506,000
<b>Total</b>	<b>362,526,597,740</b>	<b>5,246,169,979 (61,401,072,164)</b>	<b>306,371,695,555</b>

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### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (continued)

#### 3.3 Loans and provisions for impairments of financial assets and mortgages

##### (a) Loans

Details of loans at amortised cost exclusive of provisions for impairments are as follows:

		As at 31 December	
		2017 VND	2016 VND
Margin loans	(i)	4,484,136,971,952	2,666,330,636,119
Trading advances	(ii)	17,455,331,654	84,614,597,275
<b>Total</b>		<b>4,501,592,303,606</b>	<b>2,750,945,233,394</b>

##### (i) Margin loans

Margin loans represent the amounts lent to customers for their purchases of listed securities in accordance with Decision No. 87/2017/QĐ-UBCK issued by the State Securities Commission on 25 January 2017.

##### (ii) Trading advances

These are the amounts advanced to customers at the trading date ("T – date advance"). These amounts were refunded within two (2) working days.

##### (b) Provisions for impairments of financial assets and mortgages

The entire balance of provisions for impairment of financial assets and mortgages was provision for impairment of margin loans.

The movement of provision for impairments of financial assets and mortgages during the year is as follows:

	For the year ended 31 December	
	2017 VND	2016 VND
Beginning of year	19,997,479,770	-
Additional provision in the year (Note 5.3)	13,633,547,520	19,997,479,770
End of year	33,631,027,290	19,997,479,770

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (continued)

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#### 3.4 Available-for-sale financial assets (AFS)

	As at 31.12.2017		As at 31.12.2016	
	Cost VND	Market value/ fair value VND	Cost VND	Market value/ fair value VND
Mobile World Investment Corporation (MWG)	162,044,908,818	182,091,310,000	-	-
Vietnam Prosperity Joint-Stock Commercial Bank (VPB)	118,067,258,512	148,494,210,000	-	-
Vietnam's Ho Chi Minh City Development Joint Stock Commercial Bank (HDB)	31,563,119,036	68,670,094,501	-	-
<b>Total</b>	<b>311,675,286,366</b>	<b>399,255,614,501</b>	-	-

#### As at 31 December 2017

	Comparison to market price or fair value		Market price/ fair value VND
	Cost VND	Increase VND	
Listed shares	311,675,286,366	87,580,328,135	399,255,614,501

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### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (continued)

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#### 3.5 Receivables

	As at 31.12.2017		As at 31.12.2016	
	Carrying value VND	Doubtful amount VND	Carrying value VND	Doubtful amount VND
<b>Service related receivable</b>				
Receivable from VSD	-	-	312,618,075,234	-
Receivable from securities purchasing	468,267,233,092	-	51,168,439,301	-
<i>In which: Receivable from securities purchasing from a related party (Note 8(b))</i>	458,772,233,092	-	-	-
Consultancy service fees receivable	1,336,650,000	1,145,650,000	4,119,375,001	1,145,650,000
Other receivables from trading activities	1,417,468,286	-	2,102,514,140	-
	<b>471,021,351,378</b>	<b>1,145,650,000</b>	<b>370,008,403,676</b>	<b>1,145,650,000</b>
<b>Other receivables</b>				
Overdue margin loans	37,783,317,946	37,783,317,946	33,110,251,549	33,110,251,549
Others	8,817,717,166	654,824,202	2,057,428,231	654,824,202
	<b>46,601,035,112</b>	<b>38,438,142,148</b>	<b>35,167,679,780</b>	<b>33,765,075,751</b>
<b>Total</b>	<b>517,622,386,490</b>	<b>39,583,792,148</b>	<b>405,176,083,456</b>	<b>34,910,725,751</b>

(i) The balance as at 31 December 2016 was receivable from VSD for sales of securities during the last 2 days of year 2016. This receivable was subsequently collected in the first days of year 2017.

(ii) The receivable from securities purchasing as at 31 December 2017 was due from institutional investors.

(iii) This was residual amount of overdue margin loans after the Company forcedly sold out all of collateral assets to collect the loans. This amount was fully provided for.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2017

**3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (continued)**

**3.6 Provision for doubtful debts**

	Doubtful amount		Provision		Reversal		Closing balance	
	Opening balance	Closing balance	Opening balance	Provision	VND	VND	VND	VND
Overdue margin loans	33,110,251,549	37,783,317,946	33,110,251,549	4,673,066,397	-	-	37,783,317,946	
Consultancy service fees receivable	1,145,650,000	1,145,650,000	1,145,650,000	-	-	-	1,145,650,000	
Other receivables from securities trading	654,824,202	654,824,202	654,824,202	-	-	-	654,824,202	
<b>Total</b>	<b>34,910,725,751</b>	<b>39,583,792,148</b>	<b>34,910,725,751</b>	<b>4,673,066,397</b>	<b>-</b>	<b>-</b>	<b>39,583,792,148</b>	

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**3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (continued)**

**3.7 Deposits for derivatives trading activities**

This is the Company's deposits for its own derivatives trading activities according to Decision 96/QD-VSD dated 23 March 2017 of the Vietnam Securities Depository.

**3.8 Fixed assets**

**(a) Tangible fixed assets**

	Motor vehicles	Office equipment	Total
	VND	VND	VND
<b>Historical cost</b>			
<b>As at 1.1.2017</b>	<b>3,462,891,640</b>	<b>42,309,152,870</b>	<b>45,772,044,510</b>
New purchases	-	3,562,086,507	3,562,086,507
Transfers from construction in progress (Note 3.8(c))	1,053,080,000	12,075,003,806	13,128,083,806
Disposals	(506,088,000)	(3,437,101,774)	(3,943,189,774)
<b>As at 31.12.2017</b>	<b>4,009,883,640</b>	<b>54,509,141,409</b>	<b>58,519,025,049</b>
<b>Accumulated depreciation</b>			
<b>As at 1.1.2017</b>	<b>2,031,687,575</b>	<b>38,109,400,005</b>	<b>40,141,087,580</b>
Charge for the year	420,984,455	3,973,162,202	4,394,146,657
Disposals	(506,088,000)	(3,424,495,774)	(3,930,583,774)
<b>As at 31.12.2017</b>	<b>1,946,584,030</b>	<b>38,658,066,433</b>	<b>40,604,650,463</b>
<b>Net book value</b>			
<b>As at 1.1.2017</b>	<b>1,431,204,065</b>	<b>4,199,752,865</b>	<b>5,630,956,930</b>
<b>As at 31.12.2017</b>	<b>2,063,299,610</b>	<b>15,851,074,976</b>	<b>17,914,374,586</b>

As at 31 December 2017, the Company had no outstanding commitments to purchase/sale of tangible fixed assets.

Historical cost of fully depreciated tangible fixed assets but still in use as at 31 December 2017 was VND 33,953,123,446 (As at 31 December 2016: VND 35,220,524,705).

The Company had no tangible fixed assets awaiting disposal as at 31 December 2017.

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## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

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### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION *(continued)*

#### 3.8 Fixed assets *(continued)*

##### (b) Intangible fixed assets

	Computer software VND
<b>Historical cost</b>	
<b>As at 1.1.2017</b>	<b>29,853,565,250</b>
Transfers from construction in progress (Note 3.8(c))	21,773,852,987
New purchases	84,565,589
Disposals	(354,977,811)
<b>As at 31.12.2017</b>	<b>51,357,006,015</b>
<b>Accumulated amortisation</b>	
<b>As at 1.1.2017</b>	<b>26,368,145,854</b>
Charge for the year	5,166,786,603
Disposals	(270,412,222)
<b>As at 31.12.2017</b>	<b>31,264,520,235</b>
<b>Net book value</b>	
<b>As at 1.1.2017</b>	<b>3,485,419,396</b>
<b>As at 31.12.2017</b>	<b>20,092,485,780</b>

Historical cost of fully amortised intangible fixed assets but still in use as at 31 December 2017 was VND 22,784,069,825 (As at 31 December 2016: VND 21,990,858,667).

The Company had no intangible fixed asset awaiting disposal as at 31 December 2017.

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### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION *(continued)*

#### 3.8 Fixed assets *(continued)*

##### (c) Construction in progress

Construction in progress comprises the followings:

	As at 31 December	
	2017 VND	2016 VND
Software purchases	2,755,263,000	5,298,570,886
System setup costs	3,012,405,848	4,052,293,236
Others	1,083,372,928	1,807,447,420
<b>Total</b>	<b>6,851,041,776</b>	<b>11,158,311,542</b>

The movements in the construction in progress during the year were as follows:

	For the year ended 31 December	
	2017 VND	2016 VND
Beginning of year	11,158,311,542	1,807,447,420
Increase during year	30,594,667,027	9,350,864,122
Transfers to tangible fixed assets (Note 3.8(a))	(13,128,083,806)	-
Transfers to intangible fixed assets (Note 3.8(b))	(21,773,852,987)	-
<b>End of year</b>	<b>6,851,041,776</b>	<b>11,158,311,542</b>

#### 3.9 Long-term prepaid expenses

	As at 31 December	
	2017 VND	2016 VND
Office rentals	92,536,208,360	95,368,949,432
Office renovations	1,721,878,064	723,757,334
Office supplies	-	68,128,134
<b>Total</b>	<b>94,258,086,424</b>	<b>96,160,834,900</b>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

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### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION *(continued)*

#### 3.10 Deposits in the Settlement Supporting Fund

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 at the Vietnam Securities Depository and an additional annual contribution equivalent to 0.01% of the total value of brokered securities in the previous year up to the maximum limit of VND2.5 billion in any one year. The maximum amount of contribution is VND20 billion.

As at 31 December 2017, the Company fully contributed the maximum amount.

	As at 31 December	
	2017 VND	2016 VND
Initial contribution	120,000,000	120,000,000
Additional contributions	19,212,583,310	18,224,666,297
Allocated interests	667,416,690	987,917,013
<b>Total</b>	<b>20,000,000,000</b>	<b>19,332,583,310</b>

#### 3.11 Deposits in the Derivatives trading Settlement Fund

According to Policy of management and use of Derivatives trading Settlement Fund attached to Decision No.97/QD-VSD dated 23 March 2017 of the Vietnam Securities Depository, the minimum amount of initial contribution applicable to direct clearing members is VND10 billion.

### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION *(continued)*

#### 3.12 Short-term borrowings

The movements of short-term borrowings during the year are as follows:

	Interest % per annum	Opening balance		Disbursement		Repayment		Closing balance	
		VND	VND	VND	VND	VND	VND	VND	VND
<b>Short-term borrowings (i)</b>									
Bank borrowings	6.8 – 9.0	1,000,000,000,000	-	16,879,200,000,000	(15,674,400,000,000)	-	-	2,204,800,000,000	
Bank overdrafts	6.5 – 7.1	-	-	12,267,235,798,979	(11,992,280,399,605)	-	-	274,955,399,374	
<b>Short-term issued bonds (ii)</b>	<b>9.0</b>	-	-	29,146,435,798,979	(27,666,680,399,605)	-	-	2,479,755,399,374	
<b>Total</b>		<b>1,000,000,000,000</b>	<b>-</b>	<b>29,946,435,798,979</b>	<b>(27,666,680,399,605)</b>	<b>-</b>	<b>-</b>	<b>3,279,755,399,374</b>	

(i) Short-term borrowings have maturities from 1 to 3 months and are used to supplement working capital for operations. Value of collateral assets as at 31 December 2017 was VND4,979,630,897,948 (as at 31 December 2016: VND3,121,000,000,000).

(ii) According to the Board of Directors' Resolution No. 13/2017/ND-HDQT dated 26 October 2017, on 15 December 2017, the Company privately issued 800 bonds at an issue price equal to par value of VND1 billion each. The total issued value was VND800 billion. The issued bonds are unlisted, unsecured, with a tenor of 1 year. Their principals and interests are repaid once at their maturities.

The Company had no short-term borrowings from related parties as at 31 December 2016 and 31 December 2017.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

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### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION *(continued)*

#### 3.13 Trading obligations

	As at 31 December	
	2017 VND	2016 VND
Trading settlement balances with the Stock Exchanges	180,277,721,001	-
Payables to investors relating to their advances for securities purchases	140,557,861,392	17,170,000,000
Payables to Stock Exchanges and VSD	12,392,648,623	4,733,085,057
Other payables	19,197,755,800	15,440,005,800
<b>Total</b>	<b>352,425,986,816</b>	<b>37,343,090,857</b>

#### 3.14 Tax and other payables to the State budget

	As at 1.1.2017 VND	Incurred during the year VND	Paid during the year VND	As at 31.12.2017 VND
Corporate income tax - current	28,854,214,980	137,376,727,470	(117,934,556,700)	48,296,385,750
Personal income tax withheld and paid on behalf of investors	3,547,047,973	83,353,062,175	(75,915,882,430)	10,984,227,718
Corporate income tax withheld and paid on behalf of foreign institutions	4,073,130,728	51,818,669,625	(50,162,867,303)	5,728,933,050
Foreign contractor tax	1,297,255,563	6,569,285,395	(6,267,959,174)	1,598,581,784
Personal income tax withheld and paid on behalf of employees	1,033,089,189	42,701,518,758	(29,974,198,990)	13,760,408,957
Value added tax	336,102,930	3,431,756,756	(3,622,131,105)	145,728,581
<b>Total</b>	<b>39,140,841,363</b>	<b>325,251,020,179</b>	<b>(283,877,595,702)</b>	<b>80,514,265,840</b>

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### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION *(continued)*

#### 3.15 Short-term accrued expenses

	As at 31 December	
	2017 VND	2016 VND
Allowance for working performance	34,000,000,000	12,000,000,000
Interest expenses	9,747,165,820	3,615,835,487
Others	6,273,584,622	3,502,849,447
<b>Total</b>	<b>50,020,750,442</b>	<b>19,118,684,934</b>

#### 3.16 Other short-term liabilities

	As at 31 December	
	2017 VND	2016 VND
Dividends payable to shareholders	82,277,009,573	67,765,947,688
Dividends paid on behalf	2,296,720,302	2,566,598,772
Receipts from investors for their subscriptions of shares from issuers	5,510,000	35,453,170,000
Other payables	7,516,715,221	3,025,391,752
<b>Total</b>	<b>92,095,955,096</b>	<b>108,811,108,212</b>

#### 3.17 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The offset amounts are as follows:

	As at 31 December	
	2017 VND	2016 VND
Deferred tax assets to be recovered within 12 months (i)	2,473,371,361	3,638,284,131
Deferred tax liabilities to be recovered within 12 months (ii)	(17,516,065,627)	-
<b>Total</b>	<b>(15,042,694,266)</b>	<b>3,638,284,131</b>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

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### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION *(continued)*

#### 3.17 *Deferred income tax (continued)*

The gross movement in the deferred income tax, taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	For the year ended 31 December	
	2017 VND	2016 VND
Opening balance	3,638,284,131	-
Income statement (charge)/credit	(1,164,912,770)	3,638,284,131
Recognised directly in equity (Note 3.19)	(17,516,065,627)	-
<b>Closing balance</b>	<b>(15,042,694,266)</b>	<b>3,638,284,131</b>

(i) Details of deferred tax assets are as below:

	As at 31 December	
	2017 VND	2016 VND
<b>Deductible temporary differences:</b>		
Provisions for impairment of overdue margin loans	12,366,856,806	18,191,420,655

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(ii) Details of deferred tax liabilities are as below:

	As at 31 December	
	2017 VND	2016 VND
<b>Taxable temporary differences:</b>		
Revaluation gain of AFS financial assets (Note 3.4)	87,580,328,135	-

The Company uses tax rate of 20% to determine deferred income tax.

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### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION *(continued)*

#### 3.18 *Share capital*

(a) *Number of shares*

	As at 31 December	
	2017	2016
Number of shares registered	129,756,758	127,256,758
Number of shares issued	129,756,758	127,256,758
Number of shares repurchased	(186,390)	(101,390)
<b>Number of existing shares in issue</b>	<b>129,570,368</b>	<b>127,155,368</b>

As at 31 December 2017 and as at 31 December 2016, all of the Company's shares are ordinary shares. Each ordinary share has a par value of VND10,000. Each share is entitled to one vote at meetings of the Company. Shareholders are entitled to receive dividends as declared from time to time. All ordinary shares are ranked equally with regard to the Company's residual assets.

(b) *Movement of share capital*

	Ordinary shares
<b>As at 1 January 2016</b>	<b>127,185,417</b>
Treasury shares repurchased	(30,049)
<b>As at 31 December 2016</b>	<b>127,155,368</b>
New shares issued	2,500,000
Treasury shares repurchased	(85,000)
<b>As at 31 December 2017</b>	<b>129,570,368</b>

#### 3.19 *Revaluation reserve*

	As at 31 December	
	2017 VND	2016 VND
Revaluation gain of AFS financial assets (Note 3.4)	87,580,328,135	-
Less: deferred tax liabilities (Note 3.17)	(17,516,065,627)	-
<b>Total</b>	<b>70,064,262,508</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (continued)

#### 3.20 Undistributed earnings

	As at 31 December	
	2017 VND	2016 VND
Undistributed realised profits	861,985,479,360	628,246,013,560
Unrealised losses	(29,672,602,090)	(56,154,902,185)
<b>Total</b>	<b>832,312,877,270</b>	<b>572,091,111,375</b>

The movement of undistributed earnings in the year is as follows:

	As at 31.12.2016 VND	Profit for the year VND	Dividend declared VND	Appropriation to reserves VND	As at 31.12.2017 VND
Undistributed realised profits	628,246,013,560	527,576,863,647	(233,328,662,400)	(60,508,735,447)	861,985,479,360
Unrealised profits/ (losses)	(56,154,902,185)	26,482,300,095	-	-	(29,672,602,090)
<b>Undistributed earnings</b>	<b>572,091,111,375</b>	<b>554,059,163,742</b>	<b>(233,328,662,400)</b>	<b>(60,508,735,447)</b>	<b>832,312,877,270</b>

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## 4 NOTES TO OFF STATEMENT OF FINANCIAL POSITION ITEMS

### 4.1 Bad debts written off

	As at 31 December	
	2017 VND	2016 VND
Other receivables	345,059,000	345,059,000

### 4.2 Foreign currencies

Included in cash and cash equivalents are balances held in foreign currencies as follows:

	As at 31 December	
	2017 VND	2016 VND
US Dollar	13,402.69	45,182.58
Japanese Yen	240,905	190,755
Singapore Dollar	300	300
British Pound	93.17	100
Taiwanese Dollar	3,200	3,200
Canadian Dollar	100	100

### 4.3 Number of shares in issue

	As at 31 December	
	2017	2016
<b>Ordinary shares</b>		
Quantity issued within 1 year	2,500,000	-
Quantity issued for 1 year or more	127,070,368	127,155,368
<b>Total</b>	<b>129,570,368</b>	<b>127,155,368</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

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### 5 NOTES TO THE STATEMENT OF INCOME

#### 5.1 Net realised gains on disposals of FVTPL financial assets

	For the year ended 31 December	
	2017 VND	2016 VND
Realised gains on disposals of FVTPL financial assets	333,375,626,482	61,894,006,092
<i>In which:</i>		
Underlying securities	223,939,360,482	61,894,006,092
Derivatives	109,436,266,000	-
Realised losses on disposals of FVTPL financial assets	(150,316,077,489)	(14,268,022,902)
<i>In which</i>		
Underlying securities	(51,575,446,569)	(14,268,022,902)
Derivatives	(98,740,630,920)	-
<b>Total</b>	<b>183,059,548,993</b>	<b>47,625,983,190</b>

#### 5.1 Net realised gains on disposals of FVTPL financial assets (continued)

Details of net realised gains from disposals of FVTPL financial assets by category are as follows:

	Quantity disposed	Sales proceeds	Costs of disposals (*)	Realised gains in this year	Realised gains in last year
		VND	VND	VND	VND
Shares	205,436,674	6,804,046,345,700	6,643,496,998,698	160,549,347,002	45,272,817,951
Bonds	2,083,276	209,833,674,929	209,345,346,667	488,328,262	7,000,000
ETF certificates	140,501,240	1,851,275,078,702	1,839,948,840,053	11,326,238,649	2,346,165,239
Realised gains from disposals of underlying securities	348,021,190	8,865,155,099,331	8,692,791,185,418	172,363,913,913	47,625,983,190
Net position gains from future contracts				10,695,635,080	-
<b>Total</b>				<b>183,059,548,993</b>	<b>47,625,983,190</b>

(\*) Costs of shares and fund certificates are determined using weighted average method up to the end of trading dates, while costs of bonds and derivatives are determined using specific identification method.

### 5 NOTES TO THE STATEMENT OF INCOME (continued)

#### 5.2 Gains/(losses) from revaluation of FVTPL financial assets

	For the year ended 31 December	
	2017 VND	2016 VND
Gains from revaluation of FVTPL financial assets	34,575,574,912	5,246,169,979
Losses from revaluation of FVTPL financial assets	(8,093,274,817)	(3,496,595,999)
	<b>26,482,300,095</b>	<b>1,749,573,980</b>

Details of gains/(losses) from revaluation of FVTPL financial assets by category are as follows:

	Cost	Market value/ fair value	Accumulated revaluation gains/(losses) as at 31.12.2017	Accumulated revaluation gains/(losses) as at 31.12.2016	Credited/ (charged) to state- ment of income
	VND	VND	VND	VND	VND
Listed shares and shares traded on UPCoM	613,330,509,297	633,483,284,204	20,152,774,907	(895,782,384)	21,048,557,291
Unlisted and unregistered shares	93,725,137,636	41,622,042,000	(52,103,095,636)	(55,454,582,723)	3,351,487,087
Listed bond	173,114,572,242	175,199,112,192	2,084,539,950	195,462,922	1,889,077,028
ETF certificates	10,132,573,711	10,325,752,400	193,178,689	-	193,178,689
	<b>890,302,792,886</b>	<b>860,630,190,796</b>	<b>(29,672,602,090)</b>	<b>(56,154,902,185)</b>	<b>26,482,300,095</b>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

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### 5 NOTES TO THE STATEMENT OF INCOME (continued)

#### 5.3 Provisions for diminution in value of financial assets and impairment losses and borrowing costs to finance lending activities

	For the year ended 31 December	
	2017 VND	2016 VND
Provisions for impairment loss of financial assets and mortgages (Note 3.3)	13,633,547,520	19,997,479,770
Interest expense	142,391,099,821	45,566,564,138
	<b>156,024,647,341</b>	<b>65,564,043,908</b>

#### 5.4 General and administration expenses

	For the year ended 31 December	
	2017 VND	2016 VND
Staff costs	73,827,837,504	47,531,725,142
Office rental expenses	23,265,856,065	20,608,265,525
Outsourcing expenses	14,610,808,943	14,385,518,961
Depreciation and amortisation	5,672,877,522	3,307,473,096
Office tools and supplies	1,021,349,339	666,139,870
Tax and other fees	282,928,942	360,014,678
Other administrative expenses	4,318,896,815	5,107,104,040
	<b>123,000,555,130</b>	<b>91,966,241,312</b>

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### 5 NOTES TO THE STATEMENT OF INCOME (continued)

#### 5.5 Corporate income tax

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rate of 20% as follows:

	For the year ended 31 December	
	2017 VND	2016 VND
Accounting profit before tax	692,600,803,982	385,383,289,422
Tax at rate of 20%:	138,520,160,796	77,076,657,884
Adjustment:		
Non-taxable income	(2,970,569,520)	(452,565,018)
Non-deductible expenses	2,992,048,964	4,228,215,253
<b>Corporate income tax charge (*)</b>	<b>138,541,640,240</b>	<b>80,852,308,119</b>
Charged/(credited) for the year:		
Corporate income tax – current	137,376,727,470	84,490,592,250
Corporate income tax – deferred (Note 3.17)	1,164,912,770	(3,638,284,131)
	<b>138,541,640,240</b>	<b>80,852,308,119</b>

(\*) The corporate income tax charge for the year is based on estimated taxable income and is subject to review and possible adjustment by the tax authorities.

The tax authorities have finalised corporate income tax up to 31 December 2014.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

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### 5 NOTES TO THE STATEMENT OF INCOME *(continued)*

#### 5.6 Earnings per share

##### (a) Basic earnings per share

According to prevailing regulations, basic earnings per share is calculated by dividing the net profit attributable to shareholders after deducting the bonus and welfare funds by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares repurchased by the Company and held as treasury shares.

As at the date of approval of financial statements, provided that the resolution of Annual General Meeting of shareholders regarding appropriations of post-tax profits for the year 2017 was not available, the net profit amount used for calculation of basic earnings per shares of the year 2017 is not deducted by the amount to be appropriated to bonus and welfare funds. For comparability purpose, the comparative figure of the year 2016 was neither deducted by the amounts appropriated to bonus and welfare funds.

	For the year ended 31 December	
	2017	2016
Net profit after tax attributable to ordinary shareholders (VND)	554,059,163,742	304,530,981,303
Appropriation to bonus and welfare fund	-	-
Weighted average number of ordinary shares in issue (shares)	129,175,546	127,167,449
<b>Basic earnings per share (VND)</b>	<b>4,289</b>	<b>2,395</b>

If the basic earnings per share for the year ended 31 December 2016 was recalculated after deducting the amount appropriated to bonus and welfare funds according to the Resolution of Annual General Meeting of shareholders No. 01/2017/NQ-DHDCD dated 24 April 2017, the revised basic earnings per share would be as follows:

ITEMS	Year ended 31 December 2016		
	Reported figure	Adjustment	Recalculated amount
Net profit after tax attributable to ordinary shareholders (VND)	304,530,981,303	(35,021,062,850)	269,509,918,453
Weighted average number of ordinary shares in issue (shares)	127,167,449		127,167,449
<b>Basic earnings per share (VND)</b>	<b>2,395</b>		<b>2,119</b>

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### 5 NOTES TO THE STATEMENT OF INCOME *(continued)*

#### 5.6 Earnings per share *(continued)*

##### (b) Diluted earnings per share

The Company did not have potentially dilutive ordinary shares.

### 6 NOTES TO THE STATEMENT OF CASH FLOWS

#### 6.1 Major non-cash transactions

	Year ended 31 December	
	2017 VND	2016 VND
Capital increase from bonus and welfare funds (Note 7.1(iii)) (*)	14,000,000,000	-

(\*) This transaction resulted in changes in other payables during the year from decrease by VND 65,868,764,976 to decrease by VND 51,868,764,976.

#### 6.2 Proceeds from borrowings

Proceeds from borrowings are bank overdrafts and loan drawdowns and proceeds from issuance of short-term bonds (Note 3.12).

#### 6.3 Repayments of borrowings

Repayments of borrowings are bank overdrafts repayments and loan repayments (Note 3.12).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

### 7 NOTES TO THE STATEMENT OF CHANGES IN EQUITY

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#### 7.1 Details of changes in equity

	Share capital		Share premium	Treasury share	Revaluation reserve	Supplementary capital reserve	Financial risk and operation reserve		Other equity funds		Undistributed earnings		Total
	VND	VND					VND	VND	VND	VND	VND	VND	
<b>As at 1.1.2016</b>	1,272,567,580,000	310,343,798,499	(770,889,458)	-	101,786,372,632	101,786,372,632	3,961,374,994	489,874,717,764	2,279,549,327,062				
Profit for the year	-	-	-	-	-	-	-	304,530,981,303	304,530,981,303				
Appropriation to bonus and welfare funds (i)	-	-	-	-	-	-	-	(7,465,853,509)	(7,465,853,509)				
Appropriation to the operation fund of BOD (i)	-	-	-	-	-	-	-	(2,559,721,203)	(2,559,721,203)				
Final dividend of year 2015 (i)	-	-	-	-	-	-	-	(118,258,230,840)	(118,258,230,840)				
Interim dividend of year 2016 (ii)	-	-	-	-	-	-	-	(63,577,684,000)	(63,577,684,000)				
Appropriation to statutory reserves (Note 2.19(c))	-	-	-	-	15,226,549,070	15,226,549,070	-	(30,453,098,140)	(30,453,098,140)				
Share repurchases	-	-	(301,367,550)	-	-	-	-	-	(301,367,550)				
<b>As at 31.12.2016</b>	1,272,567,580,000	310,343,798,499	(1,072,257,008)	-	117,012,921,701	117,012,921,702	3,961,374,994	572,091,111,375	2,391,917,451,263				

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### 7 NOTES TO THE STATEMENT OF CHANGES IN EQUITY (continued)

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#### 7.1 Details of changes in equity (continued)

	Share capital		Share premium	Treasury share	Revaluation reserve	Supplementary capital reserve	Financial risk and operation reserve		Other equity funds		Undistributed earnings		Total
	VND	VND					VND	VND	VND	VND	VND	VND	
<b>As at 1.1.2017</b>	1,272,567,580,000	310,343,798,499	(1,072,257,008)	-	117,012,921,701	117,012,921,702	3,961,374,994	572,091,111,375	2,391,917,451,263				
<b>Share issuances (iii)</b>	25,000,000,000	20,000,000,000	-	-	-	-	-	-	45,000,000,000				
Profit for the year	-	-	-	-	-	-	-	554,059,163,742	554,059,163,742				
Appropriation to bonus and welfare funds (iv)	-	-	-	-	-	-	-	(30,453,098,130)	(30,453,098,130)				
Appropriation to the operation fund of BOD (iv)	-	-	-	-	-	-	-	(4,567,964,720)	(4,567,964,720)				
Appropriation to statutory reserves (Note 2.19(c))	-	-	-	-	12,743,836,299	12,743,836,298	-	(25,487,672,597)	(25,487,672,597)				
Final dividend of year 2016 (iv)	-	-	-	-	-	-	-	(155,586,441,600)	(155,586,441,600)				
Share repurchases	-	-	(1,530,000,000)	-	-	-	-	-	(1,530,000,000)				
Valuation of AFS financial assets (Note 3.19)	-	-	-	-	70,064,262,508	-	-	-	70,064,262,508				
Interim dividend of year 2017 (v)	-	-	-	-	-	-	-	(77,742,220,800)	(77,742,220,800)				
<b>As at 31.12.2017</b>	1,297,567,580,000	330,343,798,499	(2,602,257,008)	-	129,756,758,000	129,756,758,000	3,961,374,994	832,312,877,270	2,791,161,152,263				

Partnership

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## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

### 7 NOTES TO THE STATEMENT OF CHANGES IN EQUITY *(continued)*

#### 7.1 *Details of changes in equity (continued)*

(i) According to the Resolution of the Annual General Meeting of Shareholders on 21 April 2016:

- Amount appropriated for bonus and welfare funds was 3.5% of post-tax profit of the year 2015.
- Amount appropriated for operation fund of Board of Directors was 1.2% of post-tax profit of the year 2015.
- Final dividend of the year 2015 was 9.3% of par value, equivalent to VND930/share.
- Provisional rate of dividend of the year 2016 was 12% of par value, equivalent to VND1,200/share.

(ii) According to authorisation of Annual General Meeting of Shareholders on 21 April 2016, the Board of Directors had advanced the interim dividend of the year 2016 in cash at 5% of par value, equivalent to VND500/share.

(iii) The Employee Stock Option Plan 2016 (ESOP 2016) was approved in the Annual General Meeting of shareholders on 21 April 2016. Accordingly, the Company issued 2,500,000 shares to its executives at VND18,000/share. The total issue value was VND45 billion which was sourced from bonus and welfare fund amounting to VND14 billion and contributions of the executives amounting to VND31 billion. The new shares issued are blocked for transfer according to Policy of ESOP 2016 approved by the Board of Directors.

During 2017, the Company repurchased 85,000 shares from resigning employees in which actual cash paid was associated with their contribution and remaining amount was reversed into bonus and welfare fund.

(iv) According to the Resolution of the Annual General Meeting of Shareholders on 24 April 2017:

- Amount appropriated for bonus and welfare funds was 10% of post-tax profit of the year 2016.
- Amount appropriated for operation fund of Board of Directors was 1.5% of post-tax profit of the year 2016.
- Final dividend of the year 2016 was 12% of par value, equivalent to VND1,200/share.
- Planned dividend of the year 2017 was 12% of par value, equivalent to VND1,200/share.

(v) According to authorisation of Annual General Meeting of Shareholders on 24 April 2017, the Board of Directors had advanced the interim dividend of the year 2017 in cash at 6% of par value, equivalent to VND600/share.

### 7 NOTES TO THE STATEMENT OF CHANGES IN EQUITY *(continued)*

#### 7.2 *Distributed earnings*

	For the year ended 31 December	
	2017 VND	2016 VND
Undistributed earnings brought forward	628,246,013,560	547,779,193,929
Unrealised losses incurred in the year	(29,672,602,090)	(56,154,902,185)
Realised profits incurred in the year	527,576,863,647	302,781,407,323
Appropriations of retaining earnings:	(60,508,735,447)	(40,478,672,852)
<i>To supplementary capital reserve</i>	<i>(12,743,836,299)</i>	<i>(15,226,549,070)</i>
<i>To financial and operational risk reserve fund</i>	<i>(12,743,836,298)</i>	<i>(15,226,549,070)</i>
<i>To bonus and welfare funds</i>	<i>(30,453,098,130)</i>	<i>(7,465,853,509)</i>
<i>To operation fund of Board of Directors</i>	<i>(4,567,964,720)</i>	<i>(2,559,721,203)</i>
<b>Distributable profits</b>	<b>1,065,641,539,670</b>	<b>753,927,026,215</b>
Dividend declared	233,328,662,400	181,835,914,840
Income tax withheld	(1,884,872,850)	(1,719,771,001)
<b>Net amount distributed to shareholders</b>	<b>231,443,789,550</b>	<b>180,116,143,839</b>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

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### 8 RELATED PARTIES DISCLOSURES

Identified related parties and relationships are presented below:

Related party	Relationship
Dragon Capital Markets Limited (DC)	Strategic shareholder – holding 30.27% of charter capital. The Company's Vice Chairman of the Board of Directors is the Deputy General Director of DC Group. 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 28.90% of charter 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 Investment Department at HFIC.
PXP Vietnam Emerging Equity Fund Limited	Strategic shareholder – holding 7.21% of charter capital.
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
Norges Bank 3	DC's subsidiary
Aquila SPC Ltd	DC's subsidiary
Draig Ltd	DC's subsidiary
Idris Ltd	DC's subsidiary
Dragon Financial Holdings Limited	DC's subsidiary
DC Developing Markets Strategies Public Limited Company	DC's subsidiary
Board of Directors and Board of Management	Key management

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### 8 RELATED PARTIES DISCLOSURES *(continued)*

#### (a) Related party transactions

During the year, the significant transactions with related parties comprise the followings:

	For the year ended 31 December	
	2017 VND	2016 VND
<b>Dragon Capital Markets Limited (DC)</b>		
Brokerage service - purchases	127,095,500,000	292,355,597,000
Brokerage service - sales	468,864,015,980	15,870,000,000
Brokerage fee income	547,535,426	392,876,146
Consultancy expenses	6,820,500,000	8,783,430,000
Dividend paid	70,701,858,000	56,168,698,300
<b>Ho Chi Minh Finance and Investment State-owned Company (HFIC)</b>		
Dividend paid	67,500,000,000	53,625,000,000
<b>Vietnam Debt Fund SPC (VDF)</b>		
Brokerage service - purchases	211,899,500,000	-
Brokerage service - sales	212,522,000,000	-
Brokerage fee income	84,884,300	-
<b>Cam Vietnam Mother Fund</b>		
Brokerage service - purchases	-	756,183,382,010
Brokerage service - sales	-	593,140,632,250
Brokerage fee income	-	1,949,211,849
<b>Amersham Industries Limited</b>		
Brokerage service - purchases	125,238,166,000	291,458,104,000
Brokerage service - sales	1,299,911,062,090	894,831,199,210
Brokerage fee income	2,137,723,847	1,779,433,967
<b>Vietnam Enterprise Investments Limited</b>		
Brokerage service - purchases	106,346,053,500	124,900,609,000
Brokerage service - sales	280,529,020,840	369,626,470,740
Brokerage fee income	580,312,614	741,790,624
<b>Vietnam Property Fund Limited</b>		
Brokerage service - sales	-	72,177,700,000
Brokerage fee income	-	108,266,500

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

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### 8 RELATED PARTIES DISCLOSURES *(continued)*

#### (a) Related party transactions *(continued)*

	For the year ended 31 December	
	2017 VND	2016 VND
<b>Norges Bank 3</b>		
Brokerage service - purchases	445,022,158,700	-
Brokerage service - sales	581,399,653,940	-
Brokerage fee income	1,539,632,724	-
<b>DC Developing Markets Strategies Public Limited Company</b>		
Brokerage service - purchases	312,243,370,800	180,559,543,020
Brokerage service - sales	360,463,051,000	61,205,063,300
Brokerage fee income	1,009,059,640	362,636,637
<b>Aquila SPC Limited</b>		
Brokerage service - purchases	466,954,938,980	-
Brokerage service - sales	56,768,352,000	-
Brokerage fee income	785,584,939	-
<b>Draig Limited</b>		
Brokerage service - purchases	194,807,772,000	-
Brokerage service - sales	211,345,122,000	-
Brokerage fee income	609,229,344	-
<b>Idris Limited</b>		
Brokerage service - purchases	133,529,133,500	-
Brokerage service - sales	18,386,400,000	-
Brokerage fee income	227,873,300	-
<b>Dragon Financial Holdings Limited</b>		
Brokerage service - purchases	-	-
Brokerage service - sales	8,243,205,000	-
Brokerage fee income	12,364,808	-
<b>Compensation of key management</b>		
Gross salaries and other benefits	24,735,439,736	17,849,168,003

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### 8 RELATED PARTIES DISCLOSURES *(continued)*

#### (b) Year-end balances with related parties

	As at 31 December	
	2017 VND	2016 VND
<b>Dragon Capital Markets Limited (DC)</b>		
Other receivables (Note 3.5)	458,772,233,092	-
Dividend payable	23,999,023,561	19,639,405,000
<b>Ho Chi Minh Finance and Investment State-owned Company (HFIC)</b>		
Deposits for securities trading	24,933,079	24,829,079
Dividend payable	22,910,632,470	18,750,000,000
<b>DC Developing Markets Strategies Public Limited Company</b>		
Advance for purchases of bonds	81,546,445,192	-
<b>Aquila SPC Ltd</b>		
Advance for purchases of bonds	18,464,000,000	-

### 9 SEGMENT REPORTING

#### (a) Geographical segments

The principal activities of the Company are carried out within Vietnam territory. Risks and returns of the Company are not materially affected by distinctions between geographical areas. On this ground, the Board of Management determines that the Company has only one geographical segment.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

### 9 SEGMENT REPORTING (continued)

#### (b) Business activity segments

Information of segment income and expenses based on the activities of the Company is as follows:

#### For the year ended 31 December 2017

	Brokerage and services VND	Trading VND	Lending VND	Consultancy VND	Others VND	Total VND
Income	608,665,571,371	428,248,267,000	441,683,487,597	45,178,947,072	16,544,363,452	1,540,320,636,492
Expenses	(426,937,942,484)	(165,740,379,166)	(235,214,978,816)	(19,811,173,982)	(15,358,062)	(847,719,832,510)
Profits before tax	181,727,628,887	262,507,887,834	206,468,508,781	25,367,773,090	16,529,005,390	692,600,803,982

#### For the year ended 31 December 2016

	Brokerage and services VND	Trading VND	Lending VND	Consultancy VND	Others VND	Total VND
Income	354,014,104,959	69,534,501,163	374,225,382,259	24,601,902,383	2,658,276,843	825,034,167,607
Expenses	(211,926,829,410)	(23,567,021,196)	(192,731,486,224)	(9,996,332,411)	(1,429,208,944)	(439,650,878,185)
Profits before tax	142,087,275,549	45,967,479,967	181,493,896,035	14,605,569,972	1,229,067,899	385,383,289,422

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### 9 SEGMENT REPORTING (continued)

#### (b) Business activity segments (continued)

Information of segment assets and liabilities based on the activities of the Company is as follows:

#### As at 31 December 2017

	Brokerage and services VND	Trading VND	Lending VND	Consultancy VND	Others VND	Unallocated VND	Total VND
Assets	914,328,964,773	1,259,885,805,297	4,473,823,171,871	2,487,194,998	12,564,616,915	17,482,289,667	6,680,572,043,521
Liabilities	438,091,354,185	15,042,694,266	3,289,502,565,194	-	3,634,594,803	143,139,682,810	3,889,410,891,258
Net assets	476,237,610,588	1,244,843,111,031	1,184,320,606,677	2,487,194,998	8,930,022,112	(125,657,393,143)	2,791,161,152,263

#### As at 31 December 2016

	Brokerage and services VND	Trading VND	Lending VND	Consultancy VND	Others VND	Unallocated VND	Total VND
Assets	556,090,303,345	306,371,695,555	2,732,765,149,458	1,796,274,005	13,735,560,734	6,083,351,591	3,616,842,334,688
Liabilities	78,102,715,836	-	1,003,615,835,487	-	1,221,786,220	141,984,545,882	1,224,924,883,425
Net assets	477,987,587,509	306,371,695,555	1,729,149,313,971	1,796,274,005	12,513,774,514	(135,901,194,291)	2,391,917,451,263

Partnership

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## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

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### 10 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to market risk, credit risk and liquidity risk. The Company's overall risk management strategy seeks to minimise the adverse effect of these risks on the Company's financial performance.

The Board of Management is responsible for setting the objectives and underlying principles of financial risk management for the Company. The Board of Management establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Financial risk management is carried out by finance personnel. The finance personnel measure actual exposures against the limits set and prepare regular reports for the review of the Board of Management.

The information presented below is based on information received by the Board of Management.

#### (a) Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company. It arises principally from cash at banks, financial assets, receivables and other assets.

##### *Balances with banks*

All the bank balances are placed with local financial institutions which have high credit ratings.

##### *Financial assets at fair value through profit or loss*

The Company's listed securities will only be traded on the Ho Chi Minh City Stock Exchange and the Hanoi Stock Exchange or with counterparties which have a specified credit rating. All securities transactions are settled or paid for upon receipt/ delivery of securities via approved brokers. The risk of default is considered minimal since the delivery of securities for sales transaction is made only once payment has been received and delivery of funds for purchase transaction is only made once the securities have been received. If either party fails to meet their obligations, the trade will fail.

##### *Trading advances*

The trading advances are collected from Vietnam Securities Depository which is a state-owned entity and has no history of payment defaults.

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### 10 FINANCIAL RISK MANAGEMENT *(continued)*

#### (a) Credit risk *(continued)*

##### *Margin loans*

Margin loans are secured by eligible securities listed on Ho Chi Minh City Stock Exchange ("HOSE") and Hanoi Stock Exchange ("HNX"), customers' cash and trading proceeds. Under the local rules, the loan limit is set at 50% of the eligible securities' value. Eligible securities are defined by the Stock Exchanges based on a number of criteria including liquidity and frequently updated.

Customers Securities department has continuous review of margin loan report which includes balances, collateral assets and margin ratio. When the secured margin ratio falls below 40% (regulated level: 30%), the system alerts and the Company makes margin calls. When the secured margin ratio falls below 30%, the Company forcedly sells out collateral assets to collect the loans.

##### *Receivables and other assets*

Credit exposure is restricted by transacting with counterparties with high credit ratings and obtaining security where necessary.

Credit risk exposure includes the following balances:

	As at 31 December	
	2017 VND	2016 VND
Cash at bank (Note 3.1)	195,756,571,187	59,579,109,106
Loans (Note 3.3)	4,501,592,303,606	2,750,945,233,394
Receivables (Note 3.5)	517,622,386,490	405,176,083,456
<b>Total credit risk exposure</b>	<b>5,214,971,261,283</b>	<b>3,215,700,425,956</b>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

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### 10 FINANCIAL RISK MANAGEMENT (continued)

#### (b) Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate according to changes in market prices. The Company's market risks include interest rate risk, currency risk and other price risk, such as share price risk.

The Company manages this risk through the careful selection of securities and other financial instruments within specified limits.

- Interest rate risk

The Company is exposed to interest rate risk mainly on its borrowings and deposits at banks.

The Company's borrowings, deposits placed with banks and margin loans are at fixed rates and due in short term so interest rate risk is minimal.

- Currency risk

Currency risk is the risk that the value of the Company's financial instruments will be affected by changes in exchange rates. The Company is incorporated and operates in Vietnam, with its reporting currency being Vietnamese Dong and its transactional currency being also Vietnamese Dong. The Company's business is exposed to foreign currency risk arising from various currency exposures, primarily US Dollar ("USD").

The Company's currency exposure to the USD is as follows:

	Original currency USD		Equivalent to VND	
	2017	2016	2017	2016
<b>Financial assets</b>				
Cash	13,402.69	45,182.58	300,812,705	1,026,548,218
<b>Financial liabilities</b>	-	-	-	-
<b>Net financial assets</b>	<b>13,402.69</b>	<b>45,182.58</b>	<b>300,812,705</b>	<b>1,026,548,218</b>
<b>Currency exposure</b>	<b>13,402.69</b>	<b>45,182.58</b>	<b>300,812,705</b>	<b>1,026,548,218</b>

At 31 December 2017, if the USD had strengthened/weakened by 10% (estimated % change in exchange rate) against the VND with all other variables being held constant, the Company's profit after tax for the year would have been VND24,065,016 higher/lower as a result of foreign exchange gains/(losses) on translation of USD - denominated financial instruments. (At 31 December 2016: VND82,123,857).

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### 10 FINANCIAL RISK MANAGEMENT (continued)

#### (b) Market risk (continued)

- Share price risk

Listed and unlisted shares held by the Company are affected by market risks due to the uncertainty in the future value of invested shares that can result in an increase/decrease in the provision for diminution in value of investments. The Company manages its share price risk by setting up investment limits. The Investment Committee also considers and approves decisions on investment in shares.

As at 31 December 2017, should the prices of the securities had increased/decreased by 10% with all other variables being held constant including tax rate, the Company's profit after tax would have been higher/lower by VND 68,850,415,264 (As at 31 December 2016: higher/ lower VND 24,509,735,644).

#### (c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in performing financial obligations due to capital shortage.

The Company's approach to managing liquidity risk is to ensure that it will always have sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The table below presents the Company's financial liabilities at contractual undiscounted cash flows falling due in 1 year:

	As at 31 December	
	2017 VND	2016 VND
Short-term borrowings	2,479,755,399,374	1,000,000,000,000
Short-term issued bonds	800,000,000,000	-
Trading obligations	352,425,986,816	37,343,090,857
Short-term trade account payables	3,326,671,321	2,936,065,430
Short-term accrued expenses	50,020,750,442	19,118,684,934
Other short-term payables	92,095,955,096	108,811,108,212
<b>Total financial liabilities</b>	<b>3,777,624,763,049</b>	<b>1,168,208,949,433</b>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

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### 10 FINANCIAL RISK MANAGEMENT *(continued)*

#### (d) Capital risk management

Capital Adequacy Ratio (“CAR”) is the ratio of the Company’s capital to its risks. CAR measures the Company’s ability to meet its financial liabilities and absorb certain losses resulting from risks.

CAR is calculated and presented in the Company’s monthly report in accordance with Circular 87/2017/TT-BTC issued by the Ministry of Finance on 15 August 2017 (“Circular 87/2017/TT-BTC”) regulating requirements of capital adequacy ratio applicable to securities business organisations and remedies for non-compliance. According to Circular 87/2017/TT-BTC, the Company is required to maintain a prescribed minimum level of CAR of 180%.

As at 31 December 2017, the Company’s CAR was 526%.

### 11 OPERATING LEASE COMMITMENTS

The Company is currently renting offices under operating leases. The future minimum lease payments under non-cancellable operating leases were as follows:

	As at 31 December	
	2017 VND	2016 VND
Within 1 year	15,850,298,640	10,316,776,453
Between 1 and 5 years	22,909,929,695	19,649,844,390
<b>Total minimum payments</b>	<b>38,760,228,335</b>	<b>29,966,620,843</b>

### 12 COMPARATIVE FIGURES

Certain comparative figures have been restated and reclassified to conform to the current year’s presentation under Circular 334/2016/TT-BTC, in particular:

#### (a) Statement of financial position

Code	ITEMS	As at 31 December 2016		
		Previously reported VND	Restatement/ reclassification VND	Restated VND
<b>100</b>	<b>CURRENT ASSETS</b>			
112	Financial assets at fair value through profit or loss (FVTPL)	306,371,695,555	-	306,371,695,555
	<b>LIABILITIES</b>			
	<b>Current liabilities</b>			
318	Trading obligations	32,610,005,800	4,733,085,057	37,343,090,857
325	Short-term accrued expenses	23,851,769,991	(4,733,085,057)	19,118,684,934

#### (b) Statement of income

Code	ITEMS	Year ended 31 December 2016		
		Previously reported VND	Reclassification VND	Restated VND
	<b>OPERATING INCOME</b>			
08	Investment consultancy service income	24,601,902,383	(24,601,902,383)	-
10	Financial consultancy service income	-	24,601,902,383	24,601,902,383
	<b>OPERATING EXPENSES</b>			
29	Investment consultancy expenses	(9,996,332,411)	9,996,332,411	-
31	Financial consultancy expenses	-	(9,996,332,411)	(9,996,332,411)

Item No. 400 was restated as follows:

- The amount was changed from being total of items No. 200 and No. to being total of items from No. 301 to No. 304.

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## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2017

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### 12 COMPARATIVE FIGURES *(continued)*

#### (c) Statement of cash flows

Item No. 30 was restated as follows:

- Renamed from “Profits before changes in working capital” to “Changes in working capital”;
- The amount was changed from being total of items No. 01 and No. 10 and No. 18 to being total of items from No. 31 to No. 52.

Other items were restated/reclassified as follows:

Year ended 31 December 2016				
Code	ITEMS	Previously reported	Restatement/reclassification	Restated
		VND	VND	VND
<b>Cash flows from operating activities</b>				
06	Interest expenses	-	45,677,564,138	45,677,564,138
07	Gains on disposals of fixed assets	(789,590,907)	(1,078,380,134)	(1,867,971,041)
41	(Decrease)/increase in accrued expenses	5,881,198,227	(4,733,085,057)	1,148,113,170
44	Interest paid	-	(42,965,365,923)	(42,965,365,923)
45	Decrease/(increase) in trade payable	(441,190,555)	4,733,085,057	4,291,894,502
50	Increase in other payables	27,223,376,032	(1,633,818,081)	25,589,557,951

### 13 SUBSEQUENT EVENTS

On 10 January 2018, the Board of Directors approved to establish its South Sai Gon transaction office at 9<sup>th</sup> floor of Etown Central Building, No.11 Doan Van Bo Street, Ward 12, District 4, Ho Chi Minh City.

Other than this fact, there have been no subsequent events occurring after the reporting date which would require adjustments or disclosures to be made in these financial statements.

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### 14 OPERATIONAL FACTS

Volume and value of transactions during the year

	Volume of transactions during the year	Value of transactions during the year
	VND	VND
<b>a) Of the Company</b>		
Shares	403,985,879	11,327,457,849,568
Bonds	169,181,265	17,821,650,446,240
<b>b) Of Investors</b>		
Shares	10,013,987,653	277,176,165,444,797
Bonds	1,067,633,702	111,450,253,322,594
	<b>11,654,788,499</b>	<b>417,775,527,063,199</b>

The financial statements were approved by the Board of Management on 22 March 2018.

# OPERATION NETWORK

## HO CHI MINH CITY

### 1. HEAD OFFICE

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

Tel: +84-28 3823 3299

Fax: +84-28 3823 3301

### 2. LE LAI TRANSACTION OFFICE

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

Tel: +84-28 3829 3826

Fax: +84-28 3823 2621

### 3. THAI VAN LUNG TRANSACTION OFFICE

Level 1, Capital Place Building, 6 Thai Van Lung, District 1, Ho Chi Minh City

Tel: +84-28 3823 2981

Fax: +84-28 3823 2982

### 4. TRAN HUNG DAO TRANSACTION OFFICE

Level 1&2, 569-571-573 Tran Hung Dao, District 1, Ho Chi Minh City

Tel: +84-228 3836 4189

Fax: +84-8 3836 4198

### 5. NGUYEN THI MINH KHAI TRANSACTION OFFICE

Level 6A, Sai Gon Giai Phong Building, 436 - 438 Nguyen Thi Minh Khai, District 3, Ho Chi Minh City

Tel: +84-28 3929 2068

Fax: +84-28 3929 2069

### 6. NGUYEN VAN TROI TRANSACTION OFFICE

Ground Floor, Centre Point Building, 106 Nguyen Van Troi, Phu Nhuan District, Ho Chi Minh City

Tel: +84-28 3997 2836

Fax: +84-28 3997 2837

## HA NOI

### 7. HA NOI MAIN OFFICE

Level 2, CornerStone Building, 16 Phan Chu Trinh, Hoan Kiem District, Hanoi

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Fax: +84-24 3933 4822

### 8. KIM LIEN TRANSACTION OFFICE

Level 18, VCCI Building, 9 Dao Duy Anh, Dong Da District, Hanoi

Tel: +84-24 3574 5599

Fax: +84-24 3574 5959

### 9. LANG HA TRANSACTION OFFICE

Level 6, Vinaconex Building, 34 Lang Ha, Dong Da District, Hanoi

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Fax: +84-24 3776 7101

### 10. HOAN KIEM TRANSACTION OFFICE

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