

HO CHI MINH CITY SECURITIES CORPORATION

**REPORT ON LIQUID CAPITAL RATIO
AS AT 30 JUNE 2017**



HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON LIQUID CAPITAL RATIO AS AT 30 JUNE 2017

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HO CHI MINH CITY SECURITIES CORPORATION

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

Mr. Do Hung Viet	Chairman
Mr. Le Anh Minh	Vice Chairman
Mr. Nguyen Thanh Liem	Vice Chairman
Mr. Pham Nghiem Xuan Bac	Member
Mr. Le Thang Can	Member
Mr. Johan Nyvene	Member
Mr. Le Hoang Anh	Member

Board of Management

Mr. Johan Nyvene	Chief Executive Officer
Mr. Trinh Hoang 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

Mr. Johan Nyvene	Chief Executive Officer
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Registered office

5-6th Floor, AB Tower, 76 Le Lai Street,
Ben Thanh Ward, District 1, Ho Chi Minh City, Vietnam

Auditor

PwC (Vietnam) Limited

HO CHI MINH CITY SECURITIES CORPORATION

STATEMENT OF THE RESPONSIBILITY OF THE BOARD OF MANAGEMENT IN RESPECT OF THE REPORT ON LIQUID CAPITAL RATIO

The Board of Management of Ho Chi Minh City Securities Corporation ("the Company") is responsible for preparation of the report on liquid capital ratio as at 30 June 2017 ("the Report") in accordance with Circular No. 226/2010/TT-BTC dated 31 December 2010 ("Circular 226"), Circular No. 165/2012/TT-BTC dated 9 October 2012 ("Circular 165") of the Ministry of Finance and prevailing regulations applicable to securities companies operating in Vietnam. In preparing the Report, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently; and
- make judgments and estimates that are reasonable and prudent.


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 report on the liquid capital ratio to be prepared which comply with the basis of accounting set out in Note 2 and Note 3 to the Report. 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 REPORT ON LIQUID CAPITAL RATIO

We hereby approve the accompanying report on liquid capital ratio as set out on pages 5 to 26. The Report was prepared and presented in accordance with Circular 226, Circular 165 and prevailing regulations applicable to securities companies operating in Vietnam.

On behalf of the Board of Management




Johan Nyvene
Chief Executive Officer

Ho Chi Minh City, Vietnam
11 August 2017



REVIEW REPORT ON INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF HO CHI MINH CITY SECURITIES CORPORATION

We have reviewed the accompanying report on liquid capital ratio as at 30 June 2017 ("the Report") of Ho Chi Minh City Securities Corporation ("the Company") and explanatory notes as set out on pages 5 to 26. The Report was approved by the Board of Management on 11 August 2017.

The Board of Management's Responsibility for the Report

The Board of Management is responsible for the preparation and presentation of the Report in accordance with Circular No. 226/2010/TT-BTC dated 31 December 2010 ("Circular 226"), Circular No. 165/2012/TT-BTC dated 9 October 2012 ("Circular 165") of the Ministry of Finance and prevailing regulations applicable to securities companies operating in Vietnam and responsible for such internal control which the Board of Management determines is necessary to enable the preparation and fair presentation of the Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the Report based on our review. We conducted our review in accordance with Vietnamese Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*.

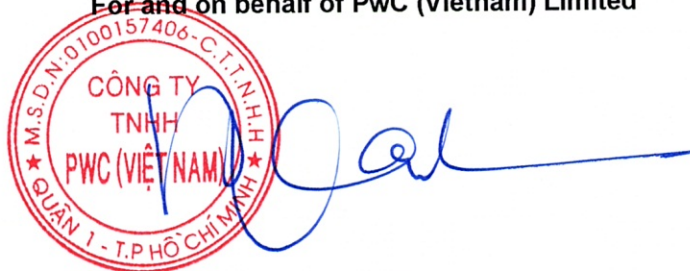
A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Vietnamese Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Auditor's Conclusion

Based on our review, in all material respects, nothing has come to our attention that causes us to believe that the Report is not prepared and presented in accordance with Circular 226, Circular 165 and prevailing regulations applicable to securities companies operating in Vietnam.

For and on behalf of PwC (Vietnam) Limited



Nguyen Hoang Nam
Audit Practising Licence No. 0849-2017-006-1
Authorised signatory

Report reference number: HCM6356
Ho Chi Minh City, 11 August 2017

Ho Chi Minh City Securities Corporation
Ref:

SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness

Re: Report on Liquid Capital Ratio

Ho Chi Minh City, 11 August 2017

To: The State Securities Commission

REPORT ON LIQUID CAPITAL RATIO

As at 30 June 2017

We undertake that:


- (1) The Report is prepared on the basis of data updated as at the date of the report in accordance with Circular No. 226/2010/TT-BTC dated 31 December 2010 and Circular No. 165/2012/TT-BTC dated 9 October 2012 of the Ministry of Finance regulating financial prudential requirements applicable to securities business organisations and measures for non-compliance;
- (2) For matters that may affect the financial position of the Company after the date of this report, we will update them in the next reporting period;
- (3) We are fully responsible under the laws for the accuracy and truthfulness of the contents of the Report.

Chief Financial Officer



Lam Huu Ho

Head of Internal Control



Bui Thi Ngoc Thao

Chief Executive Officer



The red circular stamp contains the text: "S. Q. D. I. A. C. T. C. T. Q.", "CÔNG TY CỔ PHẦN CHỨNG KHOÁN", "TP. HỒ CHÍ MINH", and "QUẬN 1 TP. HỒ CHÍ MINH".

Johan Nyvene

HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON LIQUID CAPITAL RATIO
AS AT 30 JUNE 2017

SUMMARY OF RISK VALUE AND LIQUID CAPITAL

Unit: VND

No.	Indices	Risk value/ Liquid capital
1	Total market risk value	273,680,264,139
2	Total payment risk value	44,674,010,180
3	Total operational risk value	107,598,311,207
4	Total risk value (4 = 1 + 2 +3)	425,952,585,526
5	Liquid capital	2,404,086,970,896
6	Liquid capital ratio (6 =5/4)	564%

The notes on pages 18 to 26 are an integral part of this Report.

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON LIQUID CAPITAL RATIO
AS AT 30 JUNE 2017

I. LIQUID CAPITAL

NO.	DESCRIPTION	LIQUID CAPITAL		
		Liquid capital VND	Deduction VND	Increase VND
A	Capital resources	(1)	(2)	(3)
1	Equity capital excluding redeemable preference shares	1,297,567,580,000		
2	Share premium	330,343,798,499		
3	Treasury shares	(1,072,257,008)		
4	Capital supplement reserve	117,012,921,701		
5	Investment and development fund	-		
6	Financial reserve	117,012,921,702		
7	Other funds within equity capital	3,961,374,994		
8	Accumulated profits and undistributed profits before statutory provisions	688,963,493,213		
9	Reserve of revaluation of assets (50% increase or 100% decrease)	-		
10	Foreign exchange differences	-		
11	Interest of minority shareholders	-		
12	Convertible debts			-
13	Entire decrease or increase portion of securities in financial investments		12,833,372,646	41,707,562,506
1A	Total			2,582,664,022,961

The notes on pages 18 to 26 are an integral part of this Report.

HO CHI MINH CITY SECURITIES CORPORATION

**NOTES TO THE REPORT ON LIQUID CAPITAL RATIO
AS AT 30 JUNE 2017**

I. LIQUID CAPITAL (continued)

NO.	DESCRIPTION	LIQUID CAPITAL		
		Liquid capital VND	Deduction VND	Increase VND
B	Current assets	(1)	(2)	(3)
I	Cash and cash equivalents			
II	Short-term financial investments			
1.	Short-term investments			
	Securities with potential market risks in accordance with Clause 2 of Article 8			
	Securities deducted from liquid capital in accordance with Clause 5 of Article 5		-	
2.	Provision for diminution in value of short-term investments			
III	Short-term receivables, including balances from entrustment activities			
1.	Trade receivables			
	Trade receivables with a remaining payment period of 90 days or less			
	Trade receivables with a remaining payment period of more than 90 days		-	
2.	Prepayments to suppliers		1,956,926,315	
3.	Short-term internal receivables			
	Internal receivables with a remaining payment period of 90 days or less			
	Internal receivables with a remaining payment period of more than 90 days		-	

The notes on pages 18 to 26 are an integral part of this Report.

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON LIQUID CAPITAL RATIO
AS AT 30 JUNE 2017

I. LIQUID CAPITAL (continued)

NO.	DESCRIPTION	LIQUID CAPITAL		
		Liquid capital VND	Deduction VND	Increase VND
B	Current assets (continued)	(1)	(2)	(3)
III	Short-term receivables, including balances from entrustment activities (continued)			
4.	Receivables from securities trading activities			
	Receivables from securities trading activities with a remaining payment period of 90 days or less			
	Receivables from securities trading activities with a remaining payment period of more than 90 days		-	
5.	Other receivables			
	Other receivables with a remaining payment period of 90 days or less			
	Other receivables with a remaining payment period of more than 90 days		-	
6.	Provision for doubtful short-term receivables			
IV	Inventories		-	
V	Other current assets			
1.	Short-term prepaid expenses		5,770,738,554	
2.	Deductible VAT			
3.	Taxes and other receivables from the State			
4.	Other current assets			
4.1	Advances			
	Advances with a remaining reimbursement period of 90 days or less			
	Advances with a remaining reimbursement period of more than 90 days		-	
4.2	Other receivables, other current assets		-	
1B	Total			7,727,664,869

The notes on pages 18 to 26 are an integral part of this Report.

HO CHI MINH CITY SECURITIES CORPORATION

**NOTES TO THE REPORT ON LIQUID CAPITAL RATIO
AS AT 30 JUNE 2017**

I. LIQUID CAPITAL (continued)

NO.	DESCRIPTION	LIQUID CAPITAL		
		Liquid capital VND	Deduction VND	Increase VND
C	Non-current assets	(1)	(2)	(3)
I	Long-term receivables, including balances from entrustment activities			
1.	Long-term trade receivables			
	Long-term trade receivables with a remaining payment period of 90 days or less			
	Long-term trade receivables with a remaining payment period of more than 90 days		-	
2.	Capital in dependent entities		-	
3.	Long-term internal receivables			
	Long-term internal receivables with a remaining payment period of 90 days or less			
	Long-term internal receivables with a remaining payment period of more than 90 days		-	
4.	Other long-term receivables			
	Other long-term receivables with a remaining payment period of 90 days or less			
	Other long-term receivables with a remaining payment period of more than 90 days		-	
1.5	Provision for doubtful long-term receivables		-	

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HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON LIQUID CAPITAL RATIO
AS AT 30 JUNE 2017

I. LIQUID CAPITAL (continued)

NO.	DESCRIPTION	LIQUID CAPITAL		
		Liquid capital VND	Deduction VND	Increase VND
C	Non-current assets (continued)	(1)	(2)	(3)
II	Fixed assets		36,204,435,122	
III	Investment properties		-	
IV	Long-term financial investments			
1.	Investments in subsidiaries		-	
2.	Investments in associates and joint ventures		-	
3.	Long-term securities investments			
	Securities with potential market risks in accordance with Clause 2 of Article 8			
	Securities deducted from Liquid capital in accordance with Clause 5 of Article 5		-	
4.	Other long-term investments		-	
5.	Provision for diminution in value of long-term financial investments			
V	Other non-current assets		134,644,952,074	
VI	Asset items considered as qualified items in audited annual financial statements without being deducted in accordance with Article 5		-	
1C	Total			170,849,387,196
	LIQUID CAPITAL = 1A-1B-1C			2,404,086,970,896

Note: The figures being not applicable for preparing the liquid capital spreadsheet will not be shown.

The notes on pages 18 to 26 are an integral part of this Report.

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON LIQUID CAPITAL RATIO
AS AT 30 JUNE 2017

I. RISK VALUE SPREADSHEET

A. Market risk value

<i>Investment items</i>		<i>Risk coefficient</i>	<i>Risk exposure VND</i>	<i>Risk value VND</i>
		(1)	(2)	(3) = (1) x (2)
I.	Cash and cash equivalents, money market instruments			-
1.	Cash (VND)	0%	36,726,018,353	-
2.	Cash equivalents	0%	-	-
3.	Valuable papers, instruments transferable in the money market	0%	-	-
II.	Government bonds			-
4.	Interest-free government bonds	0%	-	-
5.	Coupon government bonds			
5.1	Government bonds, government bonds of OECD countries, or bonds guaranteed by the Governments or Central Banks of these countries, bonds issued by international organisations like IBRD, ADB, IADB, AfDB, EIB and EBRD	3%	-	-
5.2	Municipal bonds guaranteed by the Government, or the Ministry of Finance, with a remaining maturity period of less than 1 year;	3%	-	-
	Municipal bonds guaranteed by the Government, or the Ministry of Finance, with a remaining maturity period of 1 to 5 years;	4%	-	-
	Municipal bonds guaranteed by the Government, or the Ministry of Finance, with a remaining maturity period of 5 years or more;	5%	-	-

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HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON LIQUID CAPITAL RATIO
AS AT 30 JUNE 2017

II. RISK VALUE SPREADSHEET (continued)

A. Market risk value (continued)

<i>Investment items</i>		<i>Risk coefficient</i>	<i>Risk exposure VND</i>	<i>Risk value VND</i>
		(1)	(2)	(3) = (1) x (2)
III.	Corporate bonds			-
6.	Listed bonds with a remaining maturity period of less than 1 year, including convertible bonds	8%	-	-
	Listed bonds with a remaining maturity period of 1 to 5 years, including convertible bonds	15%	-	-
	Listed bonds with a remaining maturity period of 5 years or more, including convertible bonds	20%	-	-
7.	Unlisted bonds with a remaining maturity period of less than 1 year, including convertible bonds	25%	-	-
	Unlisted bonds with a remaining maturity period of 1 to 5 years, including convertible bonds	30%	-	-
	Unlisted bonds with a remaining maturity period of 5 years or more, including convertible bonds	40%	-	-
IV.	Shares			240,509,572,485
8.	Ordinary shares, preference shares of organisations listed in the Ho Chi Minh Stock Exchange, open-ended fund certificates	10%	591,564,434,070	59,156,443,407
9.	Ordinary shares, preference shares of organisations listed in the Hanoi Stock Exchange	15%	5,454,604,600	818,190,690
10.	Ordinary shares, preference shares of unlisted public companies, registered for trading through the UpCom	20%	2,335,037,732	467,007,546
11.	Ordinary shares, preference shares of public companies registered for depositing, but not listed or registered for trading; shares in an Initial Public Offering (IPO)	30%	16,267,655,912	4,880,296,774
12.	Shares of other public companies	50%	350,375,268,136	175,187,634,068
V.	Fund certificates			2,124,227,475
13.	Public funds	10%	21,242,274,750	2,124,227,475
14.	Equity funds	30%	-	-

The notes on pages 18 to 26 are an integral part of this Report.

HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON LIQUID CAPITAL RATIO
AS AT 30 JUNE 2017

II. RISK VALUE SPREADSHEET (continued)

A. Market risk value (continued)

<i>Investment items</i>		<i>Risk coefficient</i>	<i>Risk exposure VND</i>	<i>Risk value VND</i>
		(1)	(2)	(3) = (1) x (2)
VI.	Securities restricted from trading			3,552,179
15.	Securities suspended from trading	40%	-	-
16.	Delisted securities, securities cancelled from trading	50%	7,104,357	3,552,179
VII.	Other securities			31,042,912,000
17.	Equity securities, interests and other securities	80%	38,803,640,000	31,042,912,000
18.	Other investments	-	-	-
VIII.	Increased risks (if any)			-
	-	-	-	-
A.	TOTAL MARKET RISK VALUE (A= I+II+III+IV+V+VI+VII+VIII)			273,680,264,139

The notes on pages 18 to 26 are an integral part of this Report.

HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON LIQUID CAPITAL RATIO
AS AT 30 JUNE 2017

II. RISK VALUE SPREADSHEET (continued)

B. Payment risk value

1. Pre-maturity risks

Transaction type		Risk value VND						Total risk value VND
		(1)	(2)	(3)	(4)	(5)	(6)	
I.	Pre-maturity risk							5,053,718,032
1.	Term deposits and unsecured loans and balances from securities trading activities and brokerage activities	-	1,661,880,730	-	-	231,152,683	1,226,362,801	3,119,396,214
2.	Securities lending/ Economic agreements of the same nature	-	-	-	-	-	-	-
3.	Securities borrowing/ Economic agreements of the same nature	-	-	-	-	-	-	-
4.	Contracts for purchase of securities with a commitment to resale/ Economic agreements of the same nature	-	-	-	-	-	-	-
5.	Contracts for sale of securities with a commitment to repurchase/ Economic agreements of the same nature	-	-	-	-	-	-	-
6.	Loan agreements for purchase and deposit (for borrowers to purchase securities)/Economic agreements of the same nature	-	-	-	-	-	1,934,321,818	1,934,321,818
I. TOTAL PRE-MATURITY RISK VALUE								5,053,718,032

The notes on pages 18 to 26 are an integral part of this Report.

HO CHI MINH CITY SECURITIES CORPORATION

**REPORT ON LIQUID CAPITAL RATIO
AS AT 30 JUNE 2017**

II. RISK VALUE SPREADSHEET (continued)

B. Payment risk value (continued)

2. Overdue risks

	Overdue period	Risk coefficient	Risk exposure	Risk value
		%	VND	VND
II.	Overdue risks			39,620,292,148
1.	0 - 15 days past due, or after the time of transfer of securities	16%	-	-
2.	16 - 30 days past due, or after the time of transfer of securities	32%	-	-
3.	31 - 60 days past due, or after the time of transfer of securities	48%	-	-
4.	60 days or more	100%	39,620,292,148	39,620,292,148
II. TOTAL OVERDUE RISK VALUE				39,620,292,148

3. Increased risks

	Details to loans to each partner	Increased by	Risk exposure	Risk value
		%	VND	VND
III	Increased risks	-	-	-
III. TOTAL INCREASED RISK VALUE				-
B. TOTAL PAYMENT RISK VALUE (B=I+II+III)				44,674,010,180

The notes on pages 18 to 26 are an integral part of this Report.

HO CHI MINH CITY SECURITIES CORPORATION

**NOTES TO THE REPORT ON LIQUID CAPITAL RATIO
AS AT 30 JUNE 2017**

II. RISK VALUE SPREADSHEET (continued)

C. Operational risk value

	Description	Value VND
I.	Total operating expenses arising within twelve (12) consecutive months preceeding the reporting month	467,459,110,777
II.	Deductions	37,065,865,950
	1. Depreciation cost	6,620,456,215
	2. Provision for diminution in value of short-term securities investments	7,580,922,681
	3. Provision for diminution in value of long-term securities investments	-
	4. Provision for doubtful receivables	22,864,487,054
III.	Total expenses after deduction (III = I – II)	430,393,244,827
IV.	25% Total expenses after deduction (IV = 25% III)	107,598,311,207
V.	20% Legal capital of the Company	60,000,000,000
C. TOTAL OPERATIONAL RISK VALUE (C=Max {IV, V})		107,598,311,207
D. TOTAL RISK VALUE (A + B + C)		425,952,585,526



Lam Huu Ho
Chief Financial Officer



Bui Thi Ngoc Thao
Head of Internal Control




Johan Nyvene
Chief Executive Officer

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON LIQUID CAPITAL RATIO AS AT 30 JUNE 2017

1 GENERAL INFORMATION

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

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

2 BASIS OF PREPARATION OF THE REPORT ON LIQUID CAPITAL RATIO

2.1 Applicable legal documents and interpretations

The Company's report on liquid capital ratio ("the Report") is prepared and presented in accordance with Circular No. 226/2010/TT-BTC dated 31 December 2010 ("Circular 226") and Circular No. 165/2012/TT-BTC dated 9 October 2012 ("Circular 165") issued by the Ministry of Finance regulating financial prudential requirements applicable to securities business organisations and measures for non-compliance.

The Report is prepared on the basis of the Company's own financial data as at 30 June 2017.

Certain detailed accounting policies and treatments are not specifically guided in Circular 226 and and Circular 165. In preparing this report, therefore, the Company has applied some treatments based on management's judgement, which are within the broader guidance of the Circulars. These treatments are as follows:

Item "Accumulated profit and undistributed profit before statutory provisions" (Item g, Section 1, Part 4 – Liquid capital, Circular 226)

This item is defined by undistributed earnings as at 30 June 2017 and provision balances as at 30 June 2017.

Item "Receivables" (Item g, Section 1, Part 9 – Payment risk value, Circular 226)

This item includes other receivables and other assets that have payment risk and all these items are defined payment risk by the formula in Circular 226.

2.2 Reporting currency

The accounting currency is Vietnamese Dong ("VND") and the Report is presented in VND.

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON LIQUID CAPITAL RATIO AS AT 30 JUNE 2017

3 PRINCIPAL POLICIES FOR PREPARING THE REPORT ON LIQUID CAPITAL RATIO

3.1 Liquid capital ratio

Liquid capital ratio is a measure for the Company's financial safety, reflecting the Company's ability to settle its financial obligations and compensate for risks arising during the business operation of the Company.

The Company's liquid capital ratio is determined according to the formula specified in Circular 226 as follows:

$$\text{Liquid capital ratio} = \frac{\text{Liquid capital} \times 100\%}{\text{Total risk value}}$$

Where, total risk value is the total of market risk value, payment risk value and operational risk value.

3.2 Liquid capital

Under Circular 226, the Company's liquid capital is determined by total equity capital which can be converted into cash within 90 days, where accumulated profit and undistributed profit are added back to the balance of provisions in the separate balance sheet as at the date of the Report ("date of calculation").

3.2.1 Items adjusted for increases

The Company's liquid capital is increased due to the following items:

- The Company's debts with an initial repayment period of five (5) years convertible into equity capital;
- Debts with an initial repayment period of more than 10 years have been registered with the State Securities Commission to be added to liquid capital; and
- The whole increase of investments which does not include securities issued by organisations having relationships with the Company as well as securities with a remaining term of transfer limited to over 90 days from the date of the report on liquid capital ratio.

The total value of items used for addition to liquid capital is at most 50% of equity capital. For debts convertible into equity capital and debts that have been registered with the State Securities Commission to be added to liquid capital, the Company deducted 20% of the initial value each year for the last five (5) years before the debts became due/were converted into ordinary shares and deducted 25% of the remaining value in each quarter for the last four (4) quarters before the debts became due/were converted into ordinary shares.

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON LIQUID CAPITAL RATIO AS AT 30 JUNE 2017

3 PRINCIPAL POLICIES FOR PREPARING THE REPORT ON LIQUID CAPITAL RATIO (continued)

3.2 Liquid capital (continued)

3.2.2 Items adjusted for decreases

The liquid capital of the Company was decreased by the value of the following items:

- Redeemable preference share capital and treasury shares (if any);
- Fifty percent (50%) of the increased value of fixed assets was revalued in accordance with the laws;
- The entire decrease of investments excluding securities issued by organisations having relationships with the Company and securities with a remaining term of transfer limited to over 90 days from the date of the report on liquid capital ratio.
- Long-term assets and short-term assets with a remaining recovery or repayment term of over 90 days;
- Qualified items in audited financial statements (if any).

Upon determination of the deductions from liquid capital, the Company decreased the deductions by an amount equal to the minimal value of the market value of assets, book value and remaining value of obligations (with regard to assets used as collaterals for the obligations of the Company or a third party) and the minimal value of the market value of assets and book value (with regard to assets secured with assets of customers).

3.3 Market risk value

Market risk value is a value equivalent to the possible loss arising when the market value of assets currently owned by the Company changes towards the adverse trend and is determined by the Company at closing trading day according to the following formula:

Market risk value = Net position x Asset value x Market risk coefficient

In which the net position of securities is the number of securities currently held by the Company at the date of the report, after decrease of the number of securities lent and increase of the number of securities borrowed in accordance with the laws.

Assets not subject to market risk include:

- Treasury shares
- Securities issued by organisations having relationships with the Company in the following cases:
 - Being the parent company, subsidiaries, joint venture companies, affiliated companies of the Company;
 - Being the subsidiaries, joint venture companies, affiliated companies of the parent company of the Company;
- Securities with a remaining term of transfer limited to over ninety (90) days from the date of calculation,
- Bonds, debt instruments, valuable papers due on the money market.

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON LIQUID CAPITAL RATIO AS AT 30 JUNE 2017

3 PRINCIPAL POLICIES FOR PREPARING THE REPORT ON LIQUID CAPITAL RATIO (continued)

3.3 Market risk value (continued)

3.3.1 Market risk coefficient

Market risk coefficient is determined for each value item in accordance with Circular 226.

3.3.2 Asset price

a. Cash and cash equivalents, money market instruments

Value of cash in VND is the balance of the cash account at the date of calculation.

Value of cash in foreign currency is the value converted into VND at the exchange rates quoted by credit institutions ("CI") permitted to trade in foreign exchange at the date of calculation.

Value of term deposits and money market instruments equals to the value of deposits/purchase price plus accumulated interest which is outstanding from the date of calculation.

b. Bonds

Value of listed bonds is the average listed price in the trading system at the stock exchanges at the most recent date plus accumulated interest. Where bonds are not traded for more than two weeks from the date of calculation, it is the largest value among the following values: purchase price; par value; price determined according to an internal method plus accumulated interest.

Value of unlisted bonds is the largest value among the following values: Listed value in quoting systems selected by the Company (if any); purchase price plus accumulated interest; price determined according to an internal method, plus accumulated interest.

c. Shares

Value of listed shares is the closing price at the most recent trading day for shares listed in the stock exchanges.

Value of shares of a public company registered for trading in the UpCom Exchange is the average trading price at the most recent trading day from the date of calculation.

Where listed shares or shares registered for trading in the UpCom Exchange are not traded for more than two (2) weeks from the date of calculation, or shares are suspended from trading, cancelled listing, or deregistered for trading, the value of shares is the largest value among the following values: book value; purchase price; price determined according to an internal method of the Company.

Value of shares which have been registered, deposited but not yet listed and not yet registered for trading is the average value based on the quotations of at least three (3) securities companies not related to the Company at the most recent date of trading before the date of calculation. Where shares are not with enough quotations from at least three (03) securities companies, the value of shares is the largest value among the following values: price from quotations; price from the most recent reporting period; book value; purchase price; price specified internally by the Company.

Value of shares of organisations in statuses of liquidation or bankruptcy is 80% of the liquidation value of such shares at the date of the most recent balance sheet, or the price specified internally by the Company.

Value of other shares or capital contributions is the largest value among the following values: book value; purchase price/capital contribution value; price specified internally by the Company.

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NOTES TO THE REPORT ON LIQUID CAPITAL RATIO AS AT 30 JUNE 2017

3 PRINCIPAL POLICIES FOR PREPARING THE REPORT ON LIQUID CAPITAL RATIO (continued)

3.3 Market risk value (continued)

3.3.2 Asset price (continued)

d. Funds/shares of securities investment companies

Value of a public closed-end fund is the closing value at the most recent trading day from the date of calculation. Where a public closed-end fund has had no transactions for more than two (2) weeks from the date of calculation, the value of the fund is calculated equal to (Net Asset Value ("NAV")/1 Fund Certificate) in the most recent reporting period from the date of calculation.

Value of a member fund/open-ended fund/shares of a securities investment company issued in private placements equals to NAV per unit of capital contribution/unit of fund certificate/shares in the most recent reporting period before the date of calculation.

Value of other funds/shares is the value specified internally by the Company.

3.3.3 Increased risk value

The market risk value of assets will be increased where the Company invests too much in such assets, except securities that are currently under issue underwriting in the form of firm commitment underwriting, governmental bonds, bonds guaranteed by the Government. The risk value is increased on the following principle:

- Increase by 10% in case the value of this investment accounts for 10% to 15% of the Equity Capital of the Company;
- Increase by 20% in case the value of this investment accounts for 15% to 25% of the Equity Capital of the Company;
- Increase by 30% in case the value of this investment accounts for 25% or more of the Equity Capital of the Company.

Dividends, bond yields, value of preferred rights of securities (if any) or lending interest of deposits, cash equivalents, transfer instruments, valuable papers are increased into the value of assets upon determination of market risk value.

3.4 Payment risk value

Payment risk value is the value equivalent to the level of loss which may happen when the partner fails to pay on time or transfer assets on time as committed. Payment risk value is determined at the end of the trading day of contracts or transactions as follows:

For term deposit contracts in credit institutions; loans to other organisations or individuals; contracts for borrowing securities in accordance with the laws; contracts for sale, with a commitment to repurchase, of securities in accordance with the laws; contracts for purchase, with a commitment to resale, of securities in accordance with the laws; contracts for lending for purchase and deposit of securities in accordance with the laws; receivables, other receivables and other assets with potential payment risks, the payment risk value before the term of receipt of securities transferred, cash and liquidation of contracts is determined according to the following formula:

Payment risk value = Payment risk coefficient according to the partner x Value with potential risks

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NOTES TO THE REPORT ON LIQUID CAPITAL RATIO AS AT 30 JUNE 2017

3 PRICIPAL POLICIES FOR PREPARING THE REPORT ON LIQUID CAPITAL RATIO (continued)

3.4 Payment risk value (continued)

For issue underwriting contracts signed with other organisations within an issue underwriting group in the form of firm commitment underwriting, where the Company is the main issue underwriter, the payment risk value is determined by 30% of the remaining value of outstanding issue underwriting contracts.

For overdue receivables, other receivables and other assets, securities not received on time from transferor, including securities or cash not yet received from term deposit contracts at credit institutions; loans to other organisations and individuals; contracts for borrowing of securities in accordance with the laws; contracts for sale, with a commitment to repurchase, of securities in accordance with the laws; contracts for purchase, with a commitment to resale, of securities in accordance with the laws; contracts for lending for purchase and deposit of securities in accordance with the laws which have become due, the payment risk value is determined on the following principle:

Payment risk value = Payment risk coefficient with time x Value of assets with potential payment risks

3.4.1 Payment risk coefficient by partners

The payment risk coefficient is determined according to the partner and based on the overdue period as specified in Circular 226.

Payment risk coefficient by partners is determined by the Company as follows:

	Payers to the Company	Payment risk coefficient
(1)	The Government, issuing organisations guaranteed by the Government or the Ministry of Finance, the State Bank of Vietnam, Governments and Central Banks of OECD countries, People's Committees of provinces and cities under central authority	0%
(2)	Stock Exchanges, Securities Depository Centre	0.8%
(3)	Credit institutions, financial institutions, securities trading organisations incorporated in OECD countries and having credibility ratings meeting other conditions in accordance with internal regulations of securities trading organisations.	3.2%
(4)	Credit institutions, financial institutions, securities trading organisations incorporated outside OECD countries; or incorporated in OECD countries and not meeting other conditions in accordance with internal regulations of the securities trading organisations.	4.8%
(5)	Credit institutions, financial institutions, securities trading organisations incorporated and existing in Vietnam	6%
(6)	Other organisations and individuals	8%

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3 PRINCIPAL POLICIES FOR PREPARING THE REPORT ON LIQUID CAPITAL RATIO (continued)

3.4 Payment risk value (continued)

3.4.2 Payment risk coefficient with time

	Overdue dates since deadlines of payments/ securities settlements	Payment risk coefficient
(1)	0 – 15 days since deadlines of payments/ securities settlements	16%
(2)	16 – 30 days since deadlines of payments/ securities settlements	32%
(3)	31 – 60 days since deadlines of payments/ securities settlements	48%
(4)	Over 60 days since deadlines of payments/ securities settlements	100%

3.4.3 Value of assets with potential payment risks

No.	Type of transactions	Value of assets with potential payment risks
1.	Term deposits, unsecured loans	Entire value of the loans
2.	Securities lending	Max {(Market value of contracts - Value of collaterals (if any)),0}
3	Securities borrowing	Max {(Value of collaterals - Market value of contracts),0}
4	Contracts for purchase of securities with a commitment to resale	Max {(Value of contracts by purchase price - Market value of contracts x (1 - Market risk coefficient)),0}
5	Contracts for sale of securities with a commitment to repurchase	Max {(Market value of contracts x (1 - Market risk coefficient) - Value of contracts by selling price),0}
6	Contracts for lending for purchase and deposit of securities (for borrowers to purchase securities)/Economic agreements of similar nature	Max {(Debt balance - Value of collaterals),0}

3.4.4 Deduction of value of assets with potential payment risks

The Company deducted the portion of value of collaterals of partners and customers upon determination of the value of assets with potential payment risks in case these contracts and transactions fully meet the following conditions:

- Partners and customers have collaterals for security of their obligations and such collaterals are cash, cash equivalents, valuable papers, documents transferred in the money markets, securities listed and registered for trading in the Stock Exchange, governmental bonds, bonds guaranteed by the Ministry of Finance for issue;
- The Company has the rights to determine, manage, use, transfer collaterals in case the partners fail to perform their payment obligations fully and on time as agreed in contracts.

The deducted value of assets is determined as follows:

Value of Collaterals = Asset Volume x Asset Price x (1- Market Risk Coefficient)

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NOTES TO THE REPORT ON LIQUID CAPITAL RATIO AS AT 30 JUNE 2017

3 PRINCIPAL POLICIES FOR PREPARING THE REPORT ON LIQUID CAPITAL RATIO (continued)

3.4 Payment risk value (continued)

3.4.5 Increase of payment risk value

Payment risk value must be adjusted with an increase in the following cases:

- Increase by 10% in case the value of the loans to an organisation, an individual and a group of relevant organisations and individuals (if any) accounts for 10% to 15% of Equity Capital;
- Increase by 20% in case the value of the loans to an organisation, an individual and a group of relevant organisations and individuals (if any) accounts for 15% to 25% of Equity Capital;
- Increase by 30% in case the value of the loans to an organisation, an individual and a group of relevant organisations and individuals (if any) accounts for 25% or more of Equity Capital.

3.4.6 Bilateral offsetting of the value of assets with payment risks

The value of assets with potential payment risks is bilaterally offset when:

- The payment risks are related to the same partner;
- Payment risks arising for the same type of transactions;
- Net bilateral offsetting has been agreed by the parties in advance in writing.

3.5 Operational risk value

Operational risk value is the value equivalent to a possible loss due to technical errors, system errors and business processes, people's mistakes during operation, or due to shortage of liquidity arising from expenses, investment losses, or other objective reasons.

The Company's operational risk value is determined by 25% of operating expenses of the Company for 12 consecutive months up to the most recent month, or 20% of Legal Capital in accordance with the laws, whichever is higher.

The Company's operating expenses are determined by the total expense arising in the period minus depreciation expenses; provision for diminution in value of short-term investments; diminution in value of long-term investments; provision for doubtful receivables.

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**NOTES TO THE REPORT ON LIQUID CAPITAL RATIO
AS AT 30 JUNE 2017**

4 SUBSEQUENT EVENTS

There have been no subsequent events occurring after the reporting date which would require adjustments or disclosures to be made in this Report.

The Report was approved by the Board of Management on 11 August 2017.



Lam Huu Ho
Chief Financial Officer



Bui Thi Ngoc Thao
Head of Internal Control



Johan Nyvene
Chief Executive Officer