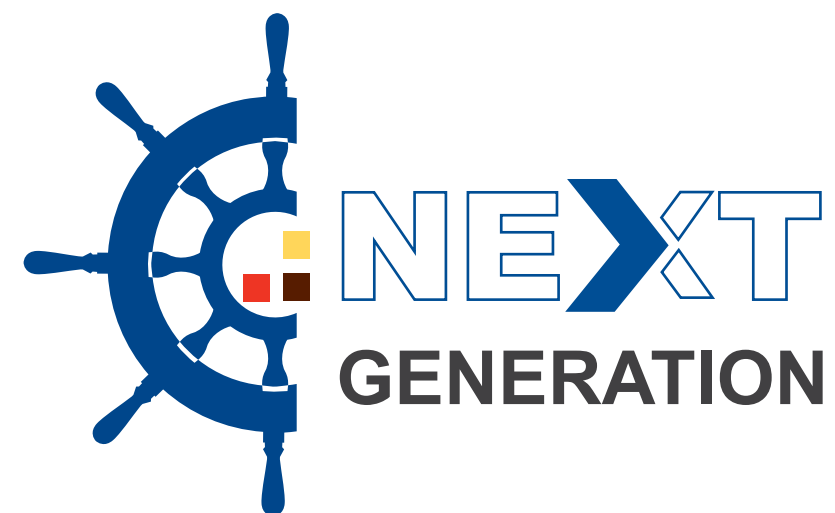
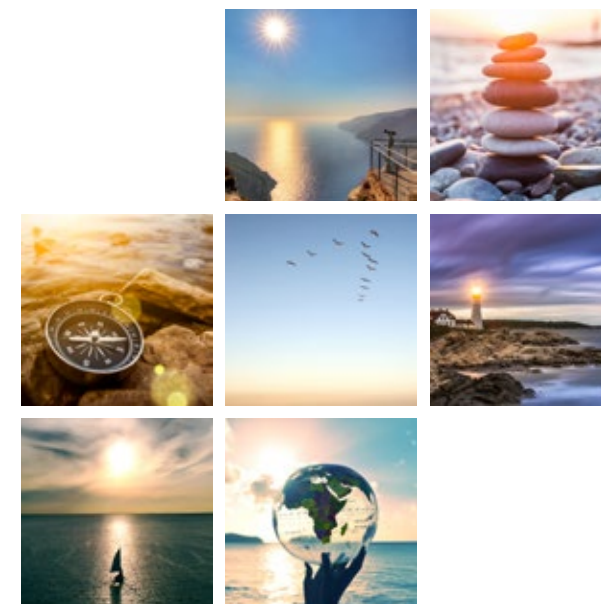




 **NEXT**  
**GENERATION**



“  
**We need to start engaging the  
next generation of leaders at HSC.**  
”



# TABLE OF CONTENTS

## 2018 PERFORMANCE OVERVIEW & 2019 OUTLOOK

50	Vietnam Stock Market in 2018
52	2018 Business Performance Review
62	Total Operating Expense
64	Balance Sheet

## SUPPORTING FUNCTIONS

68	Information Technology
70	Security Services Department
71	Risk Management
75	Internal Audit

## CORPORATE GOVERNANCE

80	Report of the Board of Directors
102	Report of the Board of Supervisors
106	Shareholders' Information

## SUSTAINABILITY REPORT

112	Sustainability Overview
116	Report of HSC Sustainability Development Initiatives

## FY2018 FINANCIAL STATEMENT

132	Audited Financial Statements
203	Operation Network

## 04 CEO Message

10	Financial Highlights
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## ABOUT HSC

14	HSC Profile
16	HSC Services
18	Corporate Milestones
20	Awards and Accolades
22	Board of Directors
24	Board of Supervisors
25	Organizational chart
26	Board of Managements

## 2019 MACRO AND STRATEGY REPORT

30	Macroeconomy Trends 2019
37	Stock Market Outlook 2019
46	Key Risks in 2019

# CEO MESSAGE



## Dear shareholders, clients, and colleagues,

A journey of fifteen years is typically not a long journey in the life of an established company. However, for the eighteen-year-old Vietnam's stock market, fifteen years is long enough for a company to have experienced most of the major events in it. Over the course of eighteen years, Vietnam's stock market has evolved from having only one listed company and one exchange, to more than a thousand companies listed on three different exchanges. HSC has also gone through a journey from a majority government owned company with less than 100 employees to a majority foreign-investor owned public listed company with close to a thousand people.

When we celebrated HSC's fifteenth anniversary in 2018 and recognized our colleagues who have spent ten years or more with the company, I was amazed at the fact that we had some 80 people to honor. I myself have been with HSC for more than twelve years and six out of ten of our managing directors have also spent at least ten years of their life here. The two young managers who we promoted to the managing director rank in 2018 have spent their entire working career with HSC since graduating from university. It was definitely a highlight I took to heart and shared with all of our colleagues at the anniversary celebration.

As if our fifteenth year in existence was to signal the beginning of a new phase of growth, 2018 was perhaps the most "disruptive" year for us in terms of movements in human resources at the highest level in the Company. We had four new managing directors who joined HSC in 2018 and two managing directors who left us. We also promoted two middle level managers to the rank of managing directors.

As we were navigating through the changes in senior human resources, we called upon Ascentador, a human resource advisory

firm from the US, to help us with an overall assessment of our people capital. The assessment reviewed and revealed the strengths and weaknesses of each member of HSC's top team, as well as our compatibility and ability to complement one another.

**With this high caliber top team in place, HSC's prospect for achieving commercial success was deemed to be very high, as proven by our track record over the years.**

However, the reason for us to carry out the exercise itself to begin with, was because we were contemplating what we needed to do to get to the next level of growth, and how our people especially the top team fitted in with HSC's growth strategy. We needed the top ranked leadership of HSC to align and understand what changes we need to make, and what they would mean to all of us throughout the various levels of HSC.

## THE ISSUE OF ENGAGEMENT

In Assentador's assessment, one of the observations made was about the fragmented nature of the relationship and interaction between members of the top team. As an organization that has been seizing market opportunities in a fast-changing market environment over the years and establishing various business functions without putting formal business processes in place, we have naturally created silos at HSC, resulting in a lack of engagement and alignment between various members of the top team, and among different functions and teams. While this issue had been recognized earlier in 2017, as I mentioned in our 2017 annual report, it was now detected at much deeper levels



CEO MESSAGE (CONTINUED)

this time throughout and subsequent to our top team assessment project. The issue that was raised in the assessment was that HSC’s growth though significant and impressive, was not achieved with all members of the management team’s understanding of our roadmap. Due to the low level of “engagement” within the top team, there was a high level of anxiety and disorientation at various levels of staff in the Company. While all business functions within HSC showed to be extremely commercial oriented, there was a disconnect between different businesses functions, and also between “front line” business functions and “back office” supporting functions, even between members of top management. We have now seen the symptoms of HSC being “stressed out” with people issues, office politics, and signs of a deterioration in the Company’s people culture.

With a high level of “stress” in the Company, we were vulnerable to the risk of losing key staff. Some of our key middle managers who had been committed to HSC for many years were disengaging; and we were ultimately unable to retain some of them. Many of the capable colleagues we risked losing were not only dynamic and idealistic but also loyal to HSC, where they had spent a significant part of their youth and career. I have worked directly with many of them and have seen them maturing over the years. These are the people who have inspired me to think about HSC’s future and growth. These are the people who I would refer to as “the Next Generation” at HSC. We concluded our top team assessment project with one main determination, which is for us to plan for the next pool of leadership at HSC.

**We have now recognized that we need to start engaging the next generation of leaders at HSC.**

THE NEXT GENERATION

The disruptions of 2018 started with changes in our top team and began in the Private Client Division (PCD) where the team has been traditionally young, energetic and competitive. The evolution that we have experienced in the highly competitive private client market has produced a class of capable young managers at HSC. We have visibly seen young brokers shining and rising through the ranks to become supervisors, then managers, then regional managers. In 2018, we promoted a number of new regional managers throughout the PCD structure. And in an effort to re-consolidate the private client division country-wide, we have handed the responsibilities of PCD to one of the youngest and new managing directors in the Company. The positive result from all the new promotions and assignments in the Private Client Division was evidenced in an increase in our brokerage market share for the whole of 2018.

Perhaps some of the most disruptive changes in HSC were in the Institutional Client Division (ICD), which saw the addition of a new managing director, and regrettably the departure of another managing director. The departure of one of the division’s co-heads allowed us to consolidate ICD and promote yet another young and dynamic manager to the rank of managing director. We took the opportunity to address the issue of company culture when the changes were taking place, and through the process we raised everyone’s morale when the changes were concluded. In addition, we restructured the functions within ICD and separated the research function from the client management and dealing functions. Our research capabilities have always been a core function of our institutional and investment banking business model. Our intention in restructuring the role of research is to maximize the contribution of this very significant and important resource to both the

brokerage and investment banking business functions, and to standardize our knowledge base for all businesses to utilize. We believe that this standardized knowledge base would create a strong level of synergy within HSC, in order for us to offer clients a comprehensive seamless experience throughout their journey in Vietnam’s capital markets.

While doing business and being competitive in business remain a top priority, we also proactively initiated significant changes in operational and risk management functions. We aimed to overhaul our business processes and internal operational connectivity by initiating the “transformation” concept. We launch several critical initiatives including the Employee Performance Management project, for example allowing us to manage our human capital more systematically. As a prerequisite, we brought in a new head of human resources (HRD) at the managing director level and aim to expand this function significantly.

Admittedly however, not all of the changes we made were without challenges. Over the course of a year we saw the departure of both the existing and the new head of Risk Management. Risk management at HSC as a relatively sizeable securities firm in a frontier market remains a demanding job. The role of risk management at HSC will continue to evolve as we broaden our scope of investment banking activities, range of products, and models of services. At the same time, we are searching for some other C-suite positions in the top team, some of which are to complete our current management structure, while other positions are to raise the level of our top team’s caliber. Or earmarked for replacements as the current team moves up. The fact that we aim to continuously upgrade our top team while preparing ourselves for the future is akin to trying to change the tires of our race car while still speeding at 200 mph. This is challenging.



THE FUTURE OF OUR BUSINESS

In early 2019, we undertook a study of our current business environment and worked with the advisory firm Oliver Wyman to chart our path for the near and medium-term future. The need to review our business and growth strategy emerged timely with a number of significant developments in Vietnam’s securities market. While the country’s economy continues to expand at an admirable pace and opportunities for investment appear abundant, Vietnam’s equity markets have been treading very cautiously both in terms of valuation and liquidity, after a tumultuous 2018. The majority of investors have admitted to the fact that Vietnam’s equity markets are now attractive considering positive long-term prospects. However, there are still enough uncertainties and hampering factors lurking around to make markets jitter. A new circular from the authorities has removed imposition of a minimum brokerage fee and evidently raised the stakes in an already fiercely competitive brokerage business. Some of our competitors have offered zero fees in index futures transactions where HSC had traditionally had a commanding market share. With an influx in cheap capital from external markets and new competitors, returns on financing products inevitably were also squeezed. Although we all believe that it might

## CEO MESSAGE (CONTINUED)

be too early for us to see discount brokerage in the Vietnam market, it is certainly looming at the horizon as operators of this business model will soon find Vietnam a potential playground. We have been thinking hard of the future and how we can maintain a few steps ahead of the crowd. On the other hand, the prospects of Vietnam being upgraded to emerging market category are now looking much more promising and realistic than ever in the past. This would be a significant catalyst for much bigger crowd of investors to consider Vietnam in the near future.

**We have determined to pursue the next phase of growth at HSC with a definitive strategy to be extremely customer centric.**

With the results from the Oliver Wyman study, we have determined to pursue the next phase of growth at HSC with a definitive strategy to be extremely customer centric, and to aim at doubling our annual revenue base to VND 4 trillion after five years, at an annual growth rate of 20%. The strategy certainly takes into

account our growth track record over the last five years and also incorporates the main elements of growth we have envisioned for the near and medium-term future.

With existing strengths in the brokerage business and a leading market share in the private client sector, we will definitely aim to expand this business to the next level up the value chain. Confronted by increasing competition on lower fees and cheaper financing, we believe that this is not the battle we want to fight. Instead, we will aim to understand different segments of the private client market in order to find new customers and develop new service models where HSC can add value effectively and spearhead new businesses in this sector. At the core of our service model, certainly there will be a combination of products, information, technology, and our human interaction with the clients.

As our investment banking business becomes more sophisticated over the last two years and solidifies HSC's position in the top three most recognized brands in the business, we aim to further strengthen our banking capabilities in the immediate future. With the latest round of capital increase and the additional ability to leverage, our balance

sheet will be very strong for HSC to consider additional underwriting, market making, and client facilitating opportunities. Investment banking is a business model we will continue to enhance and pursue in our strategic plan.

**OUR FUTURE IN THE NEXT GENERATIONS' HANDS**

I believe we are at a critical juncture of HSC's future. After fifteen years in the making, we have arrived at a stage where we are looking at re-engineering ourselves on two folds simultaneously: our business, and our people. This situation would appear challenging but it is only sensible that we have people development going hand in hand with business development from this point.

**We have overcome 2018 with tremendous success as evidenced in our financial results as well as in the talents that we have been able to attract, retain, recognize, and promote.**

But this is only the beginning of HSC's next phase of growth. Our five-year strategic plan is about to be formalized and at the same time our new top team will continue to "metamorphose". While feeling anxious with the changes that are taking place at HSC as well as in the market, I cannot help but feel exhilarated about the future of our business and the coming of age of our **Next Generation** colleagues. I believe they are also feeling anxious about taking the future into their own hands, but no doubt with a tremendous level of confidence. And for myself, I can say that I have full confidence in entrusting HSC's future in our **Next Generation**.



**Johan Nyvene**

Chief Executives Officer

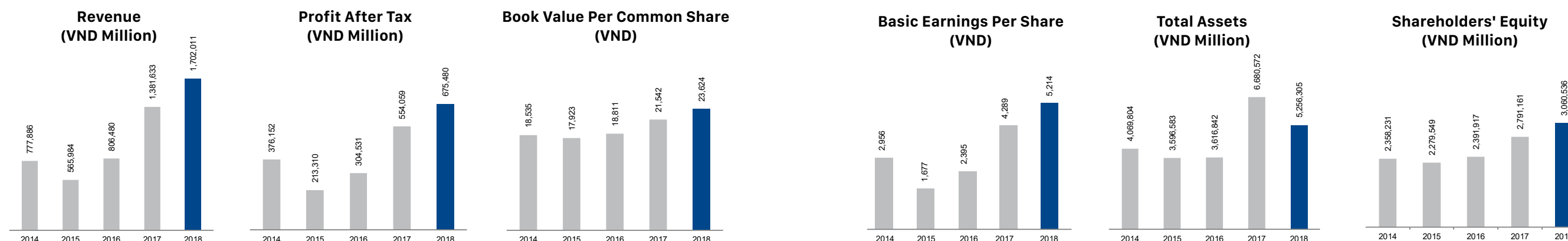


# FINANCIAL HIGHLIGHTS

	2014	2015	2016	2017	2018	CAGR in 5 years
<b>Statement of income (VND million)</b>						
<b>Revenue</b>	<b>777,886</b>	<b>565,984</b>	<b>806,480</b>	<b>1,381,633</b>	<b>1,702,011</b>	<b>22%</b>
In which:						
- Brokerage fees	299,432	262,076	348,957	601,942	758,849	
- Interest income from loans & receivables	248,786	222,636	343,657	439,219	523,064	
- Principal investment (*)	207,550	63,772	81,260	269,839	278,344	
- Financial advisory services	12,362	11,155	24,602	45,179	119,217	
- Other revenues	9,755	6,345	8,004	25,455	22,536	
<b>Operating expenses</b>	<b>296,443</b>	<b>294,512</b>	<b>421,886</b>	<b>689,310</b>	<b>859,927</b>	
<b>Net profit from operating activities</b>	<b>481,443</b>	<b>271,472</b>	<b>384,594</b>	<b>692,323</b>	<b>842,083</b>	
<b>Profit before tax</b>	<b>481,447</b>	<b>271,500</b>	<b>385,383</b>	<b>692,601</b>	<b>842,186</b>	
<b>Profit after tax</b>	<b>376,152</b>	<b>213,310</b>	<b>304,531</b>	<b>554,059</b>	<b>675,480</b>	<b>19%</b>
<b>Balance sheet (VND million)</b>						
Total assets	4,069,804	3,596,583	3,616,842	6,680,572	5,256,305	11%
Charter capital	1,272,568	1,272,568	1,272,568	1,297,568	1,297,568	0%
Shareholders' equity	2,358,231	2,279,549	2,391,917	2,791,161	3,060,536	6%
<b>Financial indicators</b>						
Return on average assets (ROAA)	10.5%	5.6%	9.1%	10.8%	11.3%	5%
Return on average equity (ROAE)	16.3%	9.2%	13.0%	21.4%	23.1%	13%
<b>Equity's value</b>						
Outstanding shares	127,229,583	127,185,417	127,155,368	129,570,368	129,554,168	0%
Basic earnings per share - VND	2,956	1,677	2,395	4,289	5,214	18%
Book value per common share - VND	18,535	17,923	18,811	21,542	23,624	6%
Dividend - VND (**)	2,100	1,430	1,700	2,100	2,500	8%
Market price at year end - VND	31,200	30,800	28,000	60,100	46,850	14%
P/E	10.6	18.4	11.7	14.0	9.0	-4%

(\*) Gains and losses arising from proprietary investments were netted off for comparative purposes

(\*\*) Estimated for Y2018 and subject for final approval





REVENUE

1,702

VND BILLION



ASPIRING GREATNESS



# 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 2018 totaled VND3,060 billion (approximately US\$ 130 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.

**HSC aims to impart a positive influence to society by progressively redefining the securities industry for the better.**

## 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 VALUES

At HSC, we aim to impart a positive influence to society by progressively redefining the securities industry for the better.

### INTEGRITY

We act with integrity in every business decision and daily operation.

### PROFESSIONALISM

We innovate and continuously improve our capabilities as a leader in capital markets.

### POSITIVITY

We demonstrate good intention with respectful manner in our interaction with others.



### DEDICATION

We are committed to providing excellent services to all stakeholders.

### PARTNERSHIP

We build trusting partnerships by displaying empathy and providing collaborative support to one another.

CEO  
Message

About HSC

2019 Macro  
and Strategy  
Report

2018  
Performance  
Overview &  
2019 Outlook

Supporting  
Functions

Corporate  
Governance

Sustainability  
Report

Financial  
Statement



# 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 and shareholder book management
- Managed Account
- IPO auction agent
- Investor relation advisory
- Distribution

### 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
- Listing and Initial Public Offering (IPO) advisory

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

### CAPITAL RAISING IN DOMESTICS 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
- Corporate Access

## 04 PRINCIPAL INVESTMENT

### PROPRIETARY INVESTMENT

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

### MARKET MAKING

CEO Message

About HSC

2019 Macro and Strategy Report

2018 Performance Overview & 2019 Outlook

Supporting Functions

Corporate Governance

Sustainability Report

Financial Statement

# 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.

## 2003

- Initiated operations after receiving Certificate of Business (Registration No. 4103001573) from Department of Planning and Investment of HCMC on April 23, 2003 and Business Permit No.11/SSC-GPHDKD from State Securities Commission on April 29, 2003.
- Launched operations with an initial capital of VND 50 billion, one of the largest capital bases within the securities sector in Vietnam at the time

## 2006

- Increased charter capital to VND 100 billion.
- Relocated headquarters and transaction office to Capital Place Building, 6 Thai Van Lung Street, District 1, HCMC.

## 2007

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

## 2008

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

## 2009

- Officially listed on Ho Chi Minh City Stock Exchange under stock ticker HCM.
- Upgraded internet trading platform (VI-Trade system) and launched VIP-Trade, an advanced version of VITrade allowing real-time transactions.
- Established Lang Ha transaction office in Hanoi.

## 2010

- Increased charter capital to VND 600 billion.
- Established 4 transaction offices: Tran Hung Dao, 3 Thang 2 in HCMC and Ba Trieu, Kim Lien in Hanoi.
- Renamed and relocated Hau Giang transaction office to 3 Thang 2 transaction offices in HCMC.

## 2011

- Increased charter capital to over VND 998 billion.
- Relocated head office and IT Data Center to new corporate headquarters at AB Tower, 76 Le Lai, District 1, HCMC.
- Closed 3 Thang 2 transaction office in HCMC.

## 2012

- Increased charter capital to over VND 1,008 billion.
- Established Cho Lon transaction office in HCMC, closed Ba Trieu and Lang Ha transaction offices in Hanoi.
- Officially launched direct connections to both Bloomberg and Reuters networks by FIX (Financial Information Exchange) – standard electronic protocol for pre-trade communications and trade executions.

## 2013

- Increased charter capital to over VND 1,273 billion.
- Celebrated HSC's 10th Anniversary: "Positive Value and Influence".
- Obtained certification of ISO/IEC 27001:2005 standard for "Providing online trading and brokerage services" from TUV Rheinland (Germany)

## 2014

- Launched new website with interactive web design and online trading application on iPad – HSC Trade Pro.
- Received Certificate of Merit from Ministry of Finance for significant contribution to HNX's development from 2009 – 2014.

## 2015

- Established Nguyen Van Troi transaction office in HCMC and Lang Ha transaction office in Hanoi.
- Received Certificate of Merit from The Prime Minister of Vietnam for significant contributions to securities market development from 2010 – 2014.
- Received Certificate of Merit from The Chairman of Ho Chi Minh City People's Committee for significantly contributing to the long-term development goals of HCMC.

## 2016

- Launched HSC iTrade: a breakthrough web-based platform based on smart trading applications.
- Received Certificate of Merit from The Ministry of Finance for significant contributions to securities market development and contributing to economic-social development.

## 2017

- 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.

## 2018

- Launched an online customer brokerage channel via website: [www.online.hsc.com.vn](http://www.online.hsc.com.vn) along with a fanpage: "Smart Money – Dòng tiền Thông minh" (<https://www.facebook.com/hscdongtienthongminh/>) provides training courses and practical advisory packages which are able to reach the high demands of customers who want to enhance their investment capacity.
- Opened the Nam Sai Gon Transaction Office which raised the number of HSC's transaction offices up to 10 with the purpose to improve the service quality for catching up with the increasing customers' demands.
- Successfully organized the Emerging Vietnam 2018 Conference which is considered as a bridge between more than 40 leading companies in Vietnam and 200 international investors come from the United States, Europe, Japan, Singapore, Hong Kong, Korea and Thailand. This is expected to become a HSC's annual event in the following years

10 

**TRANSACTION OFFICES**  
with the purpose to improve the service quality.

CEO Message

About HSC

2019 Macro and Strategy Report

2018 Performance Overview & 2019 Outlook

Supporting Functions

Corporate Governance

Sustainability Report

Financial Statement



## AWARDS

- Top 3 public listed companies in Vietnam 2018 which awarded at the 2nd ASEAN Corporate Governance Awards Ceremony held in Malaysia by ASEAN Capital Markets Forum.
- The Best Securities Company in 2017 – 2018 for IPO Advisory & Private Issuance at Vietnam M&A forum.
- “Best Brokerage House in Vietnam” at the Triple A Country Awards by The Asset in 2012, 2013, 2017.
- Best M&A House in Vietnam” at the Triple A Country Awards 2014 by The Asset.



- “Top 3 Best Salespersons in Vietnam” in 2014 plus other accolades for brokerage services and research coverage by Asiamoney.
- “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 in 2014.
- Top 3 Publicly Listed Companies in Vietnam 2015 by ASEAN Corporate Governance Scorecard, awarded in Manila, Philippines.
- Certificate of Merit from the Prime Minister for significant contribution to securities market development in 2010 – 2014.

- Top 100 Sustainable Companies in Vietnam 2016 (CSI100) – VCCI for significant contributions in promoting business sustainability.



- Best 50 Listed Companies for the sixth consecutive year by Forbes Vietnam.
- Highest evaluation for Investor Relations activities from Financial Institutions at the Ceremony for announcing the results of the Enterprise with the best IR activities in 2018 (IR Awards 2018) organized by Vietstock in collaboration with Finance and Electronic Life – FiLi.vn.
- Top 10 Best Annual Report, Top 3 Best Content of Corporate Governance and Top 3 Best Sustainability Reports given by Vietnam Investment Review and HOSE for the tenth consecutive year.







# BOARD OF DIRECTORS



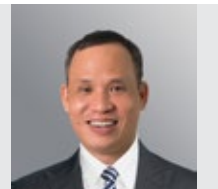
◀ **Mr. DO HUNG VIET**  
Board of Directors  
Non-executive Chairman

Mr. Do Hung Viet has been the Non-executive Chairman of HSC's Board of Directors (BoD) since April 8, 2011. Prior to being appointed to the Chairman's position, he was the Non-executive Vice Chairman from 2007 to 2011, and the Chief Executive Officer of HSC from 2003 to 2006. Mr. Viet studied his Bachelor's Degree in Economics and Banking and worked as the Manager of the Trust Department of the Ho Chi Minh City Investment Fund for Urban Development (HIFU) before joining HSC. In addition to his professional positions, Mr. Viet has also been a member of the Supervisory Board and Vice Chairman of the Vietnam Association of Securities Business (VASB) since 2006. In these capacities, he has contributed greatly to the development of Vietnam's stock markets.



◀ **Mr. LE THANG CAN**  
Non-executive member

Mr. Le Thang Can has been a non-executive member of HSC's Board of Directors since his appointment on April 16, 2015. After completing his Bachelor's Degree in Economics, he joined the Ho Chi Minh City Finance and Investment State-owned Company (HFIC) and has made many contributions to the finance and accounting functions of that institution. In February 2016, Mr. Can was promoted to be the Investment Manager for HFIC. Prior to HFIC, Mr. Can was the Chief Financial Officer at Viet Huy Ltd.



◀ **Mr. LE HOANG ANH**  
Non-executive member

Mr. Le Hoang Anh has been a non-executive member of HSC's Board of Directors since April 21, 2016. Mr. Hoang Anh joined Dragon Capital Markets Limited (DC) in 2002, and currently serves as a Director of the Group. Prior to that, Mr. Hoang Anh worked at Ho Chi Minh City's Department of Planning and Investment, and at the NLN Trading Company in Hungary as an economic and financial analyst. Mr. Hoang Anh is also a board member of VietFund Management.



◀ **Mr. LE ANH MINH**  
Vice Chairman  
Non-executive member

Mr. Le Anh Minh has been the Non-executive Vice Chairman of HSC since April 8, 2011. Prior to that, he was a non-executive member of the HSC's Board of Directors for five years.

Mr. Minh studied his Bachelor's Degree at Vietnam's Banking University in 1991 and worked for Peregrine after graduation. In 1998, Mr. Minh completed his Master of Business Administration at the Wharton School of the University of Pennsylvania. Mr. Minh returned to Vietnam and worked at Coca Cola as the regional Finance Manager. In 2002, he joined Dragon Capital Group as the Chief Financial Officer until 2015, when he was promoted to Chief Executive Officer. Currently, Mr. Minh is an Executive Director of the Group. He has also been a member of the Board of Directors of Vinamilk.



◀ **Mr. PHAM NGHIEM XUAN BAC**  
Vice Chairman  
Non-executive member

Mr. Pham Nghiem Xuan Bac has been a member of HSC's Board of Directors for more than 16 years. Mr. Bac currently serves as a non-executive member of the Board. Mr. Bac has a Bachelor's Degree in Law and Masters of Business Administration. Currently, Mr. Bac is the Chief Executive Officer of Vision & Associates Co., Ltd., and the Chairman of Synergy Company Limited. Prior to that, he was the Deputy General Director of InvesConsult from 1989 to 1999.



◀ **Mr. LAM HOAI ANH**  
Non-executive member

Mr. Lam Hoai Anh has been a non-executive member of HSC's Board of Directors since his appointment on April 26, 2018. Mr. Anh has a Bachelor's Degree and Master's Degree in Finance and Banking. Currently, Mr. Anh is the Deputy General Director of the Ho Chi Minh City Finance and Investment State-owned Company (HFIC), where he has worked since 1997, contributing greatly to the development of the institution in various roles. Mr. Anh is also a board member of the Sai Gon Kim Cuong Joint Stock Company and Gia Dinh Textile Joint Stock Company.



◀ **Mr. JOHAN NYVENE**  
Executive member

Mr. Johan Nyvene was appointed Chief Executive Officer on May 15, 2007, and an executive member of HSC's Board of Directors on June 30, 2007. Prior to HSC, Mr. Nyvene spent nine years at HSBC Vietnam, where he set up and led the Securities Service Department of the Bank. With many invaluable contributions, Mr. Nyvene is widely acknowledged as one the pioneers in the development of Vietnam's stock markets. Prior to his return to Vietnam, Mr. Nyvene started his career path in business as an analyst and an international banker at the CoreStates First Union Bank in the U.S.

# BOARD OF SUPERVISORS



◀ **Mr. VO VAN CHAU**  
Head of Board of Supervisors

Mr. Vo Van Chau has been a member of HSC's Board of Supervisors for 16 years since his first appointment on December 2, 2002. Mr. Chau is currently the Vice Chairman of Kien Long Bank, where he previously served as its Chief Executive Officer, member of the Board of Directors, and Senior Advisor to the Chairman of the Bank. Prior to that, Mr. Chau was a senior advisor to the board of management of Dai Tin Commercial Joint Stock Bank, the Chief Executive Officer of the Orient Commercial Joint Stock Bank, and a Branch Director of the Asia Commercial Joint Stock Bank in Da Nang and Dak Lak provinces.



◀ **Mr. DOAN VAN HINH**  
Member of Board of Supervisors

Mr. Doan Van Hinh has served on HSC's Board of Supervisors since 2007. Prior to that, Mr. Hinh was the Chief Financial Officer at Saigon Co-op Investment Development Joint Stock Company from 2007 to 2014.

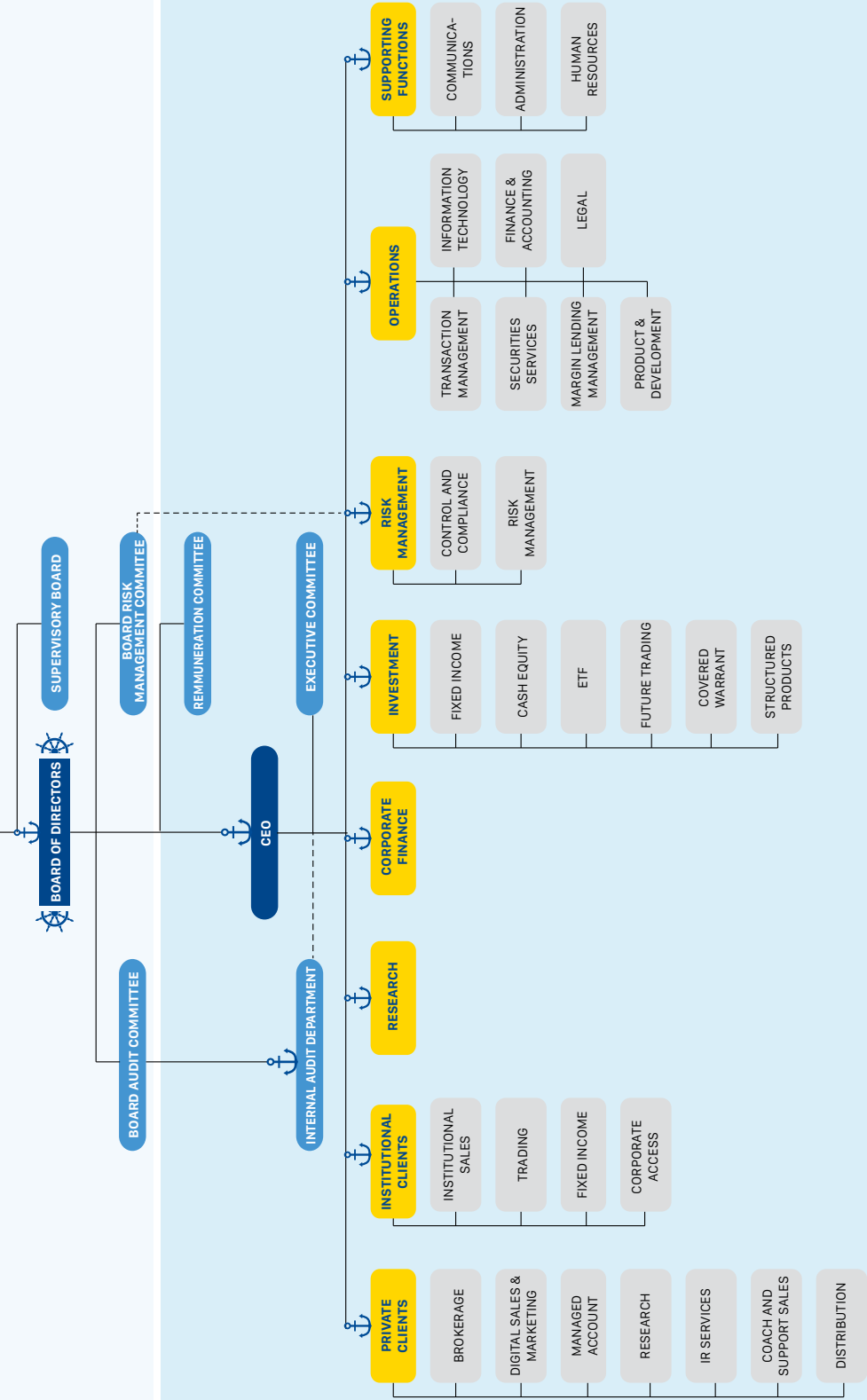


◀ **Ms. DANG NGUYET MINH**  
Member of Board of Supervisors

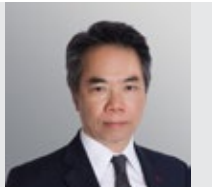
Ms. Dang Nguyet Minh has been a member of HSC's Board of Supervisors for more than five years since her appointment on April 26, 2013. Currently, Ms. Minh is the Director and Deputy Head of Research at Dragon Capital Markets Limited (DC), where she has worked as senior investment analyst from 2009 to 2014.



## ORGANIZATION CHART



# BOARD OF MANAGEMENT



◀ **Mr. JOHAN NYVENE**

Chief Executive Officer

Mr. Johan Nyvene was appointed Chief Executive Officer on May 15, 2007, and an executive member of HSC's Board of Directors on June 30, 2007. Prior to HSC, Mr. Nyvene spent nine years at HSBC Vietnam, where he set up and led the Securities Service Department of the Bank. With many invaluable contributions, Mr. Nyvene is widely acknowledged as one the pioneers in the development of Vietnam's stock markets. Prior to his return to Vietnam, Mr. Nyvene started his career path in business as an analyst and an international banker at the CoreStates First Union Bank in the U.S.



◀ **Mr. TRINH HOAI GIANG**

Deputy CEO  
Chief Operating Officer

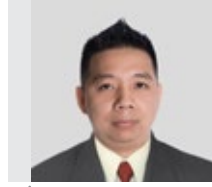
Mr. Trinh Hoai Giang was appointed Deputy General Director of HSC on May 15, 2017 and has served in this position since then. Before joining HSC, Mr. Giang worked in the Treasury Department of the Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) from 1994 to 2002. Mr. Giang joined Dragon Capital Limited as a Director in 2005. He has been the Vice Chairman of Vietnam Bond Market Association since 2010. Working in such an important capacity, Mr. Giang has made invaluable contributions to the development of the capital markets in Vietnam. Mr. Giang was a Fulbright U.S. Scholar and earned his Master of Business Administration in the United States in 2005.



◀ **Mr. STEPHEN JAMES MCKEEVER**

Managing Director  
Institutional Client Division

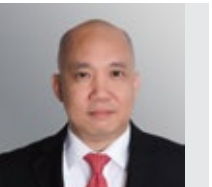
Mr. Stephen James McKeever joined HSC on January 15, 2018 as the Managing Director in charge of the Institutional Sales Department. Before HSC, Mr. McKeever held various senior executive positions, such as the Regional Director in Asia for Mizuho Securities Asia and the Business Development Director for Standard Charter Bank. Mr. McKeever earned his Bachelor's Degree in Finance at the London School of Economics.



◀ **Mr. TRAN TAN DAT**

Managing Director  
Head of Trading  
Institutional Client Division

Mr. Tran Tan Dat was appointed Managing Director in charge of Trading of Institutional Client Division on May 26, 2018. Mr. Dat has been with HSC for almost 12 years, since graduating from the University of Zeeland, major International Business Management Studies. He had led the Trading team of Institutional Division for more than 7 years before being promoted to the current role. With his continuous contribution, HSC's ISD became and stayed firm as the largest broker for foreign institutional investors in Vietnam.



◀ **Mr. LE ANH QUAN**

Chief Partnership Officer

Mr. Le Anh Quan joined HSC as Managing Director in charge of partnership development. In this capacity, Mr. Quan is responsible for initiating partnerships between HSC and external parties, as well as developing synergies among businesses and functions within HSC. Throughout his career, Mr. Quan held senior positions at several large corporations in and outside Vietnam, in particular, CMO at Techcombank, VP of Marketing at Kinh Do Group, Business Development Director at DID TV Media Group, Business Unit Director at Unilever, and Online Marketing Manager at The Walt Disney Company, among others. Mr. Quan got his MBA from the UCLA Anderson School of Management in Los Angeles, California.



◀ **Mr. LE CONG THIEN**

Deputy CEO

Mr. Le Cong Thien joined HSC early in 2010 as the Managing Director in charge of the Retail Client Brokerage Department. On August 12, 2013, Mr. Thien was promoted to be a Deputy General Director and has been in this role since then. Before HSC, Mr. Thien was the Chief Executive Officer at the Cho Lon Securities Company. In addition to his experience in the capital markets, Mr. Thien also had more than 20 years experience in the banking industry, working in various roles in both global banks and Vietnamese banks such as Citibank N.A., Deutsche A.G., ANZ, and Vietcombank.



◀ **Mr. PHAM NGOC BICH**

Managing Director  
Corporate Finance Division

Mr. Pham Ngoc Bich is currently the Managing Director of HSC's Corporate Finance Division. Mr. Bich joined HSC on January 17, 2016 with over 15 years of global investment experience in various senior roles, including Assistant Vice President of Derivatives Trading at Credit Lyonnais Canada, Managing Director at CIBC Global Asset Management in Canada and Hong Kong, CEO at Prudential/Eastspring Vietnam Fund Management and Managing Director of Institutional Sales at SSI Securities, before joining HSC.



◀ **Mr. PAUL SHEEHAN**

Acting Head of Research  
Research Division

Mr. Paul Sheehan joined HSC as Acting Head of Research - Research Division, from January 7, 2019. Mr. Sheehan has over 25 years of investment experience incorporating both the buy and sell sides, with a particular focus on financial institution equity research. Mr. Sheehan began his career as a bank examiner at the US Federal Reserve. He then transitioned into equity research and covered Asian banks and financials for Bear Stearns, Lehman Brothers and ING Barings. After that, Mr. Sheehan co-founded Thaddeus Capital Limited, and grew it into a successful event-focused pan-Asia equity long-short fund with over US\$800m AUM. Mr. Sheehan holds a BA in Economics from SUNY and Master's degrees in Management and Liberal Arts from Yale University and Harvard University, respectively.



◀ **Mr. NGUYEN CANH THINH**

Acting Managing Director  
Private Client Division

Mr. Nguyen Canh Thinh was appointed the Acting Managing Director in charge of the Retail Client Brokerage Division on August 26, 2018. Mr. Thinh has been with HSC for more than 12 years, since graduating from the University of Economics and Law. Before being promoted to his current role, he had more than six years managing a transaction office in Ho Chi Minh City. He has contributed greatly to the development of the Retail Client Brokerage Department, both in terms of growing revenue and expanding the business development team.



◀ **Mr. BACH QUOC VINH**

Managing Director  
Northern Region

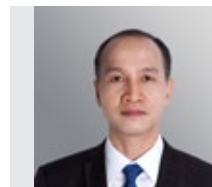
Mr. Bach Quoc Vinh was appointed to be the Managing Director at HSC covering the Northern market on August 17, 2013. Before HSC, Mr. Vinh had more than 10 years at Prudential Vietnam as its Business Development Manager, Head of Business Development in the Hanoi office, and Branch Director in Nghe An and Ha Tinh provinces for the insurance company.



◀ **Mr. NGUYEN QUOC NAM**

Managing Director  
Human Resources Department

Mr. Nguyen Quoc Nam joined HSC on December 04, 2018 as the Managing Director in charge of the Human Resource Department. Before HSC, Mr. Nam had many years working in various management roles, such as the Deputy General Director of Duy Tan Plastics Company and the Managing Director of the Human Resource Management Department at Techcombank. Before that, Mr. Nam also worked for multinational corporations including Kimberly Clark Vietnam and Cargill Vietnam.



◀ **Mr. LAM HUU HO**

Chief Financial Officer

Mr. Lam Huu Ho was appointed Chief Financial Officer at HSC on November 1, 2017. Before joining HSC, Mr. Ho had more than five years experience in audit at KPMG Vietnam, and was the Internal Audit Manager at Cai Lan Oil and Fats Industry Company from 2003 to 2007.

CEO  
Message

About HSC

2019 Macro  
and Strategy  
Report

2018  
Performance  
Overview &  
2019 Outlook

Supporting  
Functions

Corporate  
Governance

Sustainability  
Report

Financial  
Statement



TOTAL ASSETS

5,256

VND BILLION



NAVIGATING UNCERTAINTIES

## 2019 MACRO AND STRATEGY REPORT

### VIETNAM'S DOMESTIC ECONOMY IS IN GOOD SHAPE AND WILL PROVIDE A FLOOR FOR THE STOCK MARKET IN 2019, DESPITE SOME VOLATILITY.

Key positive and negative factors for the Vietnamese macro economy & stock market in 2019

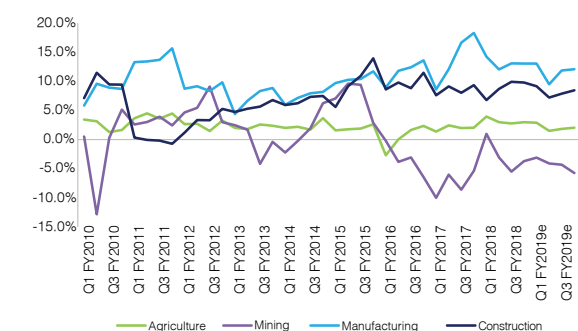
	Importance level	Likelihood in next 3 months	Likelihood in next 6 months	Likelihood in next 12 months
<b>Macroeconomic changes</b>				
GDP growth to slow slightly in 2019	Primary	High	High	High
Inflation to remain below 3.5%	Primary	High	High	Medium
Currency to depreciate at a faster rate	Primary	Medium	Medium	High
Manufacturing and consumer sectors could be sluggish	Secondary	Medium	High	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
<b>Monetary policy changes</b>				
Credit growth and M2 to decelerate slightly in 2019	Primary	High	High	High
Interest rates to increase further at a moderate pace	Primary	Medium	High	High
Liquidity gap to remain negative for now	Primary	High	Medium	Medium
<b>Fiscal policy changes and BOP</b>				
Budget deficit to be unchanged	Primary	Medium	High	High
Trade surplus to increase slightly	Primary	High	Medium	Medium
Currency reserves to build on BOP surplus	Primary	Medium	Medium	Medium
Decline in ODA to have an impact especially on infrastructure	Primary	High	High	High
FDI to continue to increase	Primary	Medium	Medium	High
<b>Structural changes</b>				
SOE equitisation to slow due to market conditions	Primary	High	High	High
Passage of new securities law	Secondary	Low	Medium	High
<b>Other changes</b>				
Some interest in M&A as foreigners look to snap up assets	Primary	Medium	Medium	Medium
Cleanup of bank sector management to continue	Secondary	High	High	High
Global stock markets remain volatile as bull market dies	Primary	Medium	High	High
Taper tantrum continues on QT effect	Primary	Low	Medium	High

Source: HSC

HSC forecasts that the economy will grow by 6.6% in 2019, and continue at a CAGR of 6.5% through 2021. This economic expansion is driven by robust growth in manufacturing and steady expansion in consumption, and is underpinned by rising FDI, urbanization, and infrastructure expenditure. The role of FDI industries in driving manufacturing sector growth is likely to increase due to the increasing pace of relocation of plants from China to Vietnam across a broad range of industries. However, we also note the growing importance of emerging domestic conglomerates such as Vingroup who are expanding their footprint into industrial sectors.

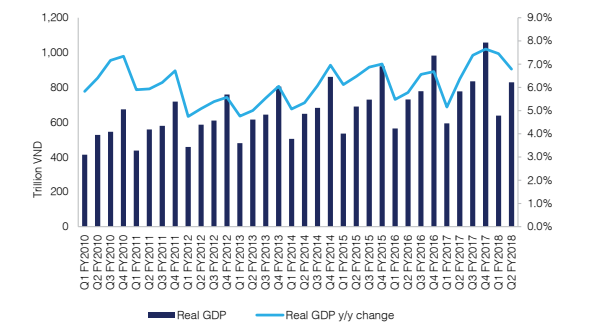
### HSC forecasts GDP growth will slow to 6.6% in 2019 after 7.1% growth in 2018.

#### Movement of key sectors



Source: GSO; HSC forecast

#### Quarterly GDP growth



Source: GSO

GDP growth rates reached a near-term peak of 7.08% in 2018 as various strong tail winds such as trade, consumption, and FDI investment boosted the economy. However, given the external headwinds which have emerged since Q3 such as trade concerns, slowing Chinese industrial production, and weak demand from both Japan and Europe, as well as higher domestic interest rates, we forecast that 2019's GDP growth will decelerate. Note that our house estimate for 2019 is at the low end of the Government's target of 6.6% - 6.8%.

Even on our conservative forecasts, we consider the prospects for Vietnamese economic growth to be far stronger than that of the region given several long term positive and secular growth factors:

- FDI investment remains strong and should grow faster given strong evidence that many manufacturers now reliant on China will accelerate their plans to shift some or all capacity to Vietnam;
- Exports will continue to outgrow the region reflecting this secular shift and will be only slightly affected by anything short of a major global slowdown;
- Vietnam's positive demographics and continued urbanization make for a robust domestic consumption environment; and
- Other supportive macro sector trends such as: the surge in affordable housing; likely acceleration of important infrastructure projects; a shift towards modern trade; and rapid growth in online retailing.

## 2019 MACRO AND STRATEGY REPORT (continued)

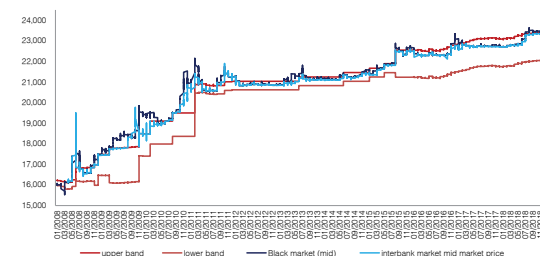
### Key GDP sub-sector growth potential remains quite strong although not as strong as in 2018.

In 2018, almost all the key sub-sectors in the GDP series appear to have grown at a fairly robust pace. For 2019 we expect this growth to be somewhat slower than seen last year but still higher than the average growth seen the past 5 years. In particular, we have the following forecasts and outlook for some key sub-sectors:

- Mining sector: (down 3.1% y/y in 2018; forecast 4.9% y/y drop in 2019) – A cyclical decline is likely to worsen in 2019.
- Manufacturing: (up 13% y/y in 2018; forecast up 11.7% y/y in 2019) – Strong sectoral growth is set to continue, with migration from China continuing apace.
- Construction: (up 9.2% y/y in 2018; forecast to grow 8.2% y/y in 2019) – Slowing growth in construction reflects a slowdown in legal clearance for new projects in major cities, as well as tighter credit and higher interest rates.
- Retail and wholesale segment: (up 8.8% y/y in 2018; forecast to grow 8.6% y/y in 2019) – Underlying domestic consumption remains strong, which underpins growth in the sector.

**We forecast the VND could depreciate by up to 3% in 2019. However, it continues to be one of the most stable ASEAN currencies.**

#### VND US\$ exchange rate and band



Source: SBV; HSC's collection

Our VND forecast follows our view that the dollar will continue to strengthen slightly against its major trading partners in the 1H of the year, before weakening in Q4, and based on this we feel that the VND could claw back some of any lost ground before the end of the year. Our key assumptions behind this are as follows:

#### DXY and VND adjusted rate



Source: Bloomberg; HSC's calculation

- We had previously been assuming another 50 bps hike in the Fed funds rate to 2.75% – 3% during 2019, which now looks to be unlikely. As we pointed out in our year-ahead strategy report, any signs of a slowdown in U.S growth beyond normative levels would lead to a rethink of Fed policy and a pause, which is apparently what has come to pass. This is supportive news

for all EM currencies, and so we are very confident that any depreciation in the VND this year will be limited.

- We continue to assume despite the rate hike pause that the shrinkage in the Fed's balance sheet will continue at the current rate at least through the end of 1H19 or until the balance sheet drops below US\$3 trillion.
- We assume that Vietnamese interest rates—particularly as represented by the short-term deposit rate—will rise another 50 bps in 2019.
- We forecast that inflation will quicken slightly to some 3.5% in 2019, which we view as moderate and perfectly reasonable within the current policy framework.

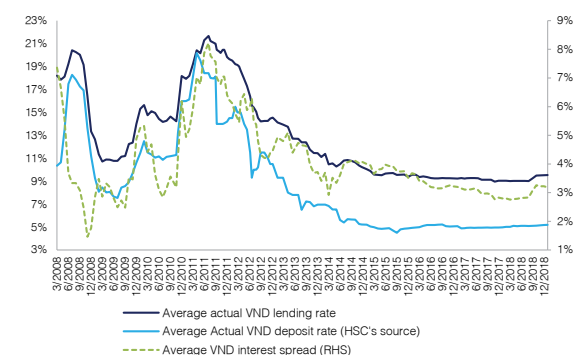
In our view given that the process of unwinding the Fed's balance sheet may pause after the summer we think the period of greatest risk for the VND will be in Q2 and Q3.

Overall then we are quite comfortable with the current domestic and external environment facing the currency.

**Credit growth is likely to reach 15% in 2019. We see domestic interest rates climbing by ~50 bps.**

**Interest rates moved higher last year with lending rates climbing an estimated 49 bps**

#### VND Actual interest rate



Source: HSC's collection

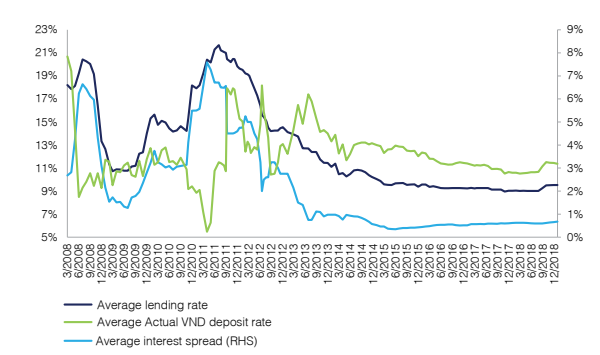
HSC forecasts that credit growth will reach around 15% this year which is just above the official target of 14%, and slightly less than the estimated 15.5% credit growth for 2018.

SBV has followed a deliberate policy of reducing annualized M2 and to a lesser extent credit growth since 2012, prior to which credit growth was far in excess of nominal GDP, with unfavorable results for the banking sector. Since then the central bank has been focusing on asset quality and risk management at banks, and limiting growth on an institution-by-institution basis.

In this respect they have been very successful, slowing credit growth by 1480 bps over 8 years from the 29.8% seen in 2010. By asking banks to focus more on corporate and also consumer lending and moving away from SOE-related lending this has been achieved whilst GDP grew at a CAGR of 6.2% over the same period.

At this point in the cycle the SBV is more concerned about inflation and also the currency, and some banks are capital-constrained from lending in any case. Hence the tightening bias that has been a feature of their policy especially in the 2H of 2018 will continue into 2019.

#### Average interest rate spread



Source: HSC's collection



2019 MACRO AND STRATEGY REPORT (continued)

HSC expects the broad trend of domestic rates rises to continue in 2019, with VND deposit rates rising 15-20 bps and a 50-75 bps hike in lending rates representing our base case for the year.

This would mean that Vietnam continues the global trend towards higher interest rates despite some Fed divergence. There is also an element of a catch-up in Vietnamese rates incorporated into our view on the lending side. Our more benign view on deposit rates reflects our view that regulators will want to keep liquidity at current levels and avoid sudden movements.

HSC forecasts exports to grow 12.7% y/y in 2019, only slightly slower than 2018, as secular drivers still dominate.

HSC forecasts that two-way trade will reach US\$ 545 billion in 2019, representing 12.7% y/y growth in exports and 13.5% y/y increase in imports. This suggests a slight slowdown in the pace of export growth and a moderate acceleration in the pace of import growth.

For exports we still see decent prospects in 2019 despite our concerns for the slowing pace of global growth. Vietnam will continue to benefit from the same secular factors that enabled exports to grow fairly rapidly in 2018 despite a sharp deceleration in export growth through the entire Asian region. The main reasons for this are:

- FDI investment in the past few years continues to bear fruit in the form of new factories both for new and also existing FIE companies. Vietnam's unique location and attractive cost base continues to bring in new investment. Note that it takes a few years for FDI investment to translate into higher exports and therefore last year Vietnam was mainly benefitting from the 2015/2016 investment wave. While in 2019 we should see the fruits of FDI investments made in 2016/2017.

- Some important FTAs have come on stream recently leading to expanded trade with several important trading partners. FTAs signed with Korea and more recently the CP-TPP have now come into operation and will lead to expanded trade. And this year, there is a strong likelihood that the FTA with the EU will be signed, which will bring positive trade benefits from 2020 onwards.

In HSC's opinion these positive factors will lead to continued double digit export growth even as global growth itself slows. In other words, Vietnam's share of the international trade pie will continue to increase steadily even as the pie itself doesn't grow that much in 2019-2020.

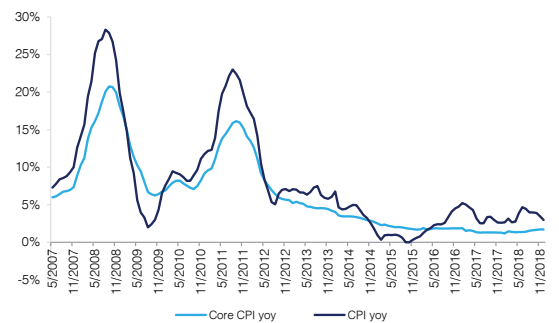
Vietnam's trade balance

	FY2010	FY2011	FY2012	FY2013	FY2014
Exports (FOB)	72,235	96,608	114,300	132,033	150,217
Imports (CIF)	84,839	106,043	113,150	132,033	147,849
Trade balance	-12,603	-9,434	1,151	0	2,368
Total trade	157,074	202,651	227,450	264,065	298,066
y/y % change	FY2010	FY2011	FY2012	FY2013	FY2014
Exports (FOB)	28.3%	33.7%	18.3%	15.5%	13.8%
Imports (CIF)	24.6%	25.0%	6.7%	16.7%	12.0%

Source : GSO; Customs; all estimates & forecasts by HSC

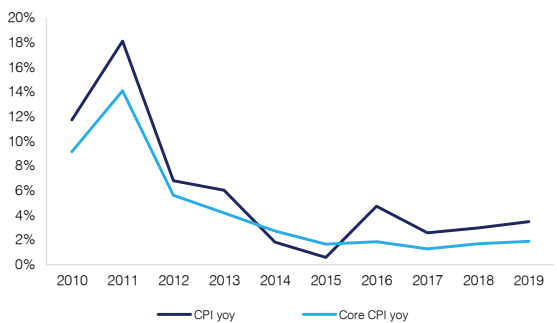
HSC forecasts that 2019 headline CPI will remain moderate at around 3.5%. This is higher than the 3.0% level seen in 2018, but still benign.

Core CPI vs. Headline CPI (y/y%)



Source: GSO

Headline CPI vs. Core CPI



Source: GSO; HSC's forecast

CPI is likely to accelerate a bit in 2019 after a very benign 2H of the year in 2018. The main drivers of headline inflation as ever remain fuel, food, and to a lesser extent government services.

In HSC's opinion the main drivers of 2019 CPI acceleration include:

- (1) a hike in some government service fees such as electricity prices which were held over since 2017; Hikes in various state services will push 2019 CPI up by 1.1%-1.2%. HSC's forecast

calls for a 7.5% hike in electricity prices, a 6% increase in education fees, and a 5% rise in healthcare services charges.

- (2) some impact from the transport index given the expected increase in environmental protection taxes on petrol and petroleum products. The domestic petroleum price index may rise 4%-5% in 2019 pushing annualized CPI up by 1%. The environmental tax levied on petrol and petroleum products will be raised sharply from January 1st, 2019.

2019 MACRO AND STRATEGY REPORT (continued)

(3) the important food and foodstuffs index will advance moderately by 4.5% y/y in 2019, contributing 1.66% to 2019 CPI. Of this, we expect food items will add 0.11%, foodstuffs add 1.28% and the rest will come from the eating-out sub-index.

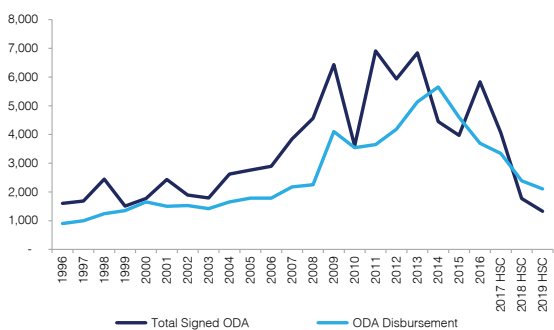
(4) the impact of crude oil on 2019 CPI in Vietnam will be fairly negligible given that: (a) the 2019 range for oil prices will presumably be a lot narrower than the enormous range we saw in 2018; and (b) the need to raise the contribution to the domestic price

stabilization fund which decreased to VND 3 trillion as at the end of 3Q 2018 implying a drop of VND 2 trillion. Hence any further decreases in the crude oil price will probably be offset by a higher contribution to the stabilization fund.

Meanwhile, core CPI will remain low – HSC forecasts that 2019 core CPI will rise some 1.9%, staying below the 2% level. This reflects our expectation that the SBV will keep monetary policy slightly on the tight side.

ODA amounts falter as Vietnam moves into a transitional phase as a middle-income country.

ODA inflows to Vietnam (USD million)

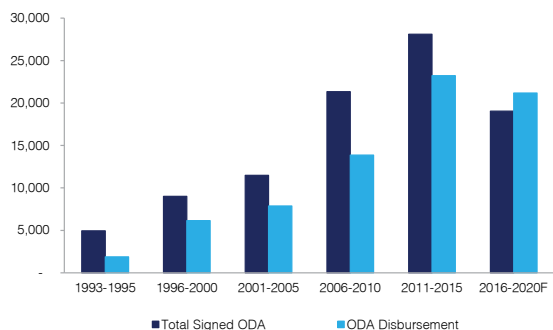


Source: MPI, HSC's estimates

Vietnam is no longer eligible for ODA from the World Bank. As Vietnam now has middle-income status (MIC), the ODA program from the World Bank, the second biggest donor accounting for about 25%-30% of total ODA annually, ended in FY2017. Vietnam instead has access to the IBRD and transitional IDA support during FY2018-2022. These loans have shorter payback periods along with higher borrowing costs.

**We further forecast that FY2019 registered ODA will drop 25% to US\$ 1.33 billion** Our argument here is that Asian Development Bank (ADB), the third biggest donor accounting for about 7%-10% of ODA annually will also cease offering ODA to Vietnam from January FY2019. It means an annual amount of funding of about US\$ 400-500 million will need to migrate to other sources.

ODA inflows to Vietnam (USD million)



Source: MPI

**We expect disbursed ODA in FY2019 will decline further by some 11.7% to US\$ 2.1 billion.** This reflects our assumptions that:

- The lending rate on Japanese ODA is increasing. According to MoF, it increased from 1.2% to 1.5%, coupled with other fees, since October 2017; and
- The rate of public investment capital disbursement will remain fairly low in FY2019.

HSC considers the absence of ODA as an important stepping stone towards the urgent development of long-term capital in Vietnam. In the medium and long term, as the Vietnamese economy continues to grow, the country will no longer receive significant amounts of ODA or other forms of official aid. Given that the majority of ODA funding is

used for infrastructure, energy, and environmental projects, Vietnam will have to find alternative sources of long-term funding for these investments. HSC has always argued that the most feasible solution for that is to further develop public and also private pension funds, which is the common long-term funding pathway of more developed countries. These pools of funds both public and private could be invested in infrastructure bonds at decent yields in order to fund large infrastructure projects with long term paybacks.

EXTERNAL FACTORS REMAIN THE BIGGEST HEADWIND FOR VIETNAMESE EQUITIES

**QE unwinding will accelerate and remains the biggest headwind for global equities** – The Fed has been steadily accelerating its quantitative easing (QT) unwinding throughout all of 2018. This liquidity drain has now reached its peak but will continue during at least 1H 2019.

Meanwhile the European Central Bank is about to embark on its own QE unwinding from early next year which will significantly increase the amount of global liquidity being drained on a month by month basis. Europe's EUR2.6tr (US 2.95tr) QE program was both enormous and long-lasting as it continued for almost four years.

Risks for the global market & economy in 2019

Risks	Impact on Vietnam's economy & stock market	Risk weighting
Global macroeconomic growth is slowing rapidly lead by China; Japan and the Eurozone	Slowing global growth points towards possible recession in 2020	Medium to high
	Equity markets will drop to long term normative valuations	
	Risk-off mentality will lead to FII outflows	
Sabre rattling on trade	Risk of no deal with China leading to escalation and serious macro fallout	High
Corporate earnings growth may slow or evaporate	Auto tariffs question affecting Japanese and German exports overhanging	Low to medium
	Corporate earnings growth looks to be slowing in developer economies	
	With implications for corporate earnings in emerging markets also	
Geopolitical risk might spill over	Corporate debt is very high in many countries such as the US	Medium
	Sudden withdrawal of capital from frontier and emerging markets	
	Risks to currency; FDI and underlying economy	

Source: HSC

**The U.S. will see normalised growth in 2019 with the headwinds still mostly external** – consensus forecasts have the U.S economy slowing to a more normalised rate of 2.5% in 2019 versus the tax cut induced estimated 3% in 2018. Jobs growth in the first 11 months of the year averaged 200,000 jobs per month; and while the November number slowed we note a strong December print. However, the latest ISM readout, which is a real time indicator for the manufacturing and service sectors, shows activity slowing down fast. Meanwhile, the PCD and other inflation numbers show that price inflation has decelerated in recent months suggesting that pricing pressure is not a problem.

In our view the main risks to US growth are now to the downside. Part of the US yield curve inverted in early December sending a warning about future growth prospects. Maurice Obstfeld, the retiring chief economist of the International Monetary Fund, suggested that the slowdown in global growth apparent in the weak Q3 numbers (where Japanese and German GDP actually declined) will eventually have an impact on the U.S. also. This was followed by Victor Constancio, until recently the ECB's vice-president, who said the US is heading for a deep slowdown or a recession over the next one to two years. These voices have been added to by many private sector economists who also fear that the longest expansion in modern times is coming to an end.

**The Chinese economy is clearly slowing rapidly** – Recent data appears to confirm the trend which has been evident for some time. Namely that the Chinese economy is gradually slowing due to a combination of structural, regulatory cyclical, and external factors. This is likely to continue in 2019 as the factors driving it aren't short term in nature. Indeed the World Bank is predicting that China's economic growth may slow to 6.2% in 2019 from an expected 6.5% in 2018.

We expect that Chinese policy-makers will provide maximum stimulus and incentives to combat slowing growth if it looks to fall too far below baseline.

**The Japanese economy has suddenly run into trouble** – In Q3, the Japanese economy declined at an annualized pace of 2.5% which was much worse than the initial estimate of a 1.2% contraction. In non-annualized terms, the economy shrank 0.6% from the previous quarter. Private sector capital spending fell 2.8% q/q, compared with an initial estimate of a 0.2% decline. The main reason was a series of natural disasters during the quarter which affected industrial production, but falling Chinese and European demand and the effects of the ongoing trade disputes which have resulted in a major loss of business confidence also played a role. And while most expect a positive Q4 the scale of the recovery is likely to be weak.

**Eurozone growth is also slowing** – Growth in the Eurozone has been decelerating all year. The Eurozone Markit manufacturing sector PMI has dropped from a high of around 60 at the beginning of the year to a reading of 51.8 recently. Overall PMI has slid to 51.3 for the eurozone, 52.2 in Germany and 49.3 in France. The ECB has cut its Eurozone GDP targets for 2019 to 1.7% – still far above the actual 0.2% growth seen in Q3.

**The Brexit issue mostly affects the UK but the uncertainty is bad for global equity market sentiment** – The Brexit outcome remains unclear as we go to press, with the final deadline looming and seemingly no majority for any way forward in Parliament. An extension and/or a second referendum appears the most likely outcome, but anything is still possible. We do not see this as a major issue for Vietnamese trade, but are mindful of the potential impacts of an unforeseen bad outcome on UK and European growth.

**The ongoing trade dispute between the U.S and China is both a concern and a tremendous opportunity for Vietnam** – Negotiations between the Chinese and the U.S are continuing well past the initial 90-day deadline period; and we believe that the process may be extended further. The HSC view is that there will be a mutually-agreed settlement as it is in the clear interest of both parties; however, there is always the chance that the talks won't

end in an agreement. Vietnam's GDP growth could be reduced by 0.5%-1% if agreement fails and the current tension becomes a full-blown trade war extending into 2020. We believe that the total impact on Vietnam will be more significant the longer the dispute continues, as its effect spreads across multiple countries and leads in the worst case to a partial reversal of the globalization process.

CAPITAL MARKET REFORM WILL BE A KEY MARKET THEME IN 2019

**Big changes likely to be implemented from 2020.** Market access is still the biggest challenge facing the Vietnamese stock market. The authorities have been looking at various ways of opening up the market to foreigners for several years whilst at the same time satisfying internal criteria over restricted sectors and security in general. Their goal remains to try for MSCI Emerging Market status over the next few years. We believe that EM accession is unlikely to be announced in 2019-2020, given that major structural barriers still exist and not much changed in 2018. A handful of stocks opened up their FOL to 100% in 2018, including new listing Yeah1 Group. However, this bottom-up approach to improving market access has led to a total of just 31 companies having opened up FOL room to 100% so far.

The most important development of the year was the publication of the draft Securities Law. The main proposed change here is that any listed company operating businesses that fall outside the list of restricted industries would see their FOL automatically lifted to 100%. At the moment this is at the discretion of the management of such companies.

If this law is passed, there will exist 3 different levels of FOL:

- Banking sector – still limited to 30%
- Companies with businesses that fall under the list of 243 restricted industries – still 49%
- All others – automatic 100%

The clear purpose of the draft law is to move the needle on the number of companies with an FOL of 100%. However, two important issues remain which may affect the number of companies falling into the others category.

- Companies with foreign ownership over 51% would be treated as foreign companies under other laws such as the Real Estate and Tax laws.
- Listed companies typically register many different business lines in their company charter. Hence even if they are not actively pursued, many companies could technically fall under one of the 243 restricted business lines.

Hence we see the draft securities law as a stepping stone to improving market access. The key to understanding it is that the SSC powers will be enhanced such that future decisions on different classes of shares for example could be taken in the form of a Circular or Decree. This could speed up further reforms tremendously.

Having collected opinions from interested parties, the draft law will likely be submitted for National Assembly approval in one of the two sessions planned for FY2019, and if passed is expected to go into effect from 2020.



Market access - various ideas on how to improve

Market access - how to crack the nut		Pros	Cons
New Securities Law	Possible lifting of general restrictions on FOL	Appears to lift the cap automatically for listed stocks in unrestricted sectors	Only applies within the stock market environment
	Applies to listed stocks		Other regulatory bodies might ignore
NVDRs	Still talked about especially by HoSE leadership	Neat and easy solution	Requires legislative change
	Strips foreign bought shares above limit of voting rights		Not clear if SSC is supportive
	All other economic benefits remain		
Golden share	Might be applied in special circumstances for very restricted sectors	Can allow FOL of 100%	Only used in certain countries

**NVDR option still open for the future** – the authorities have looked at the introduction of NVDRs (as in Thailand) to improve market access in the past but have made no decision about it one way or another so far. However, under the draft Securities law an NVDR option could be introduced far more easily than in the past, as:

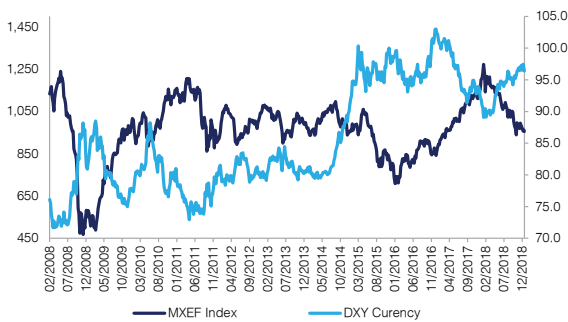
- NVDRs can be introduced in the form of Degree or Circular.
- This would only require approval from the Government and would not be required to go through the National Assembly.

In HSC’s opinion, the two possible methods to enable unrestricted trading of those companies with FOLs limits of 49% or less is either an NVDR option or a golden share option. This is especially true given that capital raising can be extremely difficult for companies with FOL restrictions.

HSC FORECASTS ON VNINDEX AND INDUSTRIES

HSC expects the VN index will trade in a range between 770-1100 in 2019, before closing out the year at the higher end of the range.

MSCI emerging market vs. US Dollar



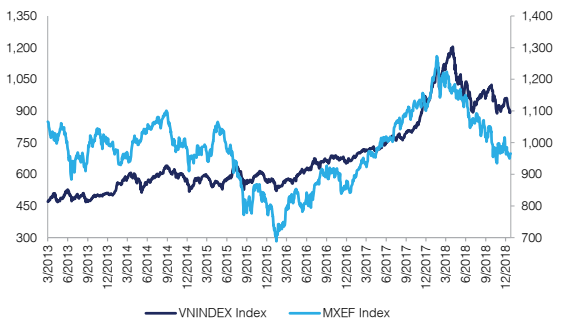
Source: Bloomberg

HSC expects the VN index to trade in a range between 770 and 1100 in 2019. This would mean that the market is unlikely to return to the highs of 2018. Instead we expect to see higher-than-normal volatility which may lead to some sharp corrections. Our year-end target for the VN index is 1100.

Our view is divided into two halves. In the 1H of 2019 we see downside risk especially from late Q1 given further tightening of monetary policy globally. This is mainly due to the unwinding or discontinuation of QE programs and some catch-up moves to tighten rates. All of this comes against a background of weakening economic growth and ongoing trade disputes, which will likely lead to a slight strengthening in the U.S dollar. As for the U.S – China trade dispute we assume some form of provisional agreement will be reached within Q1.

If so, emerging market equities will rally on this for a few months. We may already be seeing the beginnings of that rally. However we expect the reality of slowing economic growth will eventually put a cap on sentiment, especially as monetary and fiscal policy will remain tightly constrained in most major

MSCI emerging market index vs. VN index



Source: Bloomberg

economies. This may lead to further weakness in Q2 as we approach the summer.

HSC believes that the U.S Fed balance sheet unwind will be called off over the summer and that U.S rates are effectively on pause already. The ECB will also likely abandon any plans to hike interest rates, although we believe that QE unwind is still on the cards. We may also see further stimulatory measures being taken in economies such as Japan and China.

The combination of these events lead us to expect: (1) a falling dollar; and (2) an emerging market equity rally once the peak in the tightening cycle has been reached. We thus suggest that the VN index will bottom in the summer and could then bounce back sometime in Q3 and Q4, to reach our range highs towards the end of next year.

We see the 2019 market performance being affected by both positive and negative factors.

First the positive factors:

a. Decent earnings growth with HSC calling for an 11.1% increase for the TOP70 companies by market cap, versus our final estimate of growth of 16.5% in the EPS of the TOP70 in 2018.

b. Valuations no longer look demanding – The Top70 is trading at a forward 2019 PE of 14.22x. This compares to a 5 year range of 10.15x – 20.52x and a median of 11.96x. Last year, at the peak, the TOP70 PE hit a high of 20.52x before the sharp correction in Q2. We view current valuations as reasonable given the strong growth prospects.

c. Domestic macroeconomic environment looks very healthy – GDP growth in 2019 will likely hit 6.6%, just slightly below the 2018 level. Inflation has decelerated, exports are strong, and the FDI story has rarely looked better. It’s actually quite hard to find any headwinds in the domestic macroeconomic environment at the moment although the sluggish pace of infrastructure development and delays to some key projects are certainly a bit of a constraint.

d. Capital markets reform has moved up the agenda and we may see some interesting announcements during the year – a draft of the new Securities Law has been circulating and is likely to be passed in 2019. We may also see some FDI companies being given greater access to capital markets on a selective basis. Topics such as the setting up of a credit ratings agency, secondary markets for debt trading, and of course improving market access for equities are all under active discussion.

These positives will likely fuel several extended market rallies during the year. Particularly if we see some developments on the various capital reform topics.

However, much like 2018, we see the market mood changing fairly frequently which means that trading rallies will be hard to sustain for longer than a month or two. Indeed, on the other hand there are some clear concerns:

a. All the signs point to a slowing global economy in 2019 with a heightened risk of a recession in the next 18 months – Q3 was a bit of a watershed for the global economy with a sudden accelerated downturn in demand in several key global economies at the same time, namely, China, Japan, and the Eurozone in general and Germany in particular. The common denominator here is the slowdown in Chinese demand which is affecting other large economies. This is being exacerbated by falling dollar liquidity; rising interest rates since last year and the various trade disputes between the U.S and almost all of its major trading partners.

b. ECB QT is now added to the Fed’s own QT thus affecting global liquidity

c. China – U.S trade dispute and other trade issues adds to global uncertainty

d. Global equities may start to look expensive if earnings growth slows.

Equity supply surged in FY2018, but we expect only a limited number of new issues in 2019

FY2018 planned & actual supply into the equity market

	FY2018 plan (VND billion)	US\$ million	Completed as of end December 2018 (VND billion)	US\$ million	Pending (VND billion)	US\$ million	% completed YTD in FY2018
IPO (new capital raised)	75,228	3,270.8	21,947	954.2	53,280	2,316.5	29.2%
IPO total market cap	478,846	20,819.4	293,279	12,751.3	185,568	8,068.2	61.2%
Listings*	494,125	21,483.7	487,406	21,191.6	6,719	292.1	98.6%
Estimated capital raising (HSX&HNX non-bank)	76,943	3,345.4	31,360	1,363.5	45,583	1,981.9	40.8%
Estimated capital raising (banks)	72,680	3,160.0	54,318	2,361.6	18,363	798.4	74.7%
<b>Total (excluding listings)</b>	<b>224,851</b>	<b>9,776</b>	<b>107,625</b>	<b>4,679</b>	<b>117,227</b>	<b>5,097</b>	<b>47.9%</b>

Source: HSC, HNX, HSX, Media

The crop of IPOs and listings that came in 2018 struggled to gain traction in the after-market, and the rate of successful execution of planned capital raising was fairly low at just 46.9%. Given the indifferent performance of the 2018 vintage we sense that 2019 will get off to a very slow start. For a start, lower market aggregate PEs suggest that the future IPO/listings will have to be priced more competitively. This may cause certain issuers to pause in the hope of getting better prices at a later stage. In addition, some large foreign investors appear to have turned rather cautious on Vietnamese IPOs/listings given that those that invested heavily in new issues in 2018 have done less well than they expected. Which means that even at lower valuations; a new issuance in 2019 becomes a harder sell.

2019 MACRO AND STRATEGY REPORT (continued)

Model Portfolio and sector weights

HSC sector weights for 2019

We move to UNDER **MARKET WEIGHT** in **banks**. And would be **OVERWEIGHT** in **non-banks** such as insurers and **UNDERWEIGHT** in brokers.

We move to **UNDERWEIGHT** also in **consumer** names

We would be **MARKETWEIGHT** in **resource** names

We revise up to **OVERWEIGHT** in **manufacturing** names

We remain **UNDERWEIGHT** in **real estate**.

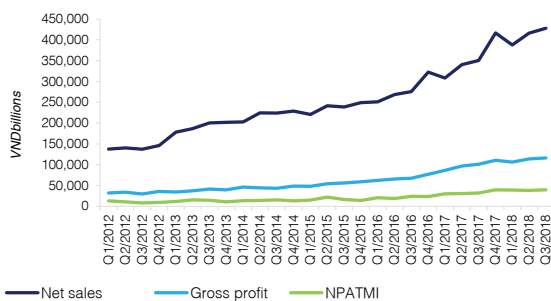
We remain **MARKETWEIGHT** in **agriproduct** names

We would be **UNDERWEIGHT** in **pharmaceutical** names

We would be **OVERWEIGHT** in **transportation** and **logistics** names

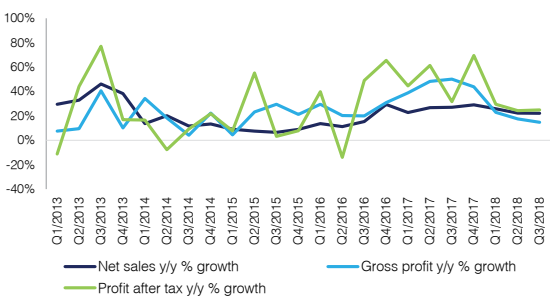
As above, we forecast earnings growth of 11.1% for the TOP70 in 2019, below last year’s actual level but still fairly healthy given that we are in a rather mature earnings cycle. Our forecasts show some sector rotation with sectors such as financial services, transportation, and logistics that dominated earnings growth in 2018 taking a bit more of a back seat in 2019. Other sectors such as real estate, manufacturing, utilities, and pharmaceuticals are set to recover after sluggish growth in 2018.

Top 70 – Quarterly nest sales vs. Gross profit vs. Net profit



Source: Company FS

Top 70 – Sales vs. gross profit vs. Net profit %y/y change



Source: Company FS

TOP70 earnings by sector

	Net Profit							y/y%	
	FY2014	FY2015	FY2016	FY2017	FY2018F	FY2019F	FY2018F	FY2019F	
Financial service	36,889,277	39,738,712	48,120,828	67,880,794	83,568,756	97,484,009	23.1%	16.7%	
Consumer	11,287,196	19,044,283	18,897,084	19,753,243	21,804,690	23,197,537	-0.8%	6.4%	
Energy	20,323,843	17,297,773	15,055,191	15,971,089	18,989,945	15,965,842	-13.0%	-15.9%	
Real Estate	6,132,171	5,668,739	10,350,611	14,873,613	14,945,193	17,001,491	82.6%	13.8%	
Transportation	3,245,087	3,388,437	9,653,618	11,732,849	14,418,491	17,474,397	184.9%	21.2%	
Manufacturing	4,669,535	5,384,594	9,738,533	10,653,709	10,666,441	11,742,467	80.9%	10.1%	
Retails	1,014,986	2,381,256	4,675,025	5,251,176	6,663,873	8,336,054	96.3%	25.1%	
Utilities	3,594,154	2,981,673	1,875,904	3,374,354	3,475,855	4,250,562	-37.1%	22.3%	
Technology	1,721,460	2,059,522	2,123,286	3,114,674	2,818,335	3,644,246	3.1%	29.3%	
Logistics	779,043	681,618	641,022	741,301	2,101,946	821,317	-6.0%	-60.9%	
Pharmaceuticals	533,273	588,701	643,672	640,983	625,028	678,380	9.3%	8.5%	

Source: HSC's data



2019 MACRO AND STRATEGY REPORT (continued)

Financial services will see slowing growth this year

**Top sector picks: MBB; TCB; HDB; VIB.**  
After two consecutive breakout years for bank earnings, FY2019 will be a tougher year, due both to a higher base effect and to the fact that some one-off gains will drop out. Although we still see decent top-line growth for the sector, we forecast that banks will show aggregate PBT growth of 16.7% y/y (versus an est. 23.1% in FY2018F and 41.1% in FY2017). This lower profit growth is in-line with top line growth and not due to higher operating expenses or a resurgence in provisions.

Consumer segment to have mixed prospects for 2019.

**Top sector picks: SAB; MSN; MWG; and PNJ.**  
We believe that in 2019, consumption of FMCG products will grow broadly in line with GDP growth given (1) rising per capita income; (2) ongoing urbanization; and (3) a relatively low penetration rate for several product segments compared to the region. For example we expect the dairy products segment to show moderate growth of around 4% p.a. going forward after a difficult year in 2018, even with frequent new product launches and better marketing efforts from dairy companies. Alcoholic beverages, specifically beer, are expected to deliver growth of 6%-7% y/y in 2019 given growing organic demand for beer and more marketing from key players.

Our channel checks show that consumer consumption remains robust, but consumers are increasingly devoting a bigger share of wallet to services and non-FMCG products.

Energy will have a tougher than expected 2019 as lower oil prices will hurt all companies in the sector.

**Top sector picks: GAS & PVS. DPM is our wild card.**  
We expect resource stocks will have a difficult year in 2019. Our forecasts are based on a WTI price of US\$50/bbl at year-end 2019, or similar to its current price. We see a 2019 range of US\$35-55/bbl and an average of US\$45/bbl (-30% y/y), which is well below the break-even

point of US\$55/bbl for Vietnamese oil & gas operators. With low crude prices, aging fields, and PVN's limited cash balance, we make a strong case for another year of minimal capex towards E&P activities and estimate it will come to just VND 10 trillion in FY2019, or down about 30% y/y.

Real Estate facing a transitional year with moderate earnings growth for developers. However we still see some interesting opportunities in the sector.

**Top sector picks: VHM; NLG; and KBC. CTD is our wild card.**  
HSC expects most listed real estate developers will see a slowdown in earnings growth in 2019, as the lack of new supply and lower pre-sales in the period FY2017-2018 catches up with the numbers. Units sold in previous years would normally be handed over and recognized as earnings within 2019. The main reasons behind the slowdown are;

- Regulatory changes implemented in 2017 which have slowed down the timeline of project launches, as all obligations now have to be fulfilled before a project is launched.
- SBV has taken a more conservative approach towards lending to the real estate sector, whether to developers or for mortgages, since 1H18.
- Interest rates have increased since Q318 as rates in Vietnam finally start to catch up with the global trend.

Thus in 2019 we may see some lower-margin block sales from developers as they try to offset the shortage in earnings recognition from project handover. We forecast that the five listed developers will see NPAT growth of 16% y/y in FY2019 after growth of 151% y/y in FY2018.

Transportation & Logistics should outperform in FY2019.

**Top sector picks: VJC & VSC. HVN is our wild card.**  
We expect transportation and logistics sector earnings to increase strongly in 2019, especially in the airline sector given the tremendous scope for growth in passenger

and cargo numbers as new flights are added. In addition, the decline in fuel prices from Q4 will improve margins. In our opinion, the key drivers for the sector going forward are:

- Continued decent growth in two-way trade which will help underpin earnings of all logistic companies. We expect that trade flows will continue to increase at a CAGR of 17% over the next 3 years, driven in part by FDI which we forecast to increase by a CAGR of 14% over the same period.
- Continued rapid growth in passenger and cargo volumes. The Vietnam Administration of Tourism has set a target of 103 million (+8% y/y) tourists for Vietnam in 2019. Of which, foreign tourist numbers are expected to increase by 15% y/y to 18 million tourists while domestic tourists are expected to rise by 6% y/y to 85 million tourists.

**Manufacturing should have a better year after taking a buffeting in 2018.**  
**Top sector pick: HPG. VEA is our wild card.**  
Although improved from 2018, prospects this year still look fairly tough for manufacturing companies, especially in the steel industry which is the largest segment represented in the stock market. Aside from concerns that slowing demand globally will be reflected in steel demand in Vietnam, we also note that the recent rise in interest rates and more limited access to credit could further dampen demand in many real estate categories as the construction industry and mid-sized real estate developers face additional challenges. As mentioned above, regulatory changes implemented in 2017 have caused long delays in the launch of many real estate projects with an obvious knock-on effect for upstream construction material providers and a commensurate weakening of steel demand.

**Utilities could offer a home for defensive investors this year**  
**Top sector picks: PV Power & PPC.**  
Vietnam's Wholesale Electricity Market (WEM) is ready to go into official operation in 2019. This will be a big step forward in the liberalization of Vietnam's electricity sector, which will gradually erase EVN's monopoly over power distribution.

We further see power stocks benefiting from rising electricity prices in 2019. Only a few new power plants will become operational (adding small aggregate incremental capacity) in the period 2018-2020, while the demand for electricity is expected to grow at a CAGR of 10% over the same period. Therefore, power plants will continue to operate at high utilization rates in coming years. Hence, we expect retail electricity prices and purchasing price from power plants will further increase to reflect tight supply/demand conditions, potentially boosting the profitability of power generators.

Finally, El Nino is forecasted to present itself again in 2019. This condition typically leads to lower rainfall and a hotter climate, translating to a higher demand for electricity. Lower rainfall also leads to a higher electricity selling price, as cheap hydro power output falls - a positive development for thermal power plant operators

**Technology companies will show strong growth in 2019 as IT spend continues to expand.**  
**Top Picks FPT; CMG. Yeah1 is our wild card.**  
Vietnamese technology stocks are heading into a better year in 2019. IT expenditure in the segments where Vietnamese technological companies have a strong footprint will enjoy strong growth, especially as expenditure for enterprise software and IT services grows as companies move further into the digital and cloud computing age. In the global market place there is a clear trend for hardware budgets to decrease while budgets for software and hosted/cloud-based services increase strongly.

Meanwhile in the domestic market, budgets for IT services, especially those of the financial sector and public services are expected to grow quickly. Hardware budgets in Vietnam should still increase, albeit at a fairly modest rate, and still account for the largest share of IT expenditure in 2019. Domestic budgets for hosted/cloud-based services will surge but still account for a small portion of the total IT budget—we expect this gap to narrow substantially over the coming years.

CEO Message

About HSC

2019 Macro and Strategy Report

2018 Performance Overview & 2019 Outlook

Supporting Functions

Corporate Governance

Sustainability Report

Financial Statement

PROFIT AFTER TAX

675

VND BILLION



TRANSFORMATION





# 2018 PERFORMANCE OVERVIEW & 2019 OUTLOOK

## VIETNAM STOCK MARKET IN 2018

### Vietnam Stock Market

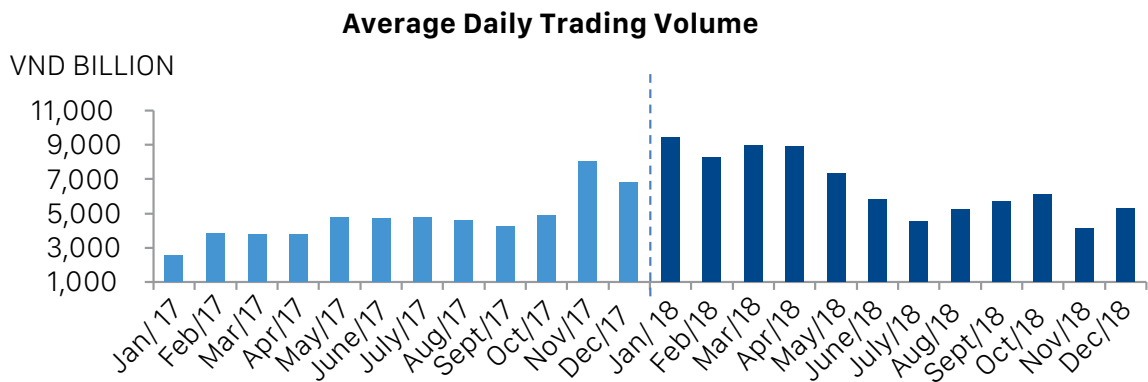
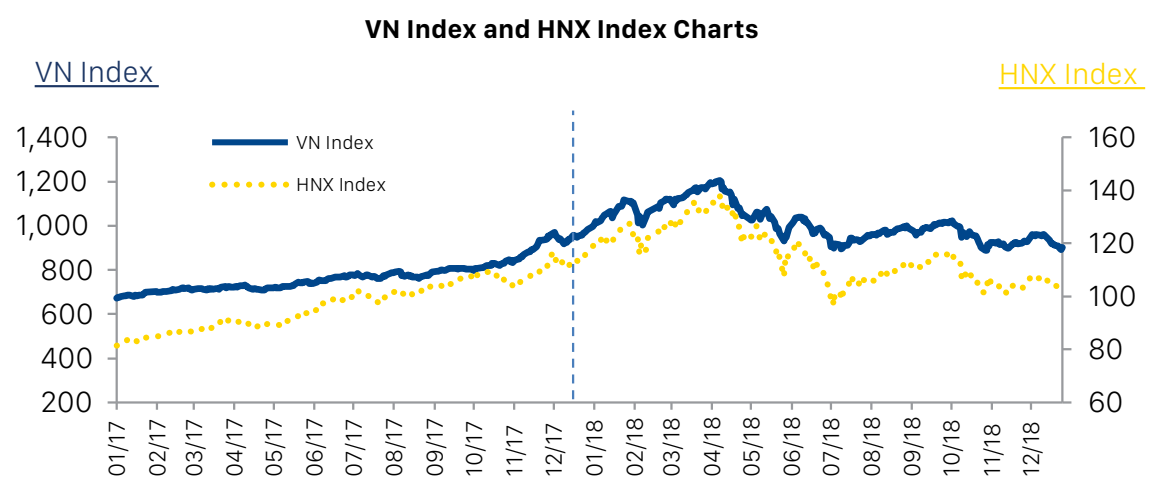
Vietnam's economy grew impressively in 2018, achieving GDP growth of 7.1%, the highest in the last 10 years. However, Vietnam's stock markets witnessed marked volatility last year. In the first quarter, the VN-index increased by more than 19.3%, as investors remained bullish about the favorable conditions surrounding the Vietnamese economy and as foreign investors continued to pour capital into the market. As a result, many stock prices, especially companies with large market capitalizations, increased to all-time highs, both in terms of market price and P/E valuations.

The trade dispute between the U.S. and China, although started in early 2017, intensified in 2018. On March 23 the U.S. started to impose tariffs on aluminum products imported from China. China retaliated by applying tariffs on products exported from the U.S., including soybean and automobiles. These tit-for-tat tariffs between the world's two largest economies negatively impacted investor sentiment in the global markets. In addition, on March 21, 2018, the U.S. Federal Reserve (the "Fed") increased its key interest rate and signaled another two hikes by the end of 2018. Higher interest rates triggered capital

outflows from emerging markets, including Vietnam. Facing these headwinds, Vietnam's stock markets plunged significantly in the second quarter of the year, dropping by almost 20%.

The stock market recovered slightly in the third quarter, but again turned bearish in the last quarter of the year. Investors were concerned about a decelerating global economy as a result of the on-going trade war and Fed rate hikes. Weak economic data from the Chinese economy in the fourth quarter also intensified investor concerns. The VN-Index closed the year at 892 points, a drop of 9% over 2017. The HNX-Index also plunged by 11% to 104 points.

The average daily trading value was VND6,535 billion, which was an increase of 30% y-o-y, and was only 82% of the figure targeted by HSC for 2018 at the level of VND 8,000 billion per day. In line with stock market volatility, market liquidity was also high at VND9,000 billion per day in the first quarter, reducing to VND7,200 billion in the second quarter, and then further to a stable level of approximately VND5,100 billion in the last two quarters of 2018.



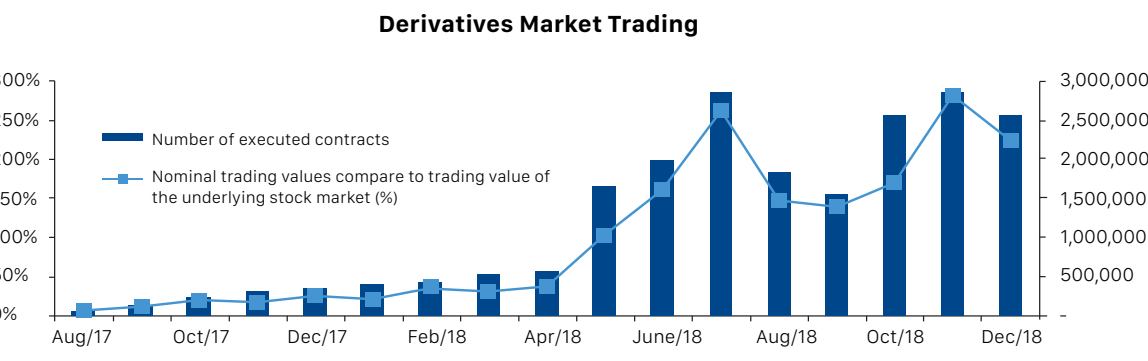
Changes in stock market liquidity were primarily driven by the trading activities of local investors. The trading activities of foreign investors were relatively balanced in 2018 if large put-through transactions of several stocks including VHM, MSN, VRE and YEG were excluded. Local investors remained the dominant traders; their trading value accounting for 84% of total market trading volumes and increasing 25% y-o-y. The stocks that the local investors traded the most included VHM, MSN, VIC, VRE, HPG, HDB, VJC, and VCB. As investor were concerned about the negative impacts of the trade dispute and Fed rate hikes on the global and Vietnamese

economies, they became more cautious and reduced their trading activity accordingly, as well as demand for margin lending from the second quarter of 2018.

Foreign investor trading values accounted for 16% of total market trading values in 2018, 13% higher than in 2017, and in line with HSC expectations. Foreign investors remained net buyers in 2018, with a total net buy value of VND44,000 billion. A sizable chunk of foreign investor trading value, however, was from large put-through transactions, with total value of VND46,300 billion represented by several stocks including VHM, MSN, VRE and YEG.

### Vietnamese Derivatives Market

The derivatives market was only opened in August 2017 yet successfully attracted investor attention. In 2018, the total trading volume in terms of the number of executed contracts increased remarkably, especially from the second quarter of the year. Furthermore, the nominal market trading values at several times were almost triple the trading value of the underlying stock market.



The activeness on the derivatives market also lured other securities companies. The number of trading members increased from just four members including HSC, SSI, VND, and VPBS when derivative trading commenced to 14 trading members by the end of 2018. That led to intensified competition, especially as some of the new members pursued an unsustainable strategy of lowering brokerage fees significantly, or even cutting them to zero to attract clients.



2018 PERFORMANCE OVERVIEW & 2019 OUTLOOK (continued)

2018 BUSINESS PERFORMANCE REVIEW

INCOME STATEMENT	FY2018	FY2017	% change	Plan 2018	% Plan 2018
Income statement (VND million)					
Revenue (*)	1,702,011	1,381,633	23%	2,110,156	81%
Operating expenses (*)	859,927	689,310	25%	1,070,783	80%
Profit before tax	842,186	692,601	22%	1,039,373	81%
Profit after tax	675,480	554,059	22%	818,717	83%
Balance sheet (VND million)					
Total Assets	5,256,305	6,680,572	-21%	6,322,331	83%
Total Equity	3,060,536	2,791,161	10%	3,347,678	91%
Financial indicators					
Return on average assets (ROAA)	11.3%	10.8%		12.9%	
Return on average equity (ROAE)	23.1%	21.4%		24.5%	
Per share financial indicators					
Outstanding share	129,554,168	129,570,368	0%	171,237,035	76%
Earning per share (EPS) - VND	5,214	4,289	22%	4,649	112%
Book value per share - VND	23,624	21,542	10%	19,738	120%

(\*) In accordance with the accounting policies of securities companies, income from proprietary trading activities (when selling prices are higher than the cost of securities sold) are recorded as revenue and losses from trading activities (when selling prices are lower than the cost of securities sold) are recorded as operating expenses in the income statement. Therefore, the effective performance of proprietary trading activities should be measured as the net of revenue and operating expenses for these activities. Accordingly, for the purpose of comparison, revenue and operating expenses in 2018 and 2017 were restated by reducing the losses from proprietary trading activities by VND650 billion and VND158 billion, respectively.

In 2018, HSC continued to deliver impressive performance with VND1,700 billion in revenue and VND675 billion in net profit, representing increases of 23% and 22% y-o-y, respectively. The earnings per share (EPS) in 2018 grew in line with profit growth to VND5,214 per share. The return on equity ratio (ROE) was high at 23.1% (versus 2017's 21.4%).

As the performance of the stock market was not in line with HSC's expectations for the reasons noted above, the Company only achieved 82% of its net profit target in 2018, despite the impressive y-o-y growth of 23%. Cautious investor sentiment from the second half of 2018 negatively impacted market liquidity, as well as investor demand for margin loans.

- The actual average daily trading value was VND6,535 billion, only at 82% of HSC's expectations.
- The actual average margin lending balance was VND3,933 billion, or 87% of HSC's expectation of VND4,500 billion.

The actual EPS was higher than HSC's target mainly because the number of outstanding shares remained almost unchanged; the Company having not issued shares to raise capital as had been planned in September 2018. The share issuance plan will be completed in 2019 as announced publicly to shareholders.

BUSINESS PERFORMANCE

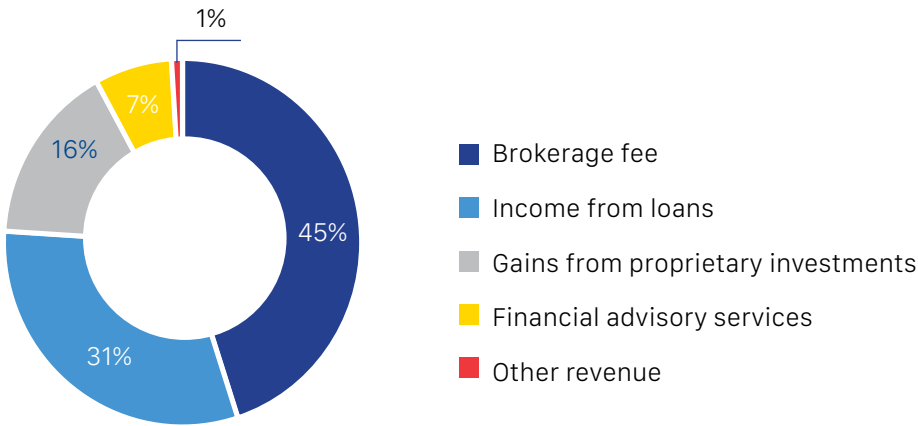
REVENUE (VND million)	FY2018	FY2017	% change	Plan 2018	% Plan 2018
Brokerage fee	758,849	601,942	26%	911,862	83%
Income from loans	523,064	439,219	19%	607,500	86%
Gains from proprietary investments	278,344	269,839	3%	435,999	64%
Financial advisory services	119,217	45,179	164%	137,620	87%
Other revenue	22,536	25,455	-11%	17,175	131%
Total	1,702,011	1,381,633	23%	2,110,156	81%

In 2018, total revenue grew impressively by 23% y-o-y. All major business segments delivered higher performance than in last year, with details as set out below.

- Revenue from brokerage fees reached VND759 billion, an increase of 26% y-o-y, at 45% accounting for the largest share of total revenue. The Company remained one of the leading companies in the industry in terms of brokerage market share on both Stock Exchanges in 2018.
- Income from margin loans was VND523 billion, accounting for 31% of revenue and an increase of 19% y-o-y. Income growth was primarily attributable to the increase in the average margin loan balance of 21%, as the average margin lending rate declined slightly y-o-y.

- Proprietary trading activities generated total revenue of VND278 billion, or 3% y-o-y growth and a contribution of 16% to total revenue. HSC divested most of its investment portfolio to realize profit in the first half of 2018, and followed a prudent investment strategy for the rest of the year to protect shareholder interests.
- The corporate finance advisory business was extremely successful in 2018, completing several landmark transactions for clients such as HDBank and YEG. The successes of these transactions created a strong resonance and enhanced HSC's reputation in a market which shows good potential. The business generated a record revenue of VND119 billion, a strong increase of 2.6 times y-o-y.

2018 revenue structure



2018 PERFORMANCE OVERVIEW & 2019 OUTLOOK (continued)

REVENUE FROM BROKERAGE FEES

Brokerage fee	(%)	FY2018	FY2017	% change	Plan 2018	% Plan2018
<b>Retail Clients</b>	<b>64%</b>	<b>485,956</b>	<b>310,053</b>	<b>57%</b>	<b>561,627</b>	<b>87%</b>
Stock brokerage		409,766	307,521	33%	537,531	76%
Derivatives brokerage		76,190	2,532	2909%	24,096	316%
<b>Institutional Clients</b>	<b>36%</b>	<b>272,893</b>	<b>291,889</b>	<b>-7%</b>	<b>350,235</b>	<b>78%</b>
<b>Total brokerage fee</b>	<b>100%</b>	<b>758,849</b>	<b>601,942</b>	<b>26%</b>	<b>911,862</b>	<b>83%</b>

Securities brokerage is HSC’s core business, and a business in which the Company enjoys strong competitive advantages, including human resources, technology, and financial capability. In 2018, revenue from brokerage fees contributed the largest portion of total HSC revenues at 45%. The total trading value executed at HSC by both retail & institutional investors increased by 23% y-o-y.

In addition to the brokerage fees from the stock market, in 2018, brokerage fees from the derivatives market started to contribute meaningfully to total brokerage fees for the Company.

RETAIL CLIENT BROKERAGE BUSINESS



HSC NEXT GEN - LEADERSHIP

Joining HSC right after graduation, Mr. Nguyen Canh Thinh, the acting Managing Director of the Private Client Brokerage Department, has accelerated his career growth at the Company. Mr. Thinh’s team members as well as his colleagues at HSC are impressed with his passion in what he has been doing, his efforts in overcoming the difficulties during market downturns, and his commitment to the development of HSC.

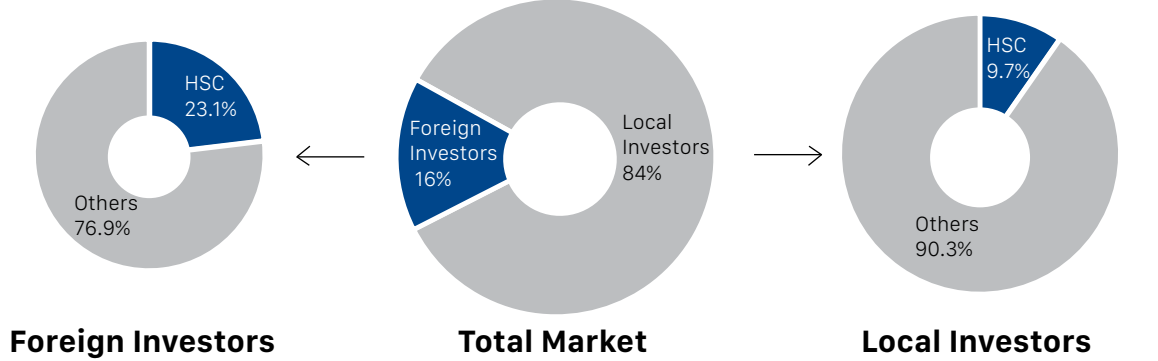
Sharing his vision about career opportunities at HSC, Mr. Thinh said: *“I believe you will be successful at HSC as long as you have strong confidence in your capability and are willing to pursue continuous learning, to face and overcome obstacles in your career path, and be able to get back up from failures. HSC is an ideal environment for like-minded people who are passionate in building their career path at and contributing to the development of HSC”.*

Mr. Thinh’s career success represents the working environment of HSC where career growth opportunities are available to all employees. Mr. Thinh has been continuously learning and challenging himself to prove his capability. Starting as an intern, he is now the youngest member of the Board of Management of HSC.

Stock brokerage:

HSC’s brokerage market share	FY2018	FY2017	Plan 2018
<b>Market share by Exchanges</b>			
HOSE	12.2%	11.9%	
HNX	8.3%	7.1%	
UpCom	6.4%	7.9%	
<b>Total HSC market share</b>	<b>11.4%</b>	<b>11.3%</b>	<b>11.3%</b>
<b>Market share by client</b>			
% HSC’s Retail Client / Local Investors	9.7%	8.6%	9.5%
% HSC’s Institutional Client / Foreign Investors	23.1%	32.7%	28.0%

In 2018, HSC’s brokerage market share in the stock market was 11.4%, which was slightly higher than both its 2017 market share and the 2018 target. HSC’s brokerage market share in the underlying stock market by client group in 2018 are illustrated below.

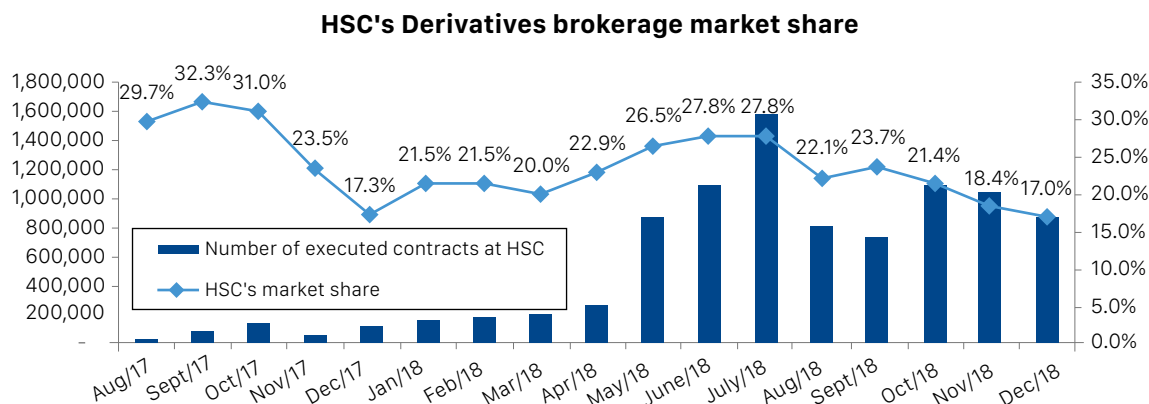


In 2018, the increase in revenue from brokerage fees in the stock market was mostly attributable to higher trading values, as HSC kept the brokerage fees almost unchanged over the last two years.

The retail client brokerage generated revenue of VND410 billion, or 33% y-o-y growth, which was primarily driven by a surge in trading value by HSC’s retail clients of 32% in 2018. The increase in trading value was also higher than the 25% growth across the broader market, lifting HSC’s share in the retail client brokerage market to 9.7% from 8.6% in 2017.

The group of retail client’s 30 most traded stocks in 2018 accounted for nearly 60% of the total market trading value. This group primarily included big-cap stocks such as HPG, VIC, NVL, MSN, VPB and VNM. Some stocks in the group, however, were not eligible for margin lending, or were considered too risky for HSC to provide margin loans. Therefore, to prevent risks and to comply with HSC margin lending risk management policy, HSC proactively refrained from providing or reduced margin loans to trades in these stocks even though these decisions impacted HSC’s trading value and market share.

2018 PERFORMANCE OVERVIEW & 2019 OUTLOOK (continued)



HSC pioneered the development of the derivatives market since its outset, and became one of the first few trading members when the market was launched in August 2017. Being well prepared in respect of human resources, IT systems and business processes helped HSC stayed ahead of the curve and capture opportunities when the trading value of the market increased significantly in 2018. Accordingly, HSC achieved a derivatives brokerage revenue of VND76 billion, far exceeding the expectation for VND24 billion at the beginning of 2018.

As demonstrated in the chart above, futures contract trading volumes started to increase from the beginning of 2018, before surging from July and remaining high for the rest of the year. With the above mentioned competitive advantages, HSC captured one third of total volumes. HSC's average brokerage market share in the derivatives market in 2018 was 23%, a marginal decline compared to the 25% market share in 2017. Market share declined mostly because there were more trading members joining the market and some of the new members pursued fee a reduction strategy to attract clients.

In 2018, there were approximately 20,000 new securities accounts opened, lifting the total number of securities accounts at HSC to

more than 84,000. The number of derivatives accounts also increased significantly, from 1,200 accounts in 2017 to 3,600 accounts at the end of 2018.

Aiming to further increase its market share and pursue growth, the Brokerage Department will focus not only on providing appropriate training to help its broker team excel, but also focus on expanding and diversifying its business development channels. Specific strategies include offering investor relation services to listed companies and coordinating with the Corporate Finance Department to cross-sell the services of both businesses.

In 2018, HSC also developed and was in progress to implementing E-Broking, its online brokerage service channel, to tap into new market segments, as well as enhancing convenience and utility for existing clients. This channel aims to simplify the existing business procedures, and maximize client time and value when they execute trades at HSC.

To support the Retail Client Brokerage Department provide best-in-class services to its clients, HSC commits to consistently upgrading its IT platform and standardizing its business processes and procedures.

Key tasks in 2019

The operations and growth of the Retail Client Brokerage Department in coming years will be guided by two principles: Client Centricity and Employee Competency Development. Accordingly, the Department will address the following key tasks in 2019.



**Continue to develop its human resources**  
to contribute meaningfully to the growth of HSC and to respond to growing competition in the market.

**Further improve client service quality**  
The Department has been developing and will implement customized service packages to suit varied demands by clients, setting a new standard in customer service in the industry.





**Diversify product portfolio and enhance product quality** by offering a unique trading experience to clients via HSC's state-of-the-art IT platform, maximizing value for clients in different segments. In 2019, the Department plans to launch new products including covered warrants and corporate bonds to diversify sources of revenue and to minimize the impact of fee competition from other companies.

**Further expand HSC's client base via introducing new channels** to approach clients.



Additionally, HSC will also focus on strengthening its risk management policies to pursue its long-term growth and brokerage market share expansion sustainably.



2018 PERFORMANCE OVERVIEW & 2019 OUTLOOK (continued)

INSTITUTIONAL CLIENT BROKERAGE

HSC’s overall foreign client trading value in 2018 increased by 10% y-o-y and reached VND124 thousand billion

Revenue from institutional client brokerage fees in 2018 was VND273 billion, a 7% y-o-y decrease, which was mainly due to lower revenue from out-of-trading band and over-the-counter brokerage fees. Those sources of revenue, however; are non-recurring and depend on the occurrences of non-regular transactions. Notably, revenue from listed securities brokerage fees, the major and recurring source of revenue of the business, increased by 17% y-o-y.

In 2018, foreign investors were more active in the stock market and posted a total trading value of VND523 thousand billion, a surge of 56% y-o-y, which was higher than the 30% growth for the overall market. Therefore, the total trading value by foreign investors in 2018 contributed a bigger portion of 16% to overall market trading values than the 13% a year earlier.

HSC’s overall foreign client trading value in 2018 increased by 10% y-o-y and reached VND124 thousand billion, most of which was contributed by institutional investors. The higher trading value lifted listed brokerage fee revenue by 17% y-o-y to VND250 billion.

Despite this growth, the trading value by HSC’s foreign investors was lower than the overall market. One notable reason was that, in 2018, foreign investors executed large put-through transactions in some stocks including VHM, MSN, VIC, VRE and NVL. Some of these transactions were executed in the first trading days of newly listed stocks via other securities companies who acted as listing advisors. Therefore, HSC’s market share in the foreign client brokerage business declined to 23% from 33% in 2017. HSC’s market share would have been 25% if the transactions noted above were excluded.

Over the last few years, the Institutional Sales Department (“ICD”) has been leveraging HSC’s robust and state-of-the-art IT platform to enhance its ability to service growing client demands. The system automatically sends trade confirmations and trade allocations via a centralized trading management system OMGEO (OMGEO CTM). The online trade order connection gate and the online trade order update system connect with Bloomberg FIX and the payment gates of custodian banks to speed up the trade order execution process and to reduce reliance on manpower.

One of the most important and most frequent requirements of institutional investors is corporate access. Therefore, HSC has been proactively holding various corporate access events to support clients and to enhance their investment success. In 2018, HSC successfully hosted the HSC Emerging Vietnam 2018 Conference, connecting more than 400 investors from global fund management companies and financial institutions with more than 40 leading companies in Vietnam. This annual conference is not only a prominent example of how HSC creates value for its clients, but also an effective way for the Company to contribute to the business community in Vietnam by connecting global investors with Vietnamese companies.

Key ICD Business Targets for 2019

- The outlook for Vietnam’s stock markets is expected to be brighter in 2019 even though several challenges and risks remain. In the light of that expectation, the ICD Department outlines its key priorities in 2019 as follows.
- Continue to improve its services to enhance client experience. In 2019, HSC will have its trading system and clearing procedures ready to allow foreign investors to access and execute the futures contract product.
  - To further increase the quality of research reports and to diversify services available to institutional investors in order to offer more investment options and opportunities to both local and foreign institutional investors.
  - To closely coordinate with the Corporate Finance Department, the Private Client Division and the IT Department to strengthen HSC’s capability in executing and distributing big deals.

REVENUE FROM LOANS

Revenue from loans (VND Million)	FY2018	FY 2017	% change	Plan 2018	% Plan 2018
Margin loan balance	3,932,842	3,237,878	21%	4,500,000	87%
Revenue from margin loans	523,064	439,219	19%	607,500	86%

Revenue from loans was VND523 billion, an increase of 19% y-o-y, and a contribution of 31% to total revenue for HSC in 2018. This revenue increase was mainly attributable to higher average margin balances, as the average margin lending rate has remained stable over the last two years.

Revenue from loans in 2018 was only at 86% of HSC’s target as the average margin balance was lower than the target of VND4,500 billion, which had been built on a scenario where the average daily market trading value was VND8,000 billion.

HSC’s margin balances were quite volatile in 2018, with the lowest balance being VND2,700 billion while the highest balance was

VND5,600 billion. However, no bad debt arose as HSC strictly followed a prudent approach to margin lending and regularly reviewed and analyzed stocks in the margin lending list. The number of stocks for which investors could take out margin loans was shortened to 130 in 2018 from more than 200 in 2017, after HSC removed illiquid stocks, as well as stocks deemed unqualified under HSC’s appraisal policy. The current margin lending list includes primarily stocks in the VN30 index and highly liquid stocks.

In addition to adherence to applicable laws and regulations on margin lending activities, HSC still proactively maintains general provisions against margin lending of 0.75% of the year-end balance of margin loans.

2018 PERFORMANCE OVERVIEW & 2019 OUTLOOK (continued)

PROPRIETARY INVESTMENTS

The performance of HSC’s proprietary investments in 2018 was considered impressive given marked volatility in the stock market, and also as Vietnamese stock indices had declined during the year. In particular, the closing point for the VN-Index was 9% below that at the end of 2017 and 26% below the peak in the first quarter of 2018. HSC’s proprietary investment profit was VND280 billion, an increase of 3% y-o-y, representing a contribution of 16% to HSC’s total revenue. The average investment value was VND610 billion and the return on capital was 31%, relatively in line with 2017 figures of VND580 billion and 39%, respectively.

The equity portfolio contributed VND125 billion in profit, contributing the largest share of proprietary investment profit at 45%. Although this profit was lower than that in 2017, the performance was considered a success in the context of a volatile and bearish market in 2018.

The derivatives investment portfolio delivered a nearly five-fold profit growth to VND49 billion, contributing 18% of total proprietary investment profit. As analyzed above, the total trading value of the derivatives market increased significantly in 2018. Leveraging its strong competitive advantages in technology, human resources and the first mover position, HSC recognized and captured opportunities to generate profit for shareholders.

HSC positions its Proprietary Investment Department as a pioneer in developing and offering new products to the market via: (1) market-making, (2) risk hedging, and (3) client support. Its long and short positions are negligible and are mainly executed to facilitate the development and of new products for the market. Over the last few years, HSC’s Proprietary Department has developed a service eco-system and a solid IT platform so that HSC can offer its clients various options to explore investment opportunities related to products available in the market, including equity, fixed income, ETF shares, futures contract, and covered warrants in the near future.

In 2018, HSC was the sole market maker for the VFDVN30 ETF fund and successfully helped increase the fund size to US\$200 million. In 2019, HSC will continue to develop a new product, covered warrants, which will again

play the two key roles: market making and risk hedging. Preparation for the new product has been completed and HSC expects to offer the product in May or June this year, depending on approval from market regulators for the product’s launch. With covered warrants, in 2019, HSC only plans to offer a limited number of covered warrants to test the product and to help the Company itself and its clients understand the product and its mechanism better. This plan is to ensure the healthy development of the product and the market. If the result is favorable, HSC will focus more on developing the product in 2020. Regarding market making activity, HSC also plans to offer another product, being corporate bonds.

Vietnam’s stock markets are expected to continue to face challenges in 2019, however, their long-term potential is believed to remain intact. The development of Vietnam’s stock markets and its members will benefit from the strong commitment of market regulators and policy makers. In particular, the launch of the Ho Chi Minh City Stock Exchange’s new trading system in 2019 will be beneficial to HSC’s trading activities, as well as the Proprietary Investment Department’s product research and development activities.

**In 2018, HSC was the sole market maker for the VFDVN30 ETF fund and successfully helped increase the fund size to US\$200 million**

CORPORATE FINANCE BUSINESS

2018 was a tough year for the stock markets in Vietnam and for investors, yet offered many opportunities for HSC’s Corporate Finance Department (the Department) to create value for its clients. Vietnam’s economy continued its high growth momentum which benefited the corporate finance business as more companies demanded high-quality advisory services to raise capital for expansion. In addition, privatizations of state-owned enterprises and private placements and listings of big private companies also lifted demand for advisory services from HSC’s Corporate Finance business. On the other hand, the chaos in the global macroeconomy caused significant volatility in global capital markets in general, and Vietnam’s stock markets specifically. As investor sentiment is weak amid uncertainties initial public offerings (IPO) and private placements may be negatively impacted.

Despite volatility in the stock market and fierce competition, HSC’s Corporate Finance Department achieved impressive performance in 2018 on the back of its strengths and competitive advantages, which include the following.

- A high-performing team of experienced professionals who have in-depth knowledge in various industries and a strong passion for achievement and growth.
- A strong commitment to its mission - To create value for clients and investors.
- World-class service quality and professionalism.
- Strong partnership and collaboration with other business functions and departments within HSC.

The Corporate Finance Department achieved remarkable milestones in 2018, when it successfully completed landmark transactions and generated a record revenue of VND119 billion, representing strong growth of 77% y-o-y. The major transactions were the IPO advisory

service provided to HDBank in the first quarter, the bond issuance advisory service provided to CII in the first quarter, the M&A advisory service provided to DCL in the second quarter and the IPO advisory service provided to Yeah1 in the third quarter.

Last year, the Department strategically focused on providing services to leading companies in sectors that have high and stable demand such as consumer goods, retail, financial services, real estate, logistics and marketing and communications. Those sectors are widely acknowledged for having solid fundamentals and high growth potential and are thus attractive to investors. To facilitate expansion and service quality enhancement last year, the Department also welcomed high-profile professionals, who have proven track records in both the global and local investment banking industries. The “Partnership” spirit amongst business departments within HSC continued to prove its effectiveness. The strong collaboration between the Department and the Institutional Sales Department and the Proprietary Trading Department helped increase HSC’s competitiveness in bidding for advisory contracts and facilitating the success of transactions.

In 2019, the Corporate Finance Department targets the completion of transactions that were on-going in 2018, as well as new contracts that were signed at the beginning of the year. The Department also targets the strengthening of its deal pipeline with projects that potentially generate high revenue and can be completed in a short time frame. Accordingly, the Department is confident about achieving significant revenue growth in 2019. To deliver our target, the Department is coordinating with other departments within HSC, including the Proprietary Trading and Institutional Sales Departments, as well as partnering with other securities companies on a basis of mutual benefit to complete high-profile transactions. Also, as in previous years, the Department will continue to strengthen and expand its human resources to gear up for the next phase of growth in coming years.

CEO Message

About HSC

2019 Macro and Strategy Report

2018 Performance Overview & 2019 Outlook

Supporting Functions

Corporate Governance

Sustainability Report

Financial Statement

2018 PERFORMANCE OVERVIEW & 2019 OUTLOOK (continued)

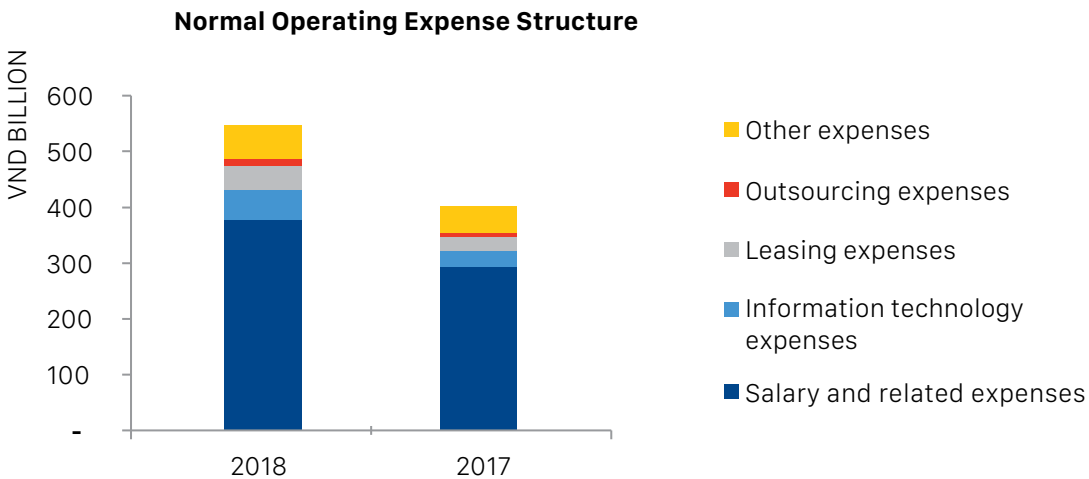
TOTAL OPERATING EXPENSES

Operating expenses (VND Million)	FY2018	FY2017	% change	Plan 2018	% Plan 2018
Normal operating expenses	547,506	402,109	36%	645,048	85%
Brokerage expenses	158,121	127,798	24%	180,865	87%
Interest expenses	164,358	141,097	16%	233,500	70%
Provision for bad debts	-	4,673	n/a	-	n/a
General provision / (reversal) for margin loans	(10,058)	13,634	n/a	11,369	-88%
<b>Total</b>	<b>859,927</b>	<b>689,310</b>	<b>25%</b>	<b>1,070,783</b>	<b>80%</b>

Total operating expenses in 2018 increased by 25% y-o-y but were only 80% of management’s target.

NORMAL OPERATING EXPENSES

Total normal operating expenses in 2018 were VND547 billion, an increase of 36% y-o-y and equivalent to 85% of the target. Higher normal operating expenses in 2018 were primarily because HSC continued to invest in its human resources, its transaction office network, and its IT infrastructure to stay ahead of the curve. The composition of normal operating expenses over the last two years is demonstrated in the chart below:



- Salary and other employee-related expenses accounted for the major portion total normal operating expenses in 2018 at 70% (versus 73% in 2017). Salary and other employee-related expenses increased approximately 30% over the last two years as HSC recruited senior executives for the Corporate Finance Department and the Institutional Client Brokerage Department. In addition, salary expenses also increased as HSC expanded its retail client broker team.
- Office leasing expenses in 2018 increased significantly by 84% y-o-y, which was mainly attributable to the expansion of HSC’s branch network. In particular, HSC opened its South Saigon transaction office in District 4 and reallocated the Cho Lon transaction office to a new

venue in the Saigon Giai Phong office building in District 3 in Ho Chi Minh City. The Company also expanded space at its existing offices in Ho Chi Minh City and Hanoi.

- Last year, HSC also continued to invest in its IT platform to maintain and enhance stability, safety, security, and promptness to enhance client confidence when executing trades at HSC in both the stock market and derivatives markets.

BROKERAGE AND INTEREST EXPENSES

These are variable expenses associated with revenue generating activities at HSC and, therefore, vary in proportion with revenue:

- The total trading value by HSC’s clients increased by 23% y-o-y, therefore, brokerage

fees payable to the stock exchanges increased proportionately.

- Interest expenses in 2018 increased by 16% y-o-y as HSC raised more short-term loans to finance margin lending activities. As mentioned above, revenue from margin loans increased by 19% y-o-y.

GENERAL PROVISION / (REVERSAL) FOR MARGIN LOANS

In 2018, HSC managed risks related to margin lending activities appropriately, with no new bad debt incurred. Additionally, HSC reversed general provisions of VND10 billion that had been made previously, as the margin loan balance at the end of 2018 was lower than that at the end of 2017.



HSC NEXT GEN - CUSTOMER CENTRICITY

“I’ve been with HSC for nearly 12 years since graduation. It was my first mentor, Mr. Johan Kruimer, the former Head of ICD, who guided and trusted me, as well as giving me the opportunity to develop my career that gave me a significant motivation to work in the Institutional Client Division for such a long time. In addition, I believe that HSC is also the best place to work in Vietnam, with the best culture and working environment among other peers in this industry. As a listed company, The Board of Directors aims to develop a corporate strategy that is the most beneficial to shareholders and customers.

Talking about my best memory at HSC, it was probably be the first time I was promoted, after a failed transaction. You must be surprised as to why I was promoted even though there was a problem? At that time, Mr. Johan Kruimer, clarified that my solution and the way I handled problems was what had helped me. I always prioritized customers and proactively proposed solutions that were beneficial to customers, rather than reporting and waiting for instructions. His sharing has helped me understand more about the values that HSC has been trying to build, and how it wants to position itself in this market.

No matter what the business is, trust is always a core element to secure customer loyalty. My advice to HSC’s next generation is let’s work with customers in a sincere, fair and professional manner to build sustainable relationships. This will be one important factor that helps you succeed, especially at HSC, where you are given a lot of opportunities to develop your career.”

Mr. Tran Tan Dat - Head of Trading - Institutional Client Division.



## 2018 PERFORMANCE OVERVIEW & 2019 OUTLOOK (continued)

### BALANCE SHEET

ITEMS (VND Million)	31/12/2018	31/12/2017	% change
<b>A. CURRENT ASSETS &amp; SHORT-TERM INVESTMENT</b>	<b>5,065,175</b>	<b>6,505,803</b>	<b>-22%</b>
I. Financial assets	4,949,942	6,402,628	-23%
1. Cash	117,332	196,221	-40%
2. Financial assets	851,840	1,259,886	-32%
3. Lending	3,262,015	4,501,592	-28%
4. Other receivables	718,755	444,929	62%
II. Other current assets	115,233	103,175	12%
<b>B. FIXED ASSETS &amp; LONG-TERM INVESTMENT</b>	<b>191,131</b>	<b>174,769</b>	<b>9%</b>
I. Fixed assets	47,422	38,007	25%
II. Construction in progress	4,447	6,851	-35%
III. Other long-term assets	139,261	129,911	7%
<b>TOTAL ASSETS</b>	<b>5,256,305</b>	<b>6,680,572</b>	<b>-21%</b>
<b>A. LIABILITIES</b>	<b>2,195,769</b>	<b>3,889,411</b>	<b>-44%</b>
I. Short-term liabilities	2,195,769	3,874,368	-43%
1. Short-term borrowings	1,554,132	2,479,755	-37%
2. HSC's bond	150,000	800,000	-81%
3. Other liabilities	491,637	594,613	-17%
<b>B. OWNER'S EQUITY</b>	<b>3,060,536</b>	<b>2,791,161</b>	<b>10%</b>
I. Owner's equity	3,060,536	2,791,161	10%
<b>TOTAL LIABILITIES AND OWNER'S EQUITY</b>	<b>5,256,305</b>	<b>6,680,572</b>	<b>-21%</b>

HSC had total assets as of December 31, 2018 of VND5,256 billion, a 21% y-o-y decline, as due to the margin loan balance declining after investors turned more cautious, resulting in lower demand for margin loans at the end of the year. Total assets also declined due to the lower value of HSC's financial assets, following the divestment of most of the investment portfolio in the first half of 2018, which was not reinvested in the remainder of the year. Total assets at the end of 2018 mainly comprised margin loans, accounting for 63% of total assets, and financial assets, which accounted for 17% of total assets.

Shareholder' equity at the end of 2018 was VND3,060 billion, an increase of VND270 billion y-o-y, which was mainly contributed to by 2018 retained earnings.

HSC's financial health remained very robust and stable. HSC's financial safety ratio, which was reported following guidance by the Ministry of Finance, as of the end of 2018 was 502%, 2.8 times higher than the 180% required by the State Securities Commission of Vietnam.

Key ratios	FY2018	FY2017
<b>Operation ratios</b>		
Quick ratio	2.3	1.7
Current assets turnover	0.3	0.2
Total assets turnover	0.3	0.2
<b>Leverage ratios</b>		
Total debt/ Total equity	0.7	1.4
Total debt/ Total assets	0.4	0.6
Financial safety ratio	502%	526%
<b>Profitability ratios</b>		
Net profit margin	39.7%	40.1%
ROAE	23.1%	21.4%

In 2018, the share issuance plan were not executed as expected. However, HSC flexibly utilized other available sources of capital, including short-term bank loans and corporate bonds to finance its margin lending activities, enhancing its return on equity ratio over that in 2017.

SHAREHOLDERS' EQUITY

3,060

VND BILLION



SETTING NEW STANDARDS

# INFORMATION TECHNOLOGY

## HSC NEXT GEN - TECHNOLOGY

Information Technology ("IT") has long been considered the solid foundation fostering every business of HSC and providing the Company a strong competitive edge in the new era. Therefore, HSC has consistently invested to upgrade its IT capability by developing and integrating advanced applications and features to the existing already-solid IT platform, enhancing employee's productivity as well as client's satisfaction.

In early 2019, **HSC successfully upgraded its HSC Trade/ iTrade to integrate derivatives trading function to the existing trading platform.** The new system allows clients to execute trades in both the underlying stock market and derivatives market simultaneously, saving client's time and helping them manage their trading accounts efficiently.



In addition to developing the online trading eco-system to enhance client service, HSC has also focused on IT system management and information and client trading data protection by the development of a Disaster Recovery Site. Until now, HSC has its own Disaster Recovery Site to ensure the continuity of its operations and protection of its operational data.

Information Technology ("IT") has long been considered as a foundation for fostering every business at HSC. HSC's IT Department operates on three core principles: Security, Continuity and Availability. Adhering to these principles has helped the IT Department to minimize operational and informational security risks, enhance client confidence when executing trades, and mitigate potential losses and damages to HSC and its clients.

In 2018, HSC targeted further upgrades its IT capability aimed at : (i) enhancing automation and (ii) increasing client operational efficiency and satisfaction on HSC's online services via offering unique features that clients can experience on a high-end and integrated IT platform. HSC has consistently invested to enhance its IT capability and to standardize its trading systems. Accordingly, in 2018, HSC's IT platform and its applications and programs were again upgraded successfully.

## EXISTING SYSTEMS WERE UPGRADED AND NEW SYSTEMS WERE INTEGRATED IN 2018

In 2018, HSC developed and integrated advanced applications and features for its existing already solid IT platform, enhancing the client trading experience towards convenience, speed, and safety.

- **Standardizing the IT system was undertaken aimed at automation by developing and implementing digitalization services,** as well as enhancing integration and unity between different functions and services, such as client account management, cash management, client investing advisory service as well as product distribution. These improvements have helped clients save time and effort in accessing HSC's online services and helped to reduce HSC's operating expenses on the back of the accuracy and overall IT system integration.

- **Successfully upgraded the Disaster Recovery Site.** The Disaster Recovery Site (the "Site") was built and deployed in 2017. In 2018, HSC continued to upgrade this site to enhance its capability in protecting data in HSC's IT systems. The site functions as a firewall to ensure the continuity of HSC's operations and to protect important data when interruptions or disasters occur. HSC is one of a few securities companies in Vietnam that has invested in a disaster recovery site. To deploy and upgrade the Site successfully, the IT Department coordinated with all transaction offices, and checked the readiness of the Site in backing up data regularly to ensure the integrity of HSC's operational data. The upgrade of and integration of advanced Site features demonstrated the commitment by HSC to ensuring the security of client assets and information.
- **Operating the IT system continuously and safely, and** following world's best practices is to ensure that programs and features dedicated for client trading activities function properly, as well as in a timely and accurate fashion. In addition, the IT system was integrated with effective features to ensure the safety and security, and especially a high level of system efficiency, preventing potential risks and damage, and enhancing HSC's capability in serving its clients to an even higher standard.
- **Successfully developed our Cybersecurity Program.** In order to ensure the safety and security of its IT Program, and to prevent potential data leakage, in 2018, HSC developed a Cybersecurity Program which incorporated various additional ultimate security management solutions. The Company also upgraded its Information Security Management System (ISMS) following the ISO 27001:2013 standard and continuously improved its ISMS to gradually eliminate any vulnerabilities of the IT system using penetration testings.
- **Enhancing the trading system to serve various demands** - HSC undertook measures aimed at improving the market-

making system, renovating the online securities price board to update securities prices more quickly to facilitate client trading activities and expanding connectivity for new clients via the existing Bloomberg and Reuters network.

## 2019 STRATEGY – DIGITALIZATING SERVICES TO ENHANCE EFFICIENCY AND UTILITY

In 2019, the IT Department aims to continue to improve the user experience and enhance the system's utility and user-friendliness in order to establish an efficient trading platform, fulfilling client demand for a low latency and safe securities trading system. To achieve this target, the IT Department plans to complete the following:

- Develop new applications and features that are available on both web and mobile applications, enhancing utility and the user experience for clients.
- Connect with the Stock Exchange's new trading system.
- Execute its plan to digitalize brokerage services on digital platforms to increase client utility.
- Continue to deploy supporting systems for other HSC business functions.

Furthermore, HSC's IT Department plans to upgrade its intranet system to increase system-access continuity, and to ensure the continuity of the operations for business functions. Also, the IT Department will upgrade the human resource management system to simplify and enhance human resource management processes. This upgrade and improvement will be executed on the existing platform.

In 2018, HSC's robust and world class IT infrastructure was capable of fulfilling all client needs. HSC will continue to strengthen and enhance its IT systems, which has been a strong competitive advantage for the Company, to foster the Company growth path in 2019 and following years.



# SECURITIES SERVICE DEPARTMENT



In 2018, despite marked volatility, the stock market saw market capitalization and trading volumes grow by 10.6% and 29.0% y-o-y, respectively. The growth of the derivatives was more impressive with a seven-fold increase in the number of derivatives contracts. Anticipating growth in the markets, the Securities Service Department of HSC had prepared intensively and extensively, and was, therefore, well positioned to respond to the greater number of transactions in both markets this year, with the following being noteworthy:

- The Securities Service Department coordinated with the IT Department to upgrade HSC’s core training system and develop the derivatives trading system with world-class technology and the world’s-best-practice procedures.
- Internal procedures relating to client account opening, securities depository, and securities transfers were executed quickly, accurately, for greater client convenience. With these efforts, the Securities Service Department handled trading and related activities for more than 85,000 client accounts and 1,000 broker accounts safely and stably.
- Successfully executed the exchanging and market-marking procedures for ETF share certificates, a highly successful product for HSC in 2018.

In 2019, the Securities Service Department will proactively expand its service portfolio by adding covered warrants and government bond futures contract products. Leveraging its unique competitive advantages, including its robust IT infrastructure and its proven market making capability, HSC expects to capture a significant market share in these new products. To fulfil its targets, the Department will focus on developing and improving its procedures to optimize the services that HSC offers to its clients, including the following:

- Improve client account opening procedures, cash submissions, securities depository services, cash withdrawals and trading result reporting, etc. These procedures will be digitalized to enhance the experience and utility for clients.
- Proactively participate in the testing process for the HSX Stock Exchange’s new core system (KRX), and be compatible and ready to connect with the system upon its completion.
- Be ready, both in terms of IT systems and procedures, to offer the covered warrant product to clients upon approval by the market regulators and the law makers for the product’s launch.
- Develop relevant services for the government bond futures contract product, which is expected to be available to clients in the second quarter of 2019.

The Securities Service Department had previously participated in the testing process and successfully developed the business procedures, trading systems and clearing procedures for futures contract products for institutional investors with custodian banks. With its best-in-class business procedures and systems, HSC is now confident and well positioned to provide these services to institutional investors, including funds and foreign securities companies, to execute futures contract trading activities.

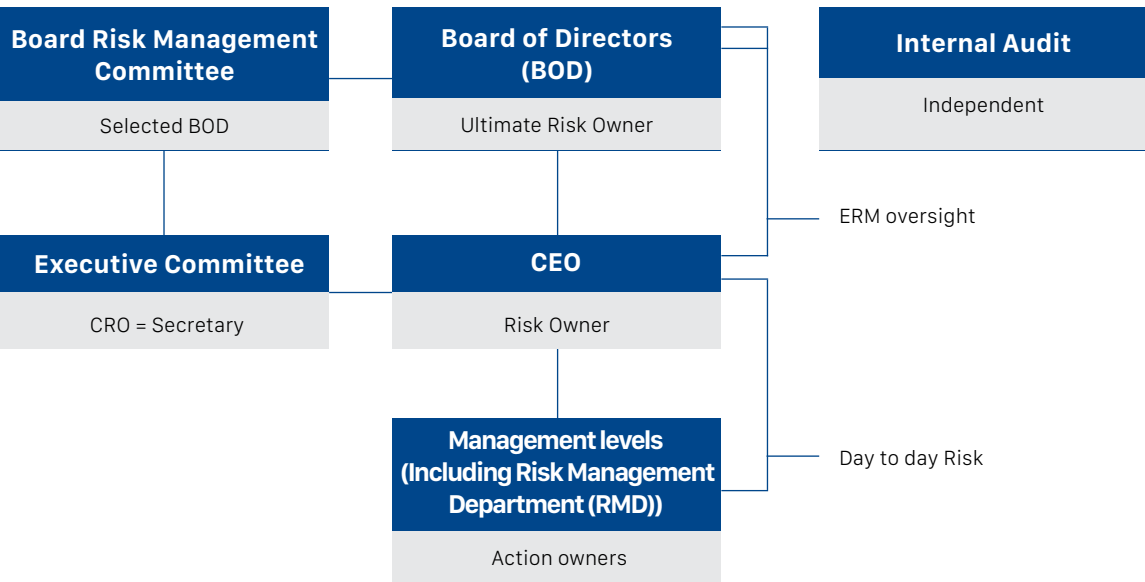
HSC has also prepared to provide new services to clients including intraday trading, selling of purchased shares before the settlement and stock lending, upon approval by the market regulators and policy makers on the launch of these services.

# RISK MANAGEMENT

After 5 years of implementation of its ERM project (Enterprise Risk Management), HSC has completed its risk management framework and closely followed up on 3 lines of risk defense to overcome weaknesses that can lead to corporate governance risks:

- Understanding operational and tactical risk management;
- Operational risk management; and
- Internal Audit

Model of risk management at HSC:



The Risk Management Department (RMD) plays an important role and is the second line of risk defense under the Company’s risk management strategy. Models for risk management conducted by HSC in recent years have helped HSC achieve key business objectives as follows:

- Applying risk management principles in a systematic manner in all business-related decisions of a company;
- Ensuring that the risk oversight process is effectively managed and controlled;
- Complying with corporate regulations and quickly meeting changes in policies, regulations of management agencies;
- Supporting functional departments in promoting and improving the efficiency of policies and process to ensure that risks are closely managed.

IDENTIFYING KEY RISK GROUPS AND MEASURES TO MONITOR THESE RISKS

In 2018, the RMD implemented the following important programs and policies:

Completion of risk management policies and procedures

- **Conducting a risk survey:** A risk survey involves systematic and quantified risk management through considering HSC’s exposure to both existing and potential risks in the future. Risk analysis helps provide effective measures for HSC to mitigate risks arising from HSC’s various business divisions through enhancement of its Risk Management Model. This helps minimizing any risk impacts to HSC’s business activities.
- **Completing and updating risk profiles:** Risk profiles play an important role in the assessment and review of portfolio risks to enhance HSC’s internal control. Legacy and ongoing risks are periodically updated and managed to ensure all relevant risks are fully accounted for.
- **Identifying 10 key risks:** The 10 key risk categories having an impact on HSC’s business operations were identified and well-managed. HSC has assessed, monitored and categorized groups of risks and documented them. This category is always available for the BOD to assess.

HSC has assessed, monitored and categorized groups of risks and documented them.

- **Updating/completing new risk policies:**
  - » Updating policies on authority including limits of authority which covers both financial and non-financial limits of authority.
  - » Updating policies on payment process and commission mechanisms to encourage and reward employees who achieved good business results.
  - » Updating quarterly risk dashboard.
  - » Updating monthly risk register.

Reviewing/monitoring risks

- **Risk Assessment:** Risks and strengths associated with new or existing products (e.g. ongoing contracts based on the indices, covered warrants) are consistently and comprehensively assessed and reviewed.
- **Risk Evaluation:** The process of risk evaluation is implemented independently and in an unbiased fashion to validate business prospects for key products.
- **Risk Coordination:** RMD works closely with relevant departments and stakeholders (e.g. the private client department, institutional sales department, corporate finance division) to ensure that risks are identified, prioritized and mitigated.

Identifying key risk groups and measures to monitor these risks

Below is an overview of key risks to the market, reputation and compliance faced by HSC and measures to monitor these risks.

- **Operational risks**

*Potential impact:* Operational risks may occur when HSC faces problems with transaction systems, operations or weak internal control systems leading to financial losses. This is a direct risk to HSC and its shareholders and an indirect risk to HSC’s investors and clients.

*Ways to mitigate risks:* risk mitigation can be managed in three ways: human intervention, procedural means and via technology. The first line of risk defense is human. Each HSC employee is completely aware of his or her job to bring the best benefits to the Company. This is governed by HSC’s general policies such as its labor code, code of professional ethics. The second line of risk defense is control processes related to risk management involving risk detection and prevention. A system of completed and coherent policies and procedures is effective for monitoring the performance of business activities and managing potential incidents. The third line of risk management is technology, meaning the application of IT in business activities to help minimize risks caused by human error and bring about outstanding business results.

Market risk

*Potential impact:* Market risk is the possibility of experiencing losses due to external factors that affect the overall performance of HSC such as interest rates, exchange rates, prices, volatility and/or other relevant factors. In addition, temporary or systematic hedging market risk also has an impact on revenue and profit.

*Ways to mitigate risks:* HSC controls a part of these risks through futures contracts and the EFT E1VFN30. In the future, once single-stock futures may be issued, the market in general and HSC in particular will have risk management tools when deciding to invest in any given stock. Besides, the close relationship with clients and management agencies helps HSC quickly predict market trends to adjust its development strategy in a timely fashion.

Reputational risk

*Potential impact:* HSC is now a strong brand in the market, being awarded with many domestic and international titles. Therefore, any hidden threat or danger may cause serious reputational damage, not only in domestic market.

*Ways To mitigate risks:* HSC runs high quality systems, a strict compliance program and a professional code of ethics, involving a customer centered approach as well as criteria for selecting partners. All aim to minimize business risks and maintain the Company’s reputation. Furthermore, any decisions must be carefully prepared and considered by the CEO upon advice from the BOD before making big decisions or engaging in issues with the public.

Compliance risk

*Potential impact:* Failure in regulatory compliance can lead to legal penalties and other punishments, as well as causing reputational risk. As one of the leading securities companies, HSC is closely monitored by government agencies. It is HSC’s desire to be a pioneer in the market in respect of compliance with laws and regulations on corporate governance.

*Ways to mitigate risks:* HSC deploys common business principles and procedures, relevant policies and internal compliance programs to enhance employee awareness of difficult business situations, as well as monitoring and reporting issues relating to compliance, integrity and other matters. HSC frequently organizes communication programs to enhance awareness of compliance with internal regulations and laws.

RISK MANAGEMENT (continued)

RISK MANAGEMENT ORIENTATION IN 2019

In 2019, HSC will continue to improve its Risk Management System in accordance with international standards. The Risk Management Department has set a target of becoming an essential part of HSC’s policy planning and corporate governance processes. The process of building risk management capacity will involve the establishment of a risk mitigation strategy and policies to comply with the procedures and regulations of Decree No. 71 on Corporate Governance. Regarding covered warrants, this will be implemented in 2019. The Risk Management Department will establish, develop and apply appropriate

assessment programs to identify risks and to build action plans on covered warrant related risk mitigation.

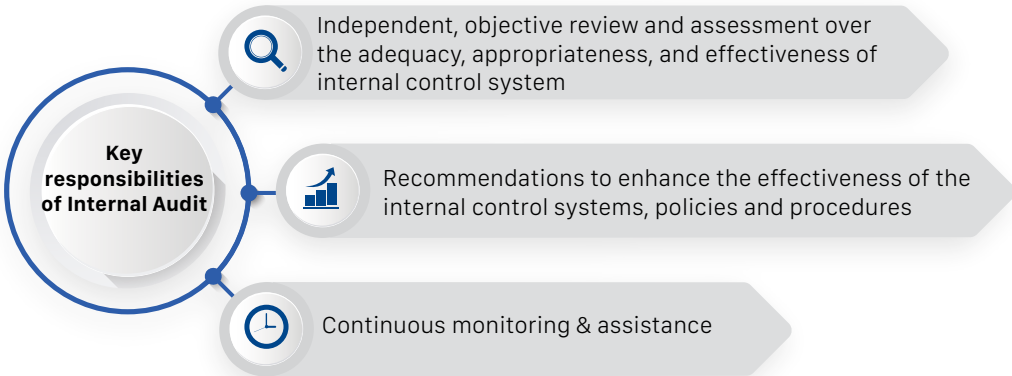
With its success in capital raising through issuing shares to existing shareholders, HSC has raised its total assets and capital by approximately 1,200 billion. This also means that HSC’s risk tolerance is much improved. Revision of investment limits and approval authorities is very essential for HSC’s risk management department to keep up with the Company’s growth



INTERNAL AUDIT 2018

With the goal of enforcing risk management systems and applying international best practices and standards, Ho Chi Minh City Securities Corporation’s (“HSC”) Board of Directors (“BoD”) has approved the establishment of Internal Audit function (“IA”). The IA directly reports to the Board Audit Committee (“BAC”) which is a standing committee of the BoD.

Together with KPMG Vietnam Limited (“KPMG”), the Internal Audit function has quickly completed the IA Charter and Manual. Accordingly, the Internal Audit scopes are to support BoD, BAC and Board of Management (“BoM”), in evaluating the risk management systems, internal control and corporate governance affairs applied at HSC, to ensure that any important risks to HSC’s business activities will be identified, acknowledged and prevented. Based on audit results, the Internal Audit function will advise recommendations independently and objectively to enhance operational efficiency and value at HSC.



Activities of Internal Audit since its establishment

Based on the Internal Audit Charter, as well as HSC Risk Profile and Risk Appetite, the Internal Audit function has built Internal Audit Development Plan, a long-term Internal Audit plan (“IAP”) and IAP on a yearly basis.

Table 1. Internal Audit projects implemented from 2014-2017

No.	Internal Audit Review
<b>2014</b>	
1	Margin Lending Management (1st review)
2	Private Client Division (1st review)
<b>2015</b>	
3	Anti - Money Laundering Activities (annually)
4	Information Technology (1st review)
5	Institutional Client Division (1st review)
<b>2016</b>	
6	Anti-Money Laundering Activities (annually)
7	Proprietary Trading and Treasury (1st review)
8	Accounting and Financial Reporting (1st review)
<b>2017</b>	
9	Anti-Money Laundering Activities (annually)



INTERNAL AUDIT 2018 (continued)

Based on recommendations from audit reports issued from FY2014-2017, the Internal Audit function has supported the HSC BoM by:

- Identifying clearly roles and responsibilities of personnel directly involved in business operational processes;
- Strengthening operational efficiency by eliminating duplicate works;
- Clarifying lack of policies and operational procedures at HSC; and
- Strengthening internal control systems, reducing risk and complying with State regulations and policies.

In 2018, Internal Audit function has focused on implementing the second review on financial and legal activities that can pose high risks as follows:

Table 2. Internal Audit Projects 2018

No.	Internal Audit Review
1	Anti-Money Laundering Activities (annually)
2	Human Resources Management (1st review)
3	Private Client Division (2nd review)
4	Margin Lending Management (2nd review)

The Internal Audit noted that the processes in-scope are audited with no material violations. The remaining challenges for the Company and its departments are to better standardize their operational policies and procedures ("P&Ps"), so that every operational aspect of the Company is monitored closely and completely, with the following specific recommendations:

- Human Resources Management: The Company has not yet developed and implemented a comprehensive set of P&Ps for Human Resource Management processes. Current P&Ps were established and managed by various functions/ departments in a sporadic manner. The Internal Audit also noted that some practices have not been formally documented in P&Ps.
- Private Client Division: The P&Ps for user access right in IT systems should be reviewed and managed strictly on a regular basis to prevent risks that could potentially

cause significant financial damage and negative reputational impact to HSC.

- Margin Lending Management: There was no documentation or summarized case profiles for incidents relating to the margin lending activities maintained within HSC. Therefore, the Internal Audit recommend that the Company should develop and implement an incident reporting process so that the possibility of tracking the incident facts for lessons learnt and future improvement measures is advanced.

The Internal Audit expect that the BoM should continue to strengthen the Company's already solid internal controls framework, and encourage the development of a comprehensive set of P&Ps to reflect and monitor existing business practices. Accordingly, the P&Ps should be formalized, communicated to all staff for adherence, reviewed and revised where necessary e.g. when there're changes in regulations and on a periodic basis (at least annually).

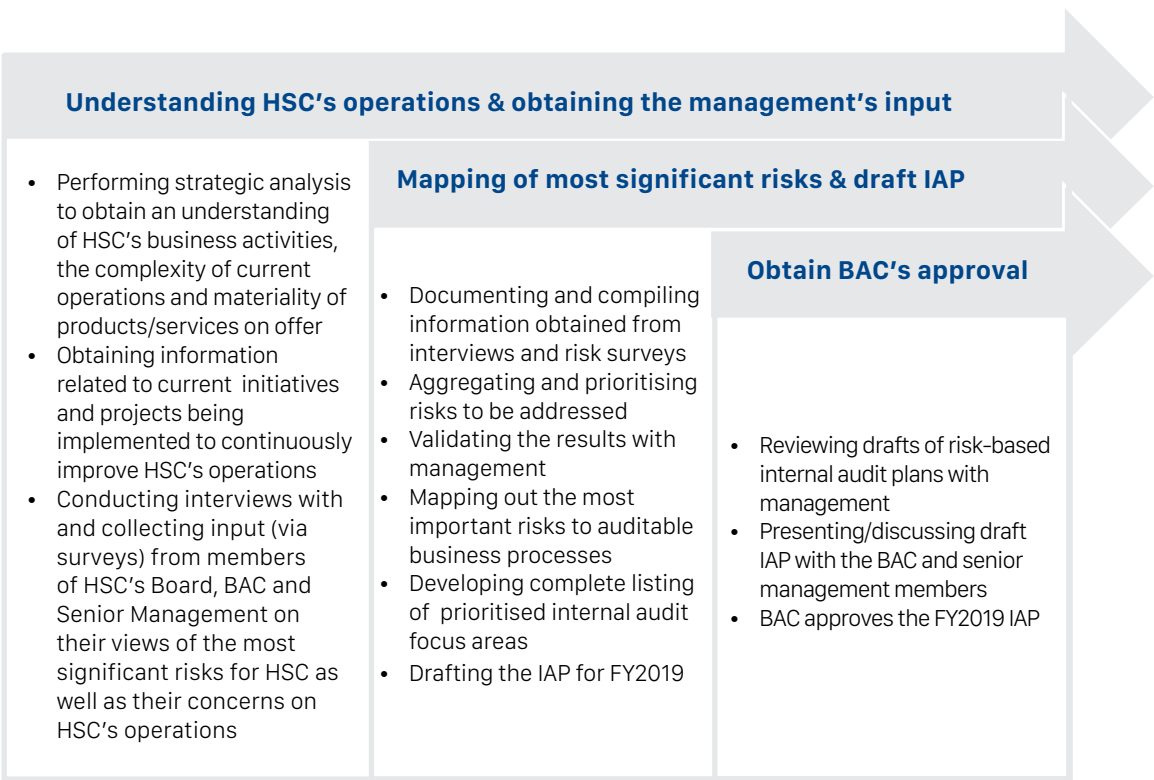
Internal Audit Plan in Fiscal Year 2019

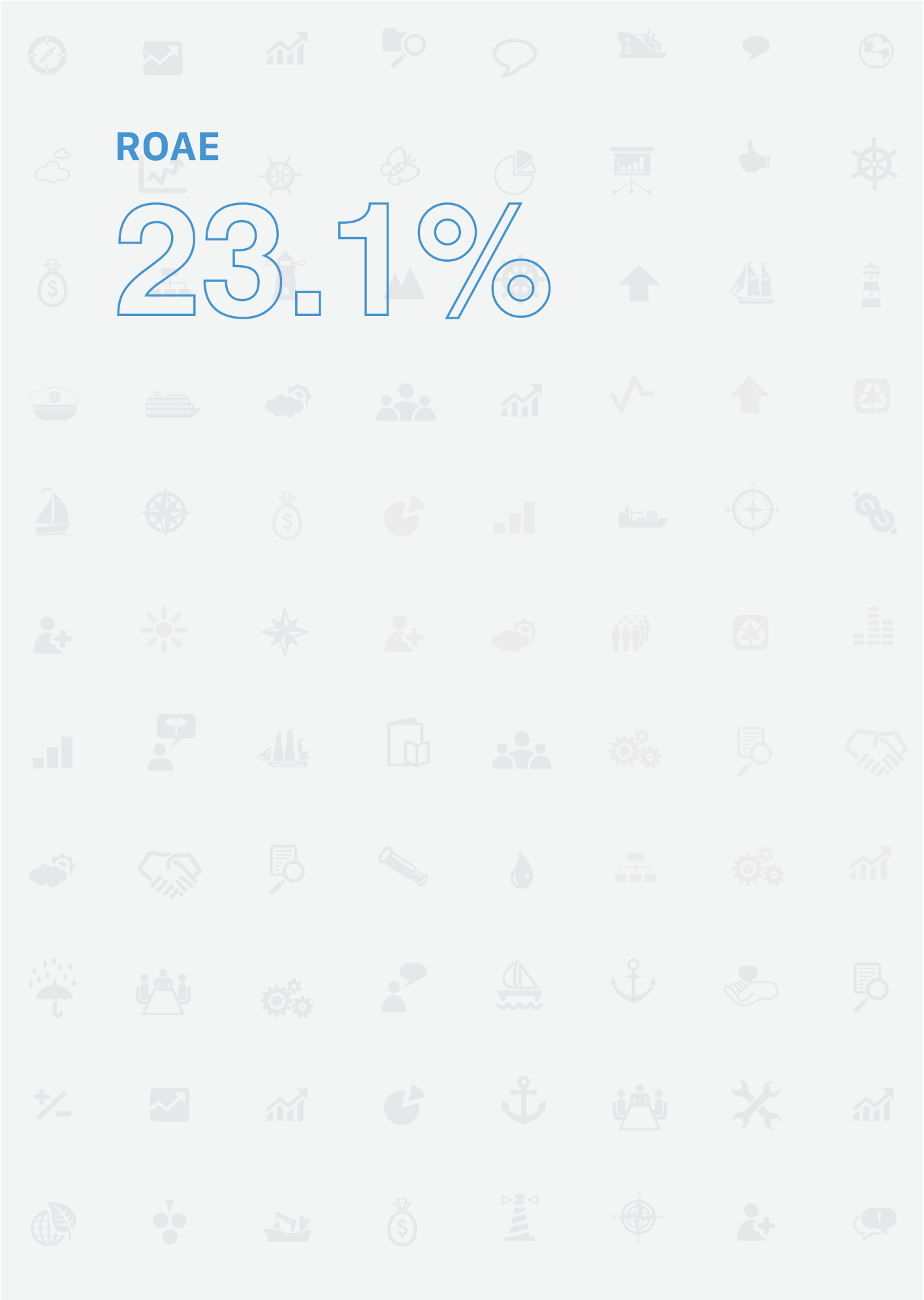
In 2019, with newly issued regulations, the Internal Audit function will focus on addressing new risks that have arisen that can have a significant impact, such as cyber security, operational risks and information technology. Therefore, internal audit activities in 2019 will focus on the following projects:

Table 3. Internal Audit Plan for 2019

No.	Internal Audit Review
1	Anti-Money Laundering Activities (annual audit)
2	IT and Cybersecurity (2nd review)
3	Risk Management (1st review)

Internal Audit's approach





**GUIDING BEACON**

# BOARD OF DIRECTOR'S REPORT

## 2018 PERFORMANCE EVALUATION BY THE BOARD OF DIRECTORS

### EVALUATION OF BOD PERFORMANCE IN 2018.

#### Vietnamese Stock Market in 2018

Vietnam's economy grew impressively in 2018, achieving a GDP growth of 7.1%, the highest in the last 10 years. However, Vietnam's stock markets witnessed strong volatility last year. In the first quarter, the VN-Index increased by more than 19.3% as investors remained bullish about the Vietnamese economy, and as foreign investors continued to pour capital into the market. As a result, many stock prices, especially those of large capitalization companies, increased to all-time highs, both in terms of market price and P/E valuations.

The trade dispute between the U.S. and China, even though it started in early 2017, became more intense in 2018. On March 23, 2018, the U.S. started to impose tariffs on aluminum products imported from China. China retaliated by applying tariffs on products exported from the U.S., including soybean and automobiles. These tit-for-tat tariffs between the two largest global economies negatively impacted on investor sentiment in global markets. In addition, on March 21 the U.S. Federal Reserve (the "Fed") increased its key interest rate and signaled another two hikes within the remainder of 2018. Higher interest rates triggered capital outflows from emerging markets, including Vietnam. Facing these headwinds, Vietnam's stock markets plunged significantly in the second quarter of the year, dropping by almost 20%.

The stock market recovered slightly in the third quarter, but again turned bearish in the last quarter of the year. Investors were concerned about a decelerating global economy, as a result of the on-going trade war and Fed rate hikes. Weak economic data from the Chinese economy in the fourth quarter also intensified investor concerns. The VN-Index closed the 2018 calendar year at 892 points, a drop of 9% over the year-end result in 2017. The HNX-Index also plunged by 11% to 104 points.

Although Vietnam's stock markets corrected for the first time in the last seven years, size and liquidity continued to reach new highs in 2018. Total market capitalization increased by 10.6% to VND 3.9 trillion, which was equivalent to 70.2% of Vietnam's GDP. The average daily trading value was VND 6,500 billion, increasing 29% y-o-y. The derivatives market, despite being in an early stage of development, and having simplicity with only one product, the VN30 Index Futures Contract, was able to attract investors and had an impressive year in 2018. The total number of successful contracts was 78,800, an increase of nearly a seven-fold.

#### HSC 2018 Performance Overview

In 2018, HSC continued to deliver an impressive performance, with a total revenue of VND 1,702 billion and a net profit of VND 675 billion, representing strong growths of 23% and 22% respectively over the 2017 results. All of HSC's key businesses grew in 2018. However, both actual revenue and net profit underperformed the Company's targets for the year. As analyzed earlier, investors turned cautious and accordingly reduced trading activities from the second quarter of 2018, in the light of the above-mentioned external factors, even though Vietnam's economy remained robust.

HSC continued to prove its leading position in the market, with an 11.4% market share that was higher than that of 11.3% in 2017, and in line with the Company target. HSC was also the market leader in the derivatives market, securing a sizable 22.6% market share. Being a pioneer in developing the market and leveraging its competitive advantages including its state-of-the-art information technology system, HSC was well-positioned to capture this opportunity in the derivatives market.

## BOD SUPERVISION OF THE CHIEF EXECUTIVE OFFICER AND BOARD OF MANAGEMENT

In 2018, the BoD maintained close supervision over the CEO and BoM in implementing the resolutions approved by the AGM and BoD, with details as follows:

### Methods of Supervision

The BoD and the Supervisory Board (BoS) cooperated closely and examined HSC's business operations. This high level of understanding has enabled the two Boards to support and guide the CEO and BoM in implementing the corporate plan and fulfilling 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 on 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 each quarter, the audit findings, and any audit recommendations for strengthening internal operational processes, procedures, systems and the technology environment.

- The Remuneration Committee considered, evaluated, and approved compensation, benefits, and remuneration policies for 2018.

At all times, the BoD and the BoS assessed the feasibility of action plans and recommendations, thereby proposing solutions that were more practical and appropriate for the Company's operations.

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

### Supervision Results

The summary of 2018 financial performance is as follows:

Unit: VND million

Target	2018	2017	Change ratio (%)	2018 Plan	Plan Completion Ratio (%)
Revenue	1,702,001	1,381,633	23%	2,110,156	81%
Profit before tax	842,186	692,601	22%	1,039,373	81%
Profit after tax	675,480	554,059	22%	818,717	83%



Conclusion

In accordance with HSC's Company Charter, as well as company 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 on periodical inspection, supervision, financial performance, the daily operation of the Company, and reporting on unexpected affairs as required, the BoD concluded that the CEO and The BoM had exercised its rights and duties in accordance with the prevailing laws, as well as the Company Charter and other resolutions as discussed in the 2017 AGM. Additionally, the BoD has exercised its assigned rights and responsibilities in a manner that was prudent, professional, and demonstrated integrity to ensure the maximum legitimate interests of the Company and its shareholders were attained. Moreover, the CEO and BoM have done their best to meet and exceed the business objectives approved by the 2017 AGM. 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, and the enhancement of risk management enhancement and control.

THE VISION AND STRATEGIC PLANS OF THE BOARD OF DIRECTORS

In 2019, it is believed that Vietnam's economy will continue its growth momentum on the back of its strong fundamentals. The Government particularly set a growth target of 6.6%-6.8% in 2019. With a bright macroeconomic backdrop, Vietnam's stock market is expected to perform better than last year. There are other factors that could impact stock market performance in 2019 as noted below:

- The global economy is anticipated to grow at a slower pace, but with less uncertainty and volatility. The trade talks between the U.S. and China have progressed positively, as the two countries remain set to continue their trade negotiations in the first quarter of 2019. Also, the Fed has recently become more dovish, signaling a less aggressive rate hike path in 2019;
- The Prime Minister promised a push for state-owned enterprise privatizations in 2019. Big privatizations and listings will attract investment capital and increase the size of the stock market;
- The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) took effect on January 14, 2019.

This trade agreement is expected to benefit the Vietnamese economy in general, and several sectors specifically;

- The derivatives markets had a successful year in 2018 and is expected to continue to attract investor attention in 2019 and subsequent years. New products such as futures contracts on other indices, futures contracts on government bonds, and covered warrants are under development. Upon their availability, these products will offer investors effective tools to diversify their portfolios, hedge risk, and explore attractive investment opportunities;
- The legal framework for Vietnam's stock markets will be enhanced as a revision of the Securities Law is underway. The new Securities Law is expected to further facilitate transparency within the stock market, and the monitoring process by authorities, as well as the protection of investor interests. Those are important factors in increasing the attractiveness of the stock market as an effective capital raising channel for companies.

Given an optimistic outlook for the stock market in 2019, the BOD shall focus on the following initiatives:

- Developing a strategic business development plan;
- Strengthening and promoting core business activities of the Company by diversifying products and improving service quality. We aim to develop and diversify products to maximize customer benefits and enhance their experience, as well as seizing new opportunities in the stock market;
- Enhancing corporate governance, risk management and risk control systems, especially in financial management, accounting and business auditing functions by improving the competencies of the Committees under the BoD;
- Continuing to seek higher levels of transparency in business operations and to 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;
- 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 client needs.
- Promoting corporate values of sustainable development in the drafting and promulgation of the CSR strategy and initiative;
- Developing a succession plan for the next generation of leaders.

CORPORATE GOVERNANCE IN 2018

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

We have strong commitment to the excellence in corporate governance standards, which we believe the foundation of the development of our business. In order to maximize corporate value, HSC focuses not only on achieving business development goals for revenue and profit growths, but also on enhancing our corporate governance in

line with international best practices. The combination of growth strategy and good corporate governance will help us maximize our resources and effectively exploit opportunities to create sustainable value in the long run.

We have strong commitment to the excellence in corporate governance standards, which we believe the foundation of the development of our business.

BOARD OF DIRECTOR'S REPORT (continued)

Board of Directors

The BoD is responsible for ensuring that the best corporate governance practices are applied throughout the Company. The BoD 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 shareholders, as well as to enhance corporate value.

HSC's BoD is accountable to the shareholders for the operations of the Company. The BoD is mandated to not only fulfil its roles and duties in formulating growth strategies for the Company and managing risks facing its operations, but also be the pioneers in promoting HSC's corporate culture and values both internally and externally to the shareholders and other stakeholders.



Members of the Board of Directors

HSC's BoD comprises seven members, including the Chairman, five non-executive Directors and one executive Director.

All of the members of HSC's BoD are senior executives, who have strong managerial capabilities and in-depth knowledge and experience in law, corporate finance, and Vietnamese capital markets. The structure of HSC's BoD has a good balance of non-executive and executive members, and complies with the Enterprise Law in terms of the number of independent board members.

Roles and responsibilities of the Board of Directors

Under the Enterprise Law and HSC's Charter, the BoD 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 Company's Annual General Shareholder Meetings. The BoD is responsible for monitoring HSC's operations to ensure that the Company complies with all applicable laws and its Charter, as well as internal regulations, and to assure the rights of its shareholders and stakeholders.

Accordingly, the major roles of the BoD are:

- Developing the Company's long-term strategic plan;
- Building and enhancing the Company's competitive advantages;
- Responding to major business challenges when they arise;
- Developing the Company's core competencies, and;
- creating and enhancing value for Company stakeholders,

When carrying out their functions and tasks, the BoD must strictly comply with the provisions of law, the Charter of the Company and resolutions of the Annual General Meeting of Shareholders. In the event where decisions made by BoD contravene the law or the Company's Charter, thereby causing detriment to HSC, the members who voted in favour of these decisions are jointly and individually liable for any damages in accordance with the relevant laws.

Activities of the Board of Directors in 2018

The Roles of the Board of Directors	Activities of the Board of Directors in 2018
Finance	Reviewed and approved 2018 Business Plan (Resolution 07/2018).
Financial Performance	Reviewed and approved 2017 actual financial performance (Resolution 01/2018).
	Reviewed and approved actual financial performance in the first six months of 2018 (Resolution 18/2018).
	Reviewed and approved actual financial performance for the first 10 months of 2018 (Resolution 24/2018).
Share Issuance Plan	Approved the adjusted plans to issue shares to existing shareholders and employees under the employee stock ownership plan (ESOP 2018) (Resolution 19/2018). The initial plans were approved by shareholders at HSC's 2017 Annual General Shareholder Meeting on April 26, 2018.
	Approved documents for share issuance plans (Resolution 23/2018).
	Approved the criteria for distributing shares under the 2018 ESOP program to qualified employees (Resolution 23/2018).
Covered Warrant Issuance	Approved changes to the number of shares to be issued under the 2018 ESOP program, which was approved by the 2017 AGM (Resolution 23/2018).
	Approved the issuance of covered warrants on underlying shares of Hoa Phat Group (Resolution 07/2018).
	Approved the selection of banks to issue payment guarantees for the covered warrants (Resolution 09/2018).
Corporate Bond Issuance and Dividend Payment	Approved the issuance of HSC bonds via private placement (Resolution 10/2018).
	Approved the first advance of 2018 dividends (Resolution 24/2018).

BOARD OF DIRECTOR’S REPORT (continued)

Operation Monitoring	Approved changes to proprietary trading limits (Resolution 01/2018).
	Approved change in total margin lending limits (Resolution 01/2018).
	Approved the total debt limit for the Company in 2018 (Resolution 01/2018).
Bank Loan Monitoring	Approved proposals to obtain bank credit, which were within the approved limit (Resolutions 02, 03, 04, 16, 17, 20, 21, 22/ 2018).
Auditor Relation	Approved the selection of PricewaterhouseCoopers Vietnam as the statutory auditor for its 2018 financial statements (Resolution 14/2018).
Risk Management	
Charter and Internal Regulations	Approved the draft charter of organization and operation of the Company (Resolution 07/2018).
	Approved the adopting of the charter of organization and operation of the Company (Resolution 07/2018).
Human Resources	Approved the employee reassignment of Mr. Arnold Villanueva Pangilinan, from Risk Management Managing Director to Risk Management Advisor on November 15, 2018 (Resolution 24/2018).
	Approved the appointment of Ms. Nguyen Anh Xuan Trang to Risk Management Managing Director on November 15, 2018 (Resolution 24/2018).
Corporate Governance	
Approved the time, venue, content and drafts of proposals for the 2017 Annual General Shareholders’ Meeting (Resolution 01/2018).	
Approved the establishment of the Nam Sai Gon transaction office (Resolution 01/2018).	

Activities of Non-executive and Independent Members of the Board of Directors

Assessing 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 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 regarding the core business, and their depth of analysis and critical thinking in making the right decisions.

These competencies can only be acquired with time, exposure to, and experience in the industry.

There are two independent board members, Mr. Do Hung Viet and Mr. Pham Nghiem Xuan Bac, who have served more than 10 years, and have exceeded the statutory limit of nine years. After consulting the current legal regulations, as well as international practices, HSC’s BoD recognizes that the independence of the two members in making decisions related to HSC operations remained intact. The board members have still been able to review HSC’s operations and to make recommendations from an independent perspective. Additionally, they have made valuable contributions to the development of the Company. Therefore, the Company decided that, even though the re-appointment

of these two members were not in compliance with the current regulations on independent members of the Board of Directors, in terms of nature, they do play an important role as independent members of the board.

Although HSC is evaluating the independence of the members of the BoD from the perspective of their roles and contributions to the development of the Company, the BoD is also building a roadmap for selecting and appointing qualified independent BoD members to align their contributions with the requirements of the applicable laws and HSC’s internal regulations.

Assessing the independence non-executive members of the Board of Directors

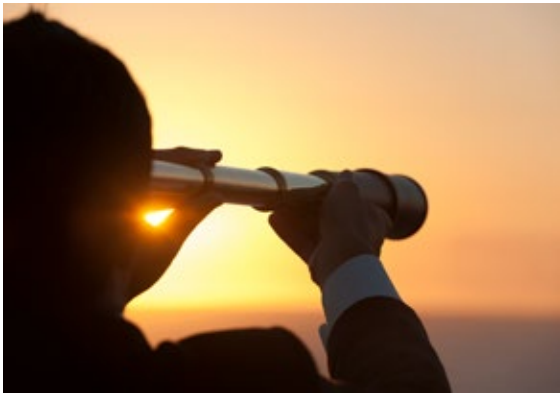
The non-executive members of HSC’s BoD are representatives of two major HSC shareholders: Ho Chi Minh City Finance and Investment State-owned Company (HFIC) and HSC’s strategic investor, the Dragon Capital Group (DC).

HSC’s assessment of the independence of its non-executive BoD members is based on their capabilities, knowledge and experience on law, corporate finance, and the capital markets, as well as on their soft skills. Their decisions and contributions to the development of the Company are made from their independent standpoints. Although they have dual roles and dual responsibilities, they have been able to separate these roles when making relevant and important management decisions.

Separation of the role of the Chairman and the CEO

The separation of the role of the Chairman and the CEO reflects independence and a clear division of responsibilities between the BoD and the BoM to ensure a 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.

HSC’s Chairman has been on the BoD since its inception. He was appointed in 2007 and is currently in his fourth term on the Board.



Overall Assessment of the Operational Effectiveness of the Board of Directors

The BoD has made great efforts to improve corporate governance and align standards with current regulations and international best practices, examples of which are set out below:

- The Board of Directors maintains regular activities in accordance with the Company Charter, ensuring that regular meetings are held and that all Board members attended the meetings to meet legal requirements;
- Clearly defined the roles for independent and nonexecutive members have been made to maximize the interests of all shareholders.
- Supervision of the implementation of the BoD’ decisions and resolutions is made at the AGM.
- Direction and supervision of the implementation of various important projects at HSC, including projects related to risk management, internal audit, new product development, share issuance to existing shareholders, employee stock ownership plans and bond issuances via private placement
- Supervision of Committee activities to ensure compliance with the operating principles and the Company Charter.



BOARD OF DIRECTOR’S REPORT (continued)

Meetings of Board of Directors in 2018 and Attendants

Board Members	Position	Date of Appointment	Number of Meetings	Number of Meeting Attended	Attendance Ratio
Do Hung Viet	Chairman		25 <sup>1</sup>	24 <sup>3</sup>	96%
Le Anh Minh	Vice Chairman		25	25	100%
Lam Hoai Anh	Non-executive member	26/04/2018	15 <sup>2</sup>	15	100%
Pham Nghiem Xuan Bac	Non-executive member		25	25	100%
Le Hoang Anh	Non-executive member		25	25	100%
Le Thang Can	Non-executive member		25	24 <sup>3</sup>	96%
Johan Nyvene	Executive member		25	25	100%

<sup>1</sup> In 2018, there were 25 BoD meetings, of which there 22 face-to-face meetings and three BoD meetings held in the form of written ballot. Meeting agendas and documents were made available to all the members of the board no later than five days before the meetings. In the situations of written ballot, all the information, proposals, and ballots were sent to all the members no later than seven days before the ballot deadlines.

At the first meeting of the year, the BoD discussed macroeconomic conditions and the local and global stock market outlooks; thereby reviewing the feasibility of the Company’s business plan and targets for the year and considering any necessary revision of the Company’s long-term plan and vision. In each regular quarterly meeting, the BoD reviewed and approved the Company’s actual quarterly financial performance. The BoD also discussed prevailing market conditions and reviewed and revised (if necessary) the strategic plans for upcoming quarters. The board also approved other matters falling under its responsibility and authority.

In 2018, all BoD members fulfilled their responsibilities in terms of BoD meeting participation. Furthermore, the BoD made important decisions, which were greatly beneficial to the performance of the Company during the year. A BoD resolution was only ratified when more than half of the members of the board voted for it.

<sup>2</sup> Mr. Lam Hoai Anh was appointed to be a member of the BoD at the 2017 AGM to replace Mr. Nguyen Thanh Liem, who was HFIC’s representative at HSC.

<sup>3</sup> The BoD member was not able to attend the meeting due to a previously scheduled business trip.

Board of Directors member role at other companies

HSC’s Board of Directors is committed to comply with current laws, which concurrent service as a board member in more than five other companies. This regulation encourages BoD members to have more time to focus on efforts to develop HSC.

Board Committees

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

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

Name	Position	Risk Management Committee	Internal Audit Committee	Remuneration Committee
Do Hung Viet	Chairman Independent Board member	✓	Chairman ✓	✓
Le Anh Minh	Vice Chairman Non-executive Board member	Chairman ✓		Chairman ✓
Le Thang Can	Member Non-executive Board member		✓	
Le Hoang Anh	Member Non-executive Board member	✓		
Johan Nyvene	Member Executive Board member			✓
Vo Van Chau	Head of Supervisory Board			✓
Dang Nguyet Minh	Member Member of Supervisory Board		✓	

BOARD OF DIRECTOR'S REPORT (continued)

Activities of the Board Committees

The Risk Management Committee

The Risk Management Committee was established in 2013. 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 preventative measures. Further, the Committee must analyze the Company's overall level of risk, measuring the risk tolerance level of every business function, 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 its regulatory authorities. In addition, the Risk Management Committee must evaluate the performance of the Risk Manager.

Activities of the Risk Management Committee in 2018

- In 2018, the Risk Management Division reviewed and revised annexures on the policies covering limits for margin lending, proprietary trading and treasury management.
- The following changes in senior executives of the Committee were effective on November 15, 2018:
  - » Mr. Arnold Villanueva Pangilinan was reassigned to become Risk Management Advisor; and
  - » Ms. Nguyen Anh Xuan Trang was appointed to become Risk Management Managing Director
- The Legal Department was separated from the Risk Management Department.

- The Risk Management Department modified its organizational structure to align its structure with key HSC business functions.
- On a monthly and quarterly basis, the Risk Management Department prepared and circulated a risk management report to the Risk Management Committee. The reports summarized the major risks identified in the reporting period and an action plans for the Risk Management Committee.
- The Risk Management Committee scheduled regular meetings to review and approve transactions under its responsibility and authority.

Internal Audit Committee in 2018

The Internal Audit Committee was founded in 2014. The Internal Audit Committee acts in accordance with principles set out in the Code of Conduct and the Charter, which have been

approved by the BoD.

The Internal Audit Committee continue to cooperate on internal audit activities with KPMG Vietnam Limited in 2018.

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

- The anti-money laundering review report
- The first audit on Human Resource Management Processes
- The second audit on Retail Client Brokerage Processes
- The second audit on Margin Lending Processes.
- Currently the Internal Audit Department is conducting audits on the following processes:

- » The second audit on Information Technology Systems and Network Administration Processes.
- » The Internal Audit Progress Report was reported at the periodic meeting of the Internal Audit Committee.

Board Remuneration Committee

The Board Remuneration Committee was officially established in 2016. The Remuneration Committee was established with the aim of advising and proposing compensation, remuneration and benefits for 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.

In 2018, the Remuneration Committee reviewed and adjusted remuneration for the members of the BoD and the BoS to the current market pay levels. The Committee also paid remuneration to the members of the BoD and BoS who were also members of the committees under the BoD, and to the secretary of the BoD.



BOARD OF DIRECTOR’S REPORT (continued)

Participation by Board of Director members in corporate governance programs

All members of the BoD and the BoS participated in a “Corporate Governance” training course, except for Mr. Pham Nghiêm Xuan Bac who could not due to unforeseen circumstances. HSC will arrange time as is reasonable for him to join a similar training in the future.

ENGAGING SHAREHOLDERS, INVESTORS, AND PARTNERS

Annual General Meeting

In addition to 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 disseminate information, and engage 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 decisions by all shareholders.

On April 26, 2018, HSC held its 2017 Annual General Meeting (2017 AGM) in Ho Chi Minh City.

The AGM followed and complied with current statutory regulations, to ensure the protection of shareholder benefits and rights.

- All shareholders whose registrations were undertaken by March 9, 2018, at the latest as provided for by the Ho Chi Minh City Branch of the Vietnam Securities Depository, received full and clear

information relating to the 2017 AGM as detailed in their notice of invitation. The notice of invitation clearly specified the time, venue, agenda and basic information about registration for the meeting. The full 2017 AGM documents were published on HSC’s website, in both Vietnamese and English languages, seventeen (17) days before the date of the 2017 AGM. In addition, the notice of invitation for the 2017 AGM was broadly published in the Dau Tu Chung Khoan newspaper

- In order to facilitate attendance by all shareholders and their authorized representatives, the 2017 AGM was held on a working day, with the registration and admission desk opened one hour prior to the meeting. HSC used barcodes to confirm shareholder identification and other supporting documents, as well as for calculating the voting and election ratios.
- The Chairman of the BoD, BoD members, Committee Chairs, and the BoM chaired the 2017 AGM. In addition, representatives of the independent audit firm were in attendance. Representatives of minority shareholders were entitled to nominate themselves in the Vote Tally Committee to count the votes.
- Those chairing the meeting 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.
- Each of proposals by the BoD was presented separately to facilitate review and approval by shareholders at the AGM. The voting results for each proposal were announced immediately and recorded in the AGM minutes.
- The minutes of the meeting, a voting results report, and resolutions from the 2017 AGM were published on HSC website in both English and Vietnamese languages within 24 hours after the AGM.

General Meeting of Shareholders by Written Ballot

On September 18, 2019, HSC held a General Meeting of Shareholders by Written Ballot to seek shareholders’ approval on the shares issuance plans, which included the issuing of stock bonus to the existing shareholders to increase charter capital, the issuing of new shares to the existing shareholders, and the issuing of new shares to employees under an approved employee stock ownership plan. The issuance plans were ratified at the 2017 AGM and stated at Clause 12, Clause 13, and Clause 14 of the Company’s AGM Resolution 01/2018/NQ-DHDCD dated April 26, 2018.

HSC strictly followed any procedures required by applicable laws to protect the rights and interests of shareholders.

- On September 18, 2018, HSC sent the share issuance proposal by its BoD and the ballot papers to all shareholders who were in the shareholder list finalized on August 31, 2018 provided by the Vietnam Depository Centre, Ho Chi Minh City Branch. The ballot clearly stated all important and required information, such as the Company’s name, shareholder details, the purpose and content of obtaining shareholders’s votes by written ballots, voting options, i.e. “for”, “against”, and “abstention”, the deadline and method by which shareholders were to send their votes back to HSC. The proposal and ballot were sent to shareholders by guaranteed mail and email (if shareholder emails were available). The documents were also available on HSC’s website, both in Vietnamese and English 30 days prior to the voting deadline, which was October 18, 2018.
- Representatives of the BoD counted the votes and the Vote Counting Minutes were prepared under the supervision of the Head of the BoS. The Voting Counting Minutes contained all information that required by law and internal regulations of the Company, including the total

number of “for” votes, the total number of “against” votes, and the total number of “abstention” votes for each proposal.

- The Vote Counting Minutes and AGM Resolutions were posted on HSC’s website and were available in both Vietnamese and English within 24 hours after the vote counting process was completed.

Dividend Policy

HSC’s shareholders are entitled to receive its profit in proportion to their holding. We believe that our attractive and transparent dividend policy is one of the main reasons behind investor decision to investing in HSC’s stock.

HSC’s dividend policy is reviewed by the Board of Directors on an annual basis. However, HSC’s practice is to maintain a dividend payout ratio of at least 50%. Over the last few years, HSC has distributed annual dividends of 12% to 20% of par value depending on its financial performance in each year. It is worth noting that HSC’s actual dividends are often higher than the dividends approved at its AGM. Dividend payment announcements are transparent and come with detailed information. Also, the Company always honors its dividend payment schedule, which is usually within 30 days from the date of BoD approval.

At the 2017 AGM, shareholders approved an ordinary share dividend payment rate of 15%. The execution plan for the 2018 dividend payment is summarized as follows:

- HSC paid the first 2018 cash dividend of 6% on December 21, 2018 following approval by the Board of Directors in Resolution No. 24/2018/NQ-HĐQT dated November 15, 2018.
- The BoD plans to propose the final cash dividend payment at the 2018 AGM in accordance with the dividend approved in the 2017 AGM.



BOARD OF DIRECTOR’S REPORT (continued)

Investor relations

HSC is always proactive in engaging shareholders, investors, and its 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, the AGM, newsletters, videos and direct email blasts to the investment community at registered email addresses.

HSC encourages all shareholders, investors, and partners to discuss, share ideas, provide questions and engage in all possible forms of contributing information to HSC by emailing the Director of Communications

Equal Treatment of Shareholders and Protection of Their Rights

Appointing a proxy to the Annual General Meeting

HSC strongly encourages shareholder participation at the AGM. Should a shareholder be 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.

Voting at the AGM and Absentee Voting by Shareholders

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. Shareholders shall use their voting cards to vote for resolutions raised at the AGM. Key information content for the AGM is sent to shareholders prior to the meeting. The shareholders must confirm their vote by marking a cross in one of the three boxes provided. The contents of the three boxes are “approve”, “not approve” and “no comment”. Shareholders are required to sign the form to confirm and validate the vote.

Absentee Voting

The absentee ballots and other relevant documents will be sent to each of HSC’s shareholders by guaranteed mail and email (if applicable) to the addresses the shareholders have registered with the Vietnam Securities Depository Centre, Ho Chi Minh City branch. To facilitate shareholder review and voting, in 2018, HSC delivered the absentee voting materials to shareholders 30 days prior to the deadline by which shareholders had to send back their votes.

Election of BoD Members

The election, dismissal, removal, and additional election of members of the Board of Directors must be approved by the AGM. The selection of candidates and the election of new members to the BoD is carried out in accordance with the procedures stated in HSC’s Charter, governance regulations, and election regulations.

In the 2017 AGM, HSC dismissed Mr. Nguyen Thanh Liem, a member of HSC’s BoD and the representative from HFIC, and concurrently elected a new board member as his replacement. The election of new members of the Board of Directors is carried out using a secret ballot and adopting a cumulative voting method. Accordingly, each shareholder or authorized proxy was given a total number of votes which was equal to the total number of shares they owned or represented multiplied by the number of candidates being elected. Shareholders or authorized proxies were entitled to cast all of their votes for one candidate or proportionally to a number of candidates. The list of candidates and candidate resumes were posted on the Company’s website no later than seven (07) working days prior to the 2017 AGM so that shareholders had enough time to consider and select qualified candidates.

Conflict 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. Systems and processes serve to prevent or mitigate “conflict of interest” situations. The risks that are to be prevented



or mitigated include actions for personal gain but that cause loss to shareholders, investors, partners and/or HSC.

Right now, HSC is compliant with “conflict of interest avoidance” regulations under Vietnam law. The BoD has plans to raise HSC’s compliance to follow international benchmarks and best practices.

Related Party Transactions

Related party transactions, which are not conducted at arm’s length but for personal gain, have often led to the collapse of many large corporations and the erosion of shareholder value and investor confidence in the transparency and integrity of the capital markets. This issue has become one of the biggest challenges for the business community in Vietnam in recent years.

Aware of the risk associated with illegal related party transactions, HSC is introducing a related-party-transaction policy, which is an integral part of HSC’s corporate governance framework. The policy will be designed and implemented to ensure that any potential conflicts of interest hidden in related party transactions are identified and monitored and closely controlled.

Transactions by internal shareholders and their related parties.

Members of the BoD, the BoM, and BoS, as well as related parties who want to execute

transactions in HSC shares must report and disclose all required information at least three business days prior to the transaction date. They also have to report their trading results to the State Securities Commission of Vietnam and the Ho Chi Minh Stock Exchange (“HOSE”) within three (03) business days after the registered trading period.

Members of the BoD, the BoM, and BoS must report to the BoD any potential conflict of interest with HSC’s interests from the benefits that they might receive from any transaction in HSC shares that are executed by themselves or by any related legal entity or individual. Members of the BoD, the BoM, and BoS are not allowed to use any internal information regarding HSC’s operations obtained by virtue of their position to serve their personal interests, or the interests other legal entities or individuals.

HSC does not provide loans or guarantees to any members of the BoD, the BoM, the BoS or related parties unless otherwise approved at the AGM.

HSC is not allowed to engage in any transaction that has a value equal to or greater than 35% of the total asset value of the Company as stated in its latest financial statements, with any member(s) of the BoD, the BoM, the BoS or related parties, or with shareholders, their proxies or related parties who collectively own more than 10% of HSC’s total outstanding shares unless otherwise approved at the AGM.

BOARD OF DIRECTOR’S REPORT (continued)

Roles of Related Parties

Related Party Relations

Investors

To thrive in the time of globalization and cross-border competition, as business professionals, we must pursue a sophisticated approach to understanding and responding to clients’ expectations. Therefore, HSC measures its success by the satisfaction of investors who are also its clients.

Having a good understanding on the sophisticated demands of investors, along with our strong team of highly experienced, dynamic, and enthusiastic professionals and our proven track records and credits, we have been able to provide our clients right services at the state-of-the-art quality and attractive investment opportunities.

In order to strengthen our reputation and enhance the trust from our clients, we have been pursuing rigorous information security policies and implementing new applications and technologies from the “industrial revolution 4.0” to our securities information technology.

In addition to following the market in the development of new products, HSC also strives to create its own products and services to attract professional investors.

Shareholders

HSC has always been willing to provide necessary information to our shareholders on transparent and adequate manners. Furthermore, in our principle of equality, there is no discrimination amongst major shareholders, strategic shareholders or minor shareholders.

All necessary information on HSC’s operations and performance such as the quarterly, semi-annual and annual performance results, as well as our business plans, are provided to all shareholders. Through these information disclosure sessions, HSC hopes to meet and interact directly with shareholders and investors in order to for them to understand more about

our business operations, so that they can make appropriate investment decisions. This is also an opportunity for HSC to get the most meaningful feedbacks and contributions from shareholders and investors, which are then discussed in our internal meeting for further analysis and considerations.

We believe the trust from our shareholders is a concrete foundation for HSC’s sustainable development.

Human resources

At HSC, employees are considered the most important factor determining and fostering our path to prosperity and sustainable development. By creating a strong corporate culture and a professional, dynamic, and creative working environment, we aim to offer our employees not only a right place to work and to devote but also an environment in which they can maximize their capabilities. In addition, HSC applies a transparent and competitive policies on salary, bonus, and welfare to ensure employees are rewarded property for their contributions and commitment, which are measured and appraised through the implementation of KPIs in HSC’s Employee Performance Management. Besides, the close relationship between leaders and staffs at HSC is also one of the factors help attract and retain talent and enhance employee loyalty and commitment.

2018 marked HSC’s 15-year journey in the stock market. 15 years are not too long and also not too short, but rather enough for HSC to build its own culture – a culture that nurtures and promotes “Next Generation” and “Succession”. These unique cultural factors define HSC’s corporate culture.

The best way to build and strengthen corporate culture is that leaders have to pioneer in demonstrating how to act and behave appropriately to promote that culture. The culture of “Next Generation” was initiated in 2018 and was reflected in the first corporate activity – The Ceremony honoring employees who have been with HSC over the past 15 years.

The next corporate activity is the formulating and executing a succession plan, in which the existing top management gradually handovers decision making power to the next generation, who were trained and promoted several years ago.

Community

The sense of shared community has been built and promoted throughout the Company’s history since its early days. At the corporate level, HSC is committed to contribute to the development of Vietnam by creating jobs and paying taxes. At the same time, there have also been volunteer activities, sharing and helping the less privileged and disadvantaged groups of people. This has become a moral tradition at HSC. Above all, HSC is a cradle for spreading “community sharing” inspiration to all employees. The sense of sharing has continued to spread to their relatives and friends and has since been communicated throughout society.

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.

HSC has always been a pioneer and a bridge between the leading companies in Vietnam and the global investment community through the hosting of forums and conferences dedicated to the Vietnamese markets in general and the stock market in particular

Environment

Contributing to the development of the capital markets in Vietnam has been one of the most important targets in the development of HSC

HSC has always been a pioneer and a bridge between the leading companies in Vietnam and the global investment community through the hosting of forums and conferences dedicated to the Vietnamese markets in general and the stock market in particular (Vietnam Investment Professionals Forum 2018, Emerging Vietnam 2018) or through organizing conferences discussing new products (the Global Futures Symposium). With a spirit of enthusiasm and a willingness to impart experience and try to learn advanced knowledge, HSC has not only contributed to the market shaping and developing process and the nurturing the international investors’ trust but also created its own opportunities to seek and approach potential investors.

Moreover, HSC is also an active member of associations and organizations in the stock market in particular and in the financial sector in general. The participation in the Vietnam Securities Trading Association (VASB), Vietnam Bond Market Association (VBMA) and Vietnam CEO Club, also helps us understand more about the markets and allows us to contribute to develop the markets.

Auditors

HSC is committed to select one of the Big 4 Audit Firms in Vietnam for the interim and annual statutory audit of its financial statements. The selected auditor must be approved by the State Securities Commission of Vietnam to provide the statutory auditing services to listed companies and securities companies in Vietnam.

PricewaterhouseCoopers (PwC) VietNam Limited was re-selected as an external auditor of HSC for the 2018 fiscal year.

CEO Message

About HSC

2019 Macro and Strategy Report

2018 Performance Overview & 2019 Outlook

Supporting Functions

Corporate Governance

Sustainability Report

Financial Statement



BOARD OF DIRECTOR'S REPORT (continued)

The 2018 audit fee amounted to VND 1,221,000,000 (One billion two hundred and twenty-one million Vietnamese Dong) payable to PricewaterhouseCoopers Vietnam. The contracted audit works include the followings:

- The review of the interim financial statements;
- The review of the interim Liquidity Ratio Report;
- The audit the year end financial statements;
- The audit of the year end Liquidity Ratio Report; and;
- The special audit of HSC's year end financial information, which were prepared in accordance with the International Financial Reporting Standards (IFRS)

In addition to the above audit works, PwC also issued the review report on HSC's first quarter 2018 financial statements. The review report was a required document for the share issuance plans in accordance with the regulatory requirements. Therefore, the 2018 audit fee increased by 30% compared to than in 2017.

In addition, HSC also paid a non-audit fee of VND495,000,000 (Four hundred and ninety-five million Vietnamese Dong) to KPMG Vietnam Limited, which was a joint internal auditor of HSC in 2018.

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 department head. Their responses will be sent to the Communications Department which shall represent HSC in responding by phone or email.

Information disclosure

Policy and the implementation of information disclosure

- The information disclosure framework at HSC has been developed and implemented in compliance with statutory regulations, internal policies and corporate governance policies. Information disclosure must be in accordance with the following fundamental principles.

The information disclosure framework at HSC has been developed and implemented in compliance with statutory regulations, internal policies and corporate governance policies.

- The disclosed information should be accurate, complete, clear and must be disclosed within the agreed time frame.
- The disclosed information must comply strictly with current statutory regulations.
- All stakeholders have the right to access the disclosed information.
- Information that may have a significant impact on HSC's share price, or possibly influence investor decisions, affect 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, to the Ho Chi Minh City Stock Exchange (HOSE) and to the State Securities Commission (SSC).

Transactions, Remuneration and Benefits of Members of the BoD, BoM, and BOS

Remuneration of the Board of Directors and the Supervisory Board

The operating fund of HSC's BoD and BoS in 2018 amounted to 1.5% of after-tax profit, as approved at the 2017 AGM.

In Q1 2018, remuneration that the members of the BoD and BoS were entitled to receive were adjusted to market pay levels. The Company also started to pay remuneration to board members who were also members of committees under the BoD and to the secretary of the BoD in accordance with Minute 01/2018/BB-RC of the Remuneration Committee dated 22 January 2018.



Position	Monthly Remuneration for BoD Members (after tax) (VND)	Monthly Remuneration for Committee Members (after tax) (VND)
BoD Members	20,000,000	
BoD Members and Committee Chairman		20,000,000
Executive Members		10,000,000

Remuneration for members of the BoS in 2018

Position	Monthly Remuneration for BoS Members (after tax) (VND)	Monthly Remuneration for Committee Members (after tax) (VND)
Members	15,000,000	
Head		10,000,000

Remuneration for members of the Committees under the BoD in 2018

Position	Monthly Remuneration (after tax) (VND)	Note
Head	15,000,000	
Members	10,000,000	

CEO Message

About HSC

2019 Macro and Strategy Report

2018 Performance Overview & 2019 Outlook

Supporting Functions

Corporate Governance

Sustainability Report

Financial Statement



BOARD OF DIRECTOR’S REPORT (continued)

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 was as detailed below.

BoD and Supervisory Board remuneration and operating expenses in 2018

Item	VND
The opening balance of Operation fund of the BOD & Supervisory Board	1,019,184,416
Operation fund of the BoD & BoS in 2018 (accounting for 1.5% of profit after tax in 2017)	8,310,887,456
Operating expenses for the BoD & BoS In which:	8,428,529,830
1. Remuneration for BoD & BoS in 2018	3,868,000,000 (*)
2. Other operating expenses	4,560,529,830
Unused funds of the BOD & Supervisory Board	901,542,042

Note: (\*) Total BoD remuneration was VND[] and for the BoS was VND[] (including personal income tax). BoD and BoS remuneration increased over that in 2017 due to adjustments to market pay levels in Q1 2018. The Company also started to pay remuneration to board members who were also members of committees under the BoD and the secretary of the BoD.

Regulation on Bonuses for Members of BoD and BoS

Independent BoD members and non-executive BoD and BoS members do not receive any income or bonuses from the Company’s bonus and welfare funds in addition to the remuneration for members of the BoD and BoS mentioned above.

Regulation Governing Benefits for Members of BoD and BoS

Currently, HSC’s cost benefit regime (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 for other members of the BoD and BoS are charged to HSC (if costs are incurred).

Share trading transactions of internal shareholders and related parties

In the year 2018, HSC announced HSC share transactions undertaken by members of the BoD and related organizations on the HCM City Stock Exchange to the authorities within three working days. Under current regulations, they were reported as follows.

Name	Relationship with internal shareholders	Number of shares owned initially		Number of shares owned at the end period		Reasons for increase, decrease
		Number of shares	Per-centage	Number of shares	Per-centage	
Le Anh Quan	Individual related to Mr. Le Anh Minh – Vice Chairman	26,000	0.02%	0	0%	Bought 26,000 shares from 22 November 2017 to 04 December 2017 and sold 26,000 shares from 30 January 2018 to 02 February 2018
Pham Nghiem Xuan Bac	Board of Directors	290,000	0.22%	240,000	0.19%	Registered to sell 100,000 shares from 10 July 2018 to 08 August 2018 and sold 50,000 shares from 10 July 2018 to 08 August 2018.
Cong Huong Joint Stock Company	Company related to Pham Nghiem Xuan Bac – Member of the Board of Directors	450,442	0.35%	360,442	0.28%	Registered to sell 150,000 shares from 10 July 2018 to 08 August 2018 and sold 90,000 shares from 10 July 2018 to 08 August 2018.
Johan Nyvene	Chief Executive Officer and member of the Board of Directors	661,666	0.51%	461,666	0.36%	Registered to sell 200,000 shares from 02 October 2018 to 31 October 2018 and sold 200,000 shares 02 October 2018 to 23 October 2018.

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 client brokerage, mergers and acquisitions, etc. The contract term is three years from 2017 to 2019.

In 2017, HSC paid an advisory fee to DC as stated in the Contract. However, in 2018, HSC terminated the Contract as the Company had no demand for these advisory services. Therefore, there was no related party transaction between HSC and DC in 2018.

Related parties	Relationship	Headquarter	Date of transaction ty	The Board of Directors Resolution No.	Quantity, percentage of shares after transactions	
					Quantity	Percent-age
Dragon Capital Markets Limited (DC)	Related parties	Room1501, 15th Floor, Me Linh Point, No 02 Ngo Duc Ke Street, District 1, HCMC	Not applica-ble	No. 01/2017/ NQ-HĐQT dated 17/01/2017	39,278,810	30.29

# REPORT OF THE SUPERVISORY BOARD

In 2018, Supervisory Board ("BoS") fulfilled the duties as stated in HSC's Charter and Governance Regulation on the organization and operation of the BoS, assisting the Board of Management ("BoM") in executing the business plan and other matters that were approved by annual general meeting of shareholders ("AGM").

In 2018, Board of Directors ("BoD") held twenty-five (25) meetings, of which twenty-two (22) were direct meetings, with three meetings in the forms of written consultations. Participating in the meetings, the BoS also reviewed the Company's performance and, along with the BoD and BoM, contributed strategic advice, and fostered the pursuit of business plan as approved by the 2018 AGM.

Key issues discussed in the BoD's meetings include the following:

- The 2017 full-year business performance report and 2018 quarterly business performance reports.
- The use-of-capital plans for each business segment, and estimates of capital needs over the coming years, as well as the proposal regarding bank loans.
- The approval of the establishment of the Nam Sai Gon transaction office.
- The approval of the sell of Orient Commercial Joint Stock Bank (OCB) and Dong A Commercial Joint Stock Bank (DongA Bank) shares.
- The approval of the issuance of covered warrants on the shares of Hoa Phat Group Joint Stock Company (HPG), and approval for the appointment of the bank providing warrant payment guarantee.
- The approval of the registration of plans to issue shares to existing shareholders, issue shares to increase shareholder equity, and to issue shares to employees under the employee stock ownership plan.
- The approval of the first payment of 2018 cash dividend.

## SUPERVISING BUSINESS ACTIVITIES AND 2018 FINANCIAL RESULTS

In 2018, together with other members of the Board Audit Committee, the BoS participated in two meetings in the middle and end of the year 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 its accounting, finance and operational processes. Moreover, PricewaterhouseCoopers Vietnam Limited only provided financial audit services to HSC, and did not provide any other advisory services, with total expenditure of VND 1,221,000,000 (one billion two hundred and

twenty one million dong) (VAT included).

In addition, the BoS reviewed and analyzed the quarterly financial statements and the capital adequacy ratio review report for HSC. Regarding ratios of capital adequacy and financial safety, HSC maintained high liquidity and capital-related ratios. HSC's financial safety ratio, which was reported following guidance by the Ministry of Finance, as of the end of 2018 was 502% (2017: 526%), 2.8 times higher than the 180% requirement of the State Securities Commission of Vietnam.

In terms of financial performance targets, as the stock market and its liquidity were not as good as expected in the 2018 business plan, HSC's revenue and profit only met 81% and 83% of the Company's targets respectively. However, HSC's performance in 2018 still hit a record, with VND1,700 billion in revenue and VND675 billion in net profit, 23% and 22% y-o-y growth respectively.

- Revenue from securities brokerage fees reached VND759 billion, a VND157 billion or 26% increase y-o-y.
  - » In which, revenue from brokerage fees from the stock market was VND683 billion, 14% y-o-y growth, and revenue from brokerage fees on the derivatives market was VND76 billion, a 2909% y-o-y growth.
  - » Trading in derivatives market grew significantly in 2018. HSC was one of the first securities companies as the pioneer to be involved from the outset with the derivatives market that was officially launched on 10 August 2017. HSC was able to leverage its first-mover-advantage to secure a strong market share of 23% in the year. The majority of the derivatives brokerage revenue came from private clients brokerage.
- Revenue from margin lending and interest income was VND523 billion, a VND84 billion increase, or 19% growth over 2017.
  - » The average margin lending balance in 2018 was VND3,933 billion, a 695 billion increase, or 21% y-o-y growth. The average margin lending rate was stable at 13.3%.
- Revenue of corporate finance business was VND119 billion, a VND74 billion or a 164% increase y-o-y.
  - » The corporate finance business recorded all-time-high revenues in 2018.
  - » Such impressive performance was attributable to the successes of high-profile transactions in the banking, communications, pharmaceutical, real estate, and retail industries.
- Revenue of the proprietary trading business was VND278 billion with a profit margin of 31%. The result is considered impressive in comparison with the performance of the stock market in 2018.
  - » In which, revenue from trading derivatives was VND49 billion, a significant increase of VND39 billion, or 361% growth y-o-y. HSC's Proprietary Trading Department was able to leverage HSC's strengths as the market leader to capture opportunities in the derivatives market.
- Due to liquidity in the stock market, the 2018 business plan approved by AGM were less than expected with VND8,000 billion average daily trading value, the BoM pursued expense-optimizing initiatives to improve the bottom-line. Accordingly, total operating expenses in 2018 were only 80% of the budgeted number.
  - » Despite pursuing cost optimization, HSC was still keen to investing in its IT infrastructure, transaction office network, and more importantly its human resources. In 2018, the Company continued upgrading its IT platforms to enhance client trading in both the underlying and derivatives markets. HSC also opened a new transaction office, expanded its office spaces in Ho Chi Minh City and Hanoi, and welcomed senior executives to its key businesses. Those investments are important for the Company to strengthen its foundation and to gear up for sustainable growth.

The BoS acknowledges the strong commitment and great efforts by the BoM and the businesses in delivering impressive growth despite the volatility in and weak performance by Vietnam's stock markets in 2018. Firstly, the Proprietary Trading Department was able to deliver an exceptional performance on the back of solid investment skills and a prudent approach by its investment team. Secondly, the BoS acknowledges the great efforts by the Corporate Finance Department in 2018 in winning and completing some high-profile transactions, and in hosting the HSC Emerging Market Vietnam Conference successfully. These successes helped HSC enhanced its reputation and corporate image to new highs, not only in the local but also in the global capital markets. Last but not least, the Brokerage sector was able to strengthen its leading positions in the market. HSC's total brokerage market share increased to 11.4% in 2018, within which the private brokerage market share increased to 9.7% from 8.6% in 2017.

REPORT OF THE SUPERVISORY BOARD (continued)

In 2018, HSC’s Internal Audit Department completed the following audit reports for issuance.

No.	Internal Audit Review
1	Anti-money Laundering Activities (annually)
2	Human Resources Management (1 <sup>st</sup> review)
3	Private Client Division (2 <sup>nd</sup> review)
4	Margin Lending Management (2 <sup>nd</sup> review)

The Internal Audit Department, together with the co-sourced internal audit partner, KPMG Vietnam Limited (“KPMG”), in 2018 focused on prioritizing most important risk areas at HSC. The audit progress, the audit work and the final audit reports were submitted to the BoM and the heads of business functions, as well as reported to the BoS and Board Audit Committee, in regular meetings.

The BoS noted that the processes in-scope are audited with no material violations. The remaining challenges for the Company and its departments are to better standardize their operational policies and procedures (“P&Ps”), so that every operational aspect of the Company is monitored closely and completely, with the following specific recommendations.

- Human Resources Management: The Company has not yet developed and implemented a comprehensive set of P&Ps for Human Resource Management processes. Current P&Ps were established and managed by various functions/ departments in a sporadic manner. The BoS also noted that some practices have not been formally documented in P&Ps.
- Private Client Division: The P&Ps for user access right in IT systems should be reviewed and managed strictly on a regular basis to prevent risks that could potentially cause significant financial damage and

negative reputational impact to HSC.

- Margin Lending Management: There was no documentation or summarized case profiles for incidents relating to the margin lending activities maintained within HSC. Therefore, the BoS recommend that the Company should develop and implement an incident reporting process so that the possibility of tracking the incident facts for lessons learnt and future improvement measures is advanced.

The BoS expect that the BoM should continue to strengthen the Company’s already solid internal controls framework, and encourage the development of a comprehensive set of P&Ps to reflect and monitor existing business practices. Accordingly, the P&Ps should be formalized, communicated to all staff for adherence, reviewed and revised where necessary e.g. when there’re changes in regulations and on a periodic basis (at least annually).

BOS REMUNERATION IN 2018

Total remuneration for the BoS in 2018 was VND 946,666,667 (inclusive of personal income tax). Specific remuneration to each member is as follows.

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	Mrs. Dang Nguyet Minh	Member	6,000,000

PLAN OF THE BOS FOR 2019

In 2019, the BoS continue to coordinate with Board Risk Management Committee and Board Audit Committee to review and update the Comprehensive Risk Profile for HSC. Additionally, the BoS continue to accompany and supervise the Internal Audit Department in completing the audits started in 2018, as well as new audit projects in the following Audit Plan for 2019.

No.	Internal Audit Review
1	Anti-money Laundering Activities (annually)
2	IT and Cybersecurity (2 <sup>nd</sup> review)
3	Risk Management (1 <sup>st</sup> review)



# SHAREHOLDERS' INFORMATION

## 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	-
	Major Shareholders	47,707,151	36.77%	2	2	-
2	- Local	-	-	-	-	-
	- Foreign	47,707,151	36.77%	2	2	-
3	Treasury Shares	202,590	0.16%	-	-	-
	Others	44,347,017	34.18%	3,653	117	3,536
4	- Local	13,347,550	10.29%	3,427	50	3,377
	- Foreign	30,999,467	23.89%	226	67	159
<b>TOTAL</b>		<b>129,756,758</b>	<b>100.00%</b>	<b>3,656</b>	<b>120</b>	<b>3,536</b>
Including: - Local		51,050,140	39.34%	3,428	51	3,377
- Foreign			60.66%	228	69	159

## SHAREHOLDERS STRUCTURE WITH MAIN SHAREHOLDERS AND SECURITIES COMPANIES

No.	Object	Number of Stocks	Percentage of ownership (%)	Quantity	Shareholder structure	
					Institutional	Individual
1	Major Shareholders (above 5% ownership, not classified as Securities Companies)	-	-	-	-	-
	- Local	-	-	-	-	-
	- Foreign	-	-	-	-	-
2	Securities companies (above 5% ownership)	85,207,151	65.67%	3	3	-
	- Local	37,500,000	28.90%	1	1	-
	- Foreign	47,707,151	36.77%	2	2	-
3	Securities companies (less than 5% ownership)	30,473,430	23.49%	63	63	-
	- Local	843,659	0.65%	8	8	-
	- Foreign	29,629,771	22.83%	55	55	-
<b>TOTAL</b>		<b>115,680,581</b>	<b>89.15%</b>	<b>66</b>	<b>66</b>	<b>-</b>

## OWNERSHIP STRUCTURE

Category	Restricted transferable shares	Transferable shares	Total	Percentage of Ownership %
I. Inside Shareholders	148,500	78,032,564	78,181,064	60.25%
II. Treasury shares	-	202,590	202,590	0.16%
III. Others	594,900	50,778,204	51,373,104	39.59%
1. Local	497,400	11,447,896	11,945,296	9.21%
1.1 Individual	497,400	10,031,711	10,529,111	8.11%
1.2 Institutional	-	1,416,185	1,416,185	1.09%
In which State - owned:	-	37,500,000	37,500,000	28.90%
2. Foreign	97,500	39,330,308	39,427,808	30.39%
2.1 Individual	97,500	590,443	687,943	0.53%
2.2 Institutional	-	38,739,865	38,739,865	29.86%
<b>TOTAL</b>	<b>743,400</b>	<b>129,013,358</b>	<b>129,756,758</b>	<b>100.00%</b>

## SHARES

Total number of shares:	129,756,758 shares
Type of outstanding shares:	Common
Par value	10,000 VND/shares
Treasury shares	202,590 shares
Number of outstanding shares	129,554,168 shares
Number of restricted transferable shares	743,400 shares
Number of transferable shares	128,810,768 shares

## TREASURY SHARES

Category	Number of Treasury Shares as of 01/01/2018		Number of Treasury Shares changed (*increase) in term		Number of Treasury Shares as of 31/12/2018	
	Quantity	Percentage	Quantity	Percentage	Quantity	Percentage
Number of Treasury Shares	186,390	0.144%	16,200	0.012%	202,590	0.156%

Note:

\* In 2018, HSC has withdrawn 16,200 shares from two (02) retired staffs, who involved in the ESOP 2016 program, according to the regulations on issuing shares for HSC key officers.

DETAIL OF INSIDE SHAREHOLDERS

No.	Full name	Position	Restricted transferable shares (*)	Transferable shares (*)	Total (*)	Percentage of Ownership (%)	Percentage of Representative (%)
BOARD OF DIRECTORS							
1	Do Hung Viet	Chairman	-	17,968	17,968	0.01%	-
2	Lam Hoai Anh	Member	-	-	-	-	-
3	Le Anh Minh	Vice Chairman	-	43,968	43,968	0.03%	-
4	Le Thang Can	Member	-	-	-	-	-
5	Pham Nghiem Xuan Bac	Member	-	240,000	240,000	0.19%	-
6	Le Hoang Anh	Member	-	-	-	-	-
7	Johan Nyvene	Member, Chief Executive Officer	45,000	416,666	461,666	0.36%	-
TOTAL							
TOTAL				45,000	718,602	763,602	0.59%
MANAGEMENT TEAM							
1	Johan Nyvene	CEO	45,000	416,666	461,666	0.36%	-
2	Trinh Hoai Giang	Deputy CEO	45,000	228,665	273,665	0.21%	-
3	Le Cong Thien	Deputy CEO	42,000	162,125	204,125	0.16%	-
TOTAL							
TOTAL				132,000	807,456	939,456	0.73%
SUPERVISORY BOARD							
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	-	-	-	-	-
TOTAL							
TOTAL				-	22,009	22,009	0.02%
1	Lam Huu Ho	Chief Accounting Officer	16,500	122,353	138,853	0.11%	-
2	Le Anh Quan	Chief Partnership Officer	-	-	-	-	-
TOTAL							
TOTAL				193,500	1,670,420	1,863,920	1.44%
TOTAL				-	-	-	0.00%

Note:

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

SPECIAL SHAREHOLDERS

No.	Name of Institution / Individual	ID/ Passport / Business Licence	Issued day	Address	Number of Stocks	Percentage of Ownership (%)	Restricted transferable shares
A. State Shareholders cum Strategic Shareholders (above 5% ownership)							
1	Hochiminh city Finance and Investment state - owned Company (HFIC)	300535140	4/13/2010	33- 39 Pasteur St, Dist.1, HCMC	37,500,000	28.90%	-
1.1	Lam Hoai Anh	001072008603	6/1/2016	290/9 Nam Ky Khoi Nghia St, Ward 8, Dist. 3, HCMC	26,250,000	20.23%	
1.2	Le Thang Can	025776876	4/18/2013	60/21/6 D4, KP5, Truong Tho, Thu Duc, HCMC	11,250,000	8.67%	-
TOTAL A:					37,500,000	28.90%	-
B. Major Shareholders cum Strategic Shareholders (above 5% ownership)							
2	Dragon Capital Markets Limited (DC)	C00001	7/27/2000	P.1901, Floor 19, Me Linh, 02 Ngo Duc Ke, Dist. 1, HCMC	39,278,810	30.27%	-
TOTAL B:					39,278,810	30.27%	-
C. Major shareholders (above 5% ownership)							
3	PXP Vietnam Emerging Equity Fund Limited	C00413	10/10/2005	6th Floor, Opera View Building, 161 Dong Khoi, Dist.1, HCMC, Vietnam	8,428,341	6.50%	-
TOTAL C:					8,428,341	6.50%	
TOTAL (A+B+C):						65.67%	-

	Financial Statement	Sustainability Report	Corporate Governance	Supporting Functions	2018 Performance Overview & 2019 Outlook	2019 Macro and Strategy Report	About HSC	CEO Message
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ROAA

11.3%



POSITIVE INFLUENCES





# SUSTAINABILITY REPORT



## OVERVIEW OF SUSTAINABILITY REPORT

As one of Vietnam's leading securities firms, HSC is well-awared of its influence on the community and the sustainable development of society. Therefore, HSC continues to review and develop sustainability initiatives in relation to corporate governance, the economy, the environment and society towards a more sustainable and better future.

The Sustainability Report covers strategic directions in HSC attaining sustainable development in the coming years and reflects important sustainability milestones achieved in 2018. The Report will support shareholders and investors in having a comprehensive overview of the Vision, Strategy and achievements in the sustainable development of HOSE.

## REPORT STANDARD

In 2018, we evaluated any positive and negative impacts HSC's sustainability through the Global Reporting Initiatives-GRI (an upgraded version of GRI4) fairly and reasonably. This is an integrated Sustainability Report, with the majority of information related to corporate governance presented in our annual report. The financial data in this report is derived from our Financial Statements which were again audited in 2018 as covered in our annual report. To create the report in an effective, convenient and transparent manner with GRI, we have also referred to the Guidelines on Information Disclosure relating to the environment and society by the State Securities Commission of Vietnam, the Guidelines on Corporate Social Responsibility by the CCIFV and Circular No 155/2015/TT-BTC.

## REPORT FRAMEWORK

The 2018 Sustainability Report is prepared to cover the accounting year ending on Dec 31, 2018. The data in the report is collected from HSC's practical operational activities at its Headquarters, branches and trading offices nationwide from Jan 1, 2018 to Dec 31, 2018. The financial data in this report is derived from our 2018 Audited Financial Statements. The report is taken by HSC's Sustainability Report Commission, including members from units such as the Communications Department, the Accounting Department, the Human Resources Department and the Secretary to the Board.



## CONTACT

HSC looks forward to receiving your sincere feedback on Sustainable Development at:

**Website:** <https://www.hsc.com.vn>

**Communications Department**

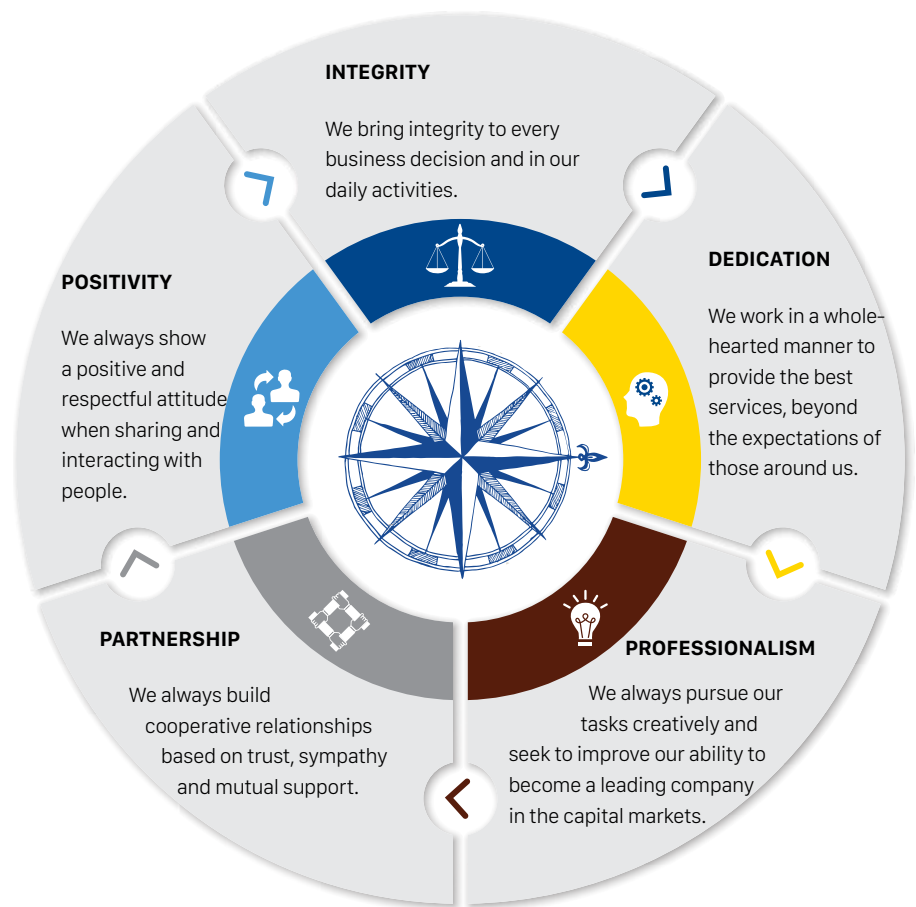
**Email:** [hsc.communication@hsc.com.vn](mailto:hsc.communication@hsc.com.vn)

**Tel:** +84 28 3823 3299

**Address:** Floor 6, AB Building, 76A Le Lai Street, District 1, HCMC

## ETHICS & INTEGRITY

After more than 15 years since establishment and through its development, HSC has established a system of core values. This is our code of ethics, which provides a rigorous framework for HSC in all its dealings, both internal and external. This helps HSC overcome every challenge to maintain its prestige and stature as a leading securities brand nationwide.



CEO  
Message

About HSC

2019 Macro  
and Strategy  
Report

2018  
Performance  
Overview &  
2019 Outlook

Supporting  
Functions

Corporate  
Governance

Sustainability  
Report

Financial  
Statement

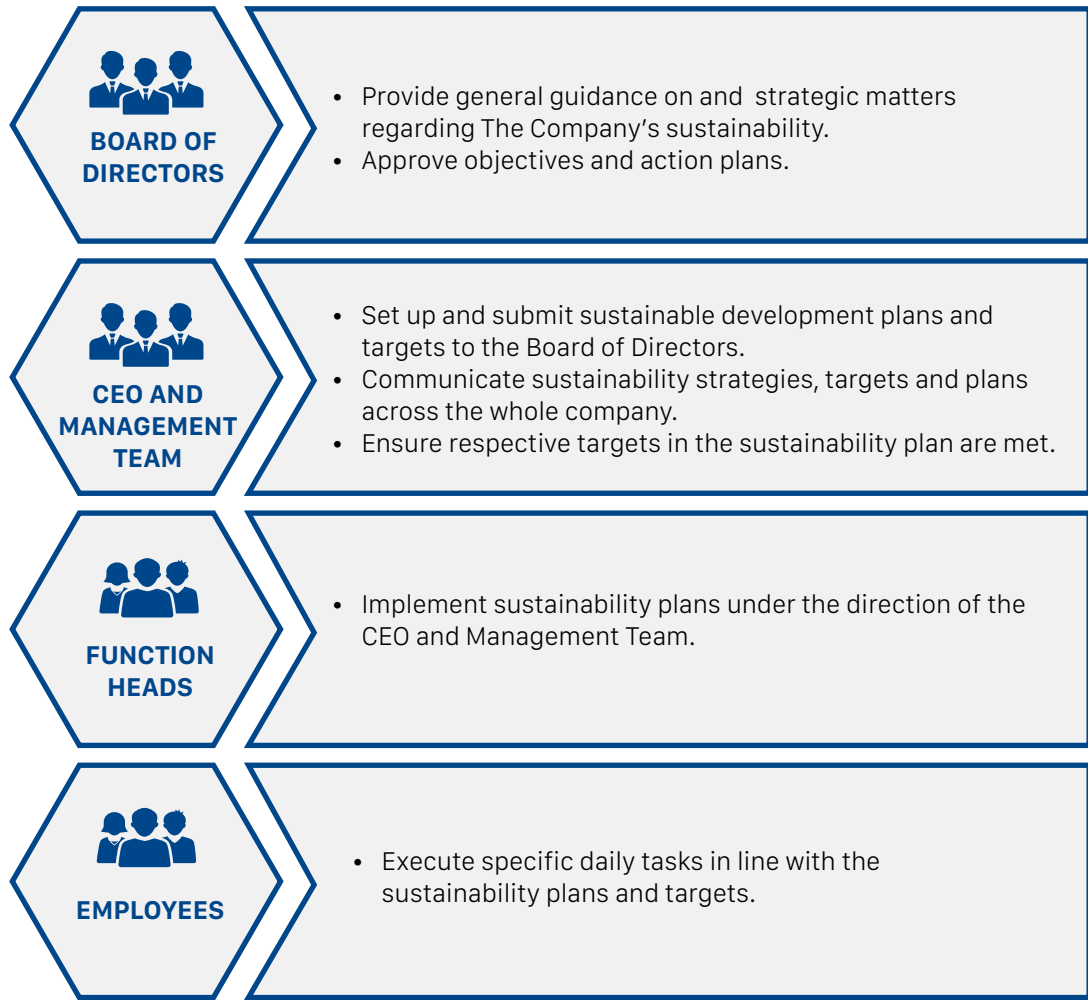
SUSTAINABILITY REPORT (continued)

Based on the abovementioned system of core values, HSC has shaped its Code of Conduct to maintain sustainable cooperative relations with relevant parties.

RELEVANT PARTIES	HSC'S CODE OF CONDUCT
Employees	<ul style="list-style-type: none"><li>• Create a professional, friendly and safe working environment.</li><li>• Ensure remuneration policies and benefits are in line with employee contributions and in compliance with Vietnamese laws.</li><li>• Build a specific promotion roadmap to create development opportunities for employees.</li><li>• Improve human resource quality and professionalism via training, education and KPI performance evaluation.</li><li>• Ensure gender equality, freedom of religion, ethnic neutrality, etc.</li></ul>
Shareholders / Investors	<ul style="list-style-type: none"><li>• Maximize value for shareholders.</li><li>• Ensure stable dividends and income for shareholders.</li><li>• Provide information in a timely and transparent manner.</li><li>• Organize programs and conferences publicly to help shareholders understand HSC's operational circumstances and long-term development strategy.</li><li>• Commit to confidentiality.</li></ul>
Clients	<ul style="list-style-type: none"><li>• Always take care of and listen to clients.</li><li>• Provide high quality products and the best services to clients.</li><li>• Offer reasonable and competitive prices, ensure a harmony between the Company's and the clients' benefits.</li></ul>
Authorities	<ul style="list-style-type: none"><li>• Comply strictly with regulations on tax, environmental protection, etc.</li><li>• Contribute ideas to the process of building new policies, and support the launch of new products.</li><li>• Strengthen relationships with local authorities but not take advantage of these relationships to pay bribes or gain illicit profits.</li></ul>
Partners	<ul style="list-style-type: none"><li>• Maintain principles of cooperation and mutual benefits.</li><li>• Choose partners based on their ability to meet these requirements.</li><li>• Do not block partners through unreasonable policies.</li><li>• Do not cooperate with partners for non-transparent business activities.</li><li>• Protect confidential partner information.</li></ul>

Community	<ul style="list-style-type: none"><li>• Minimize any adverse impact to community and surrounding environment.</li><li>• Ensure social and communal responsibility accompanied by business growth.</li></ul>
Press	<ul style="list-style-type: none"><li>• Maintain a relationship with the press and the media which treats them all equally, in a transparent and legitimate manner.</li><li>• Ensure the provision of accurate, clear and objective information.</li><li>• Provide analysis and assessment on securities market trends for the press and media.</li></ul>

HSC'S SUSTAINABILITY GOVERNANCE MODEL

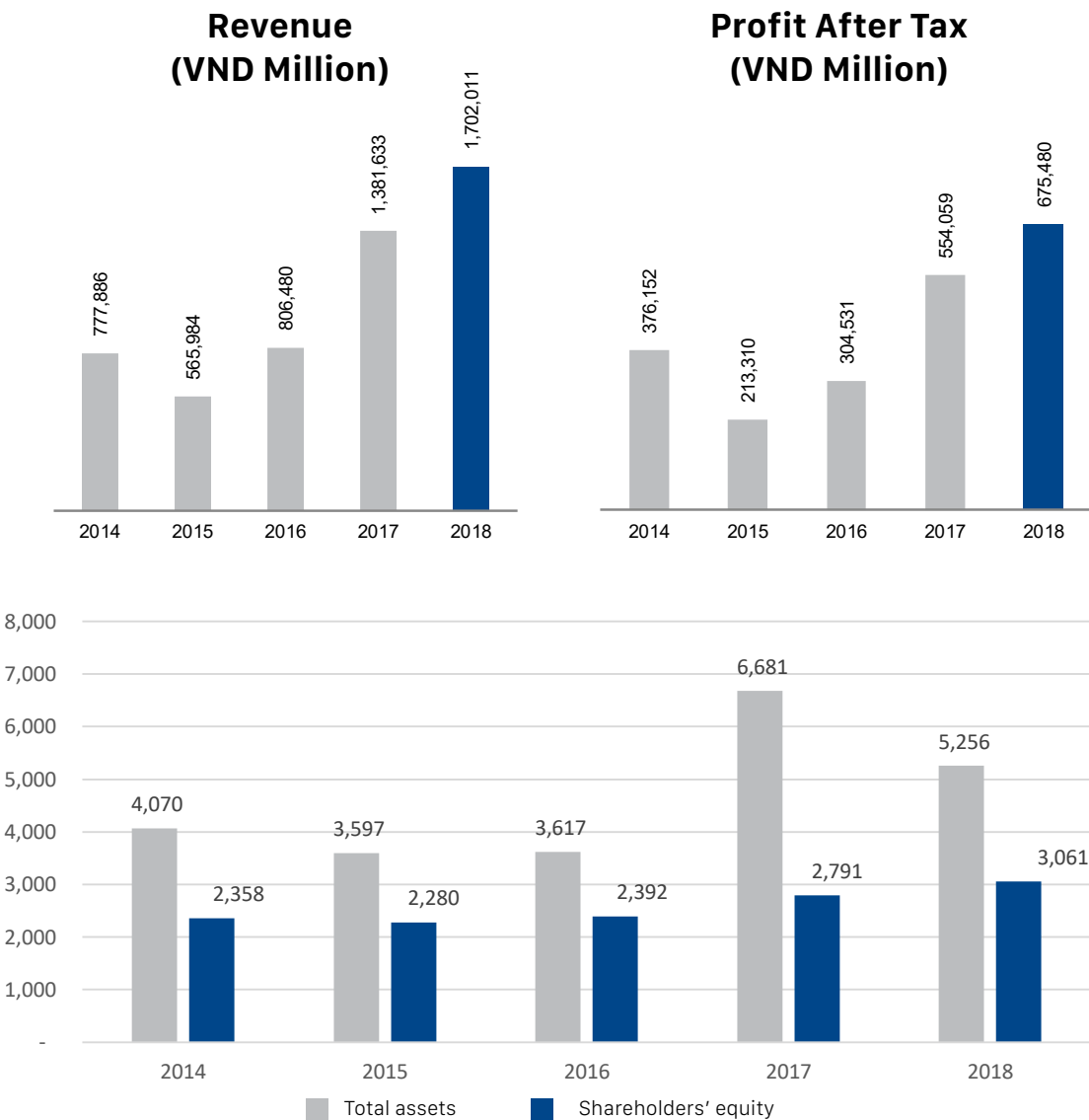


REPORT OF HSC SUSTAINABILITY DEVELOPMENT INITIATIVES

POSITIVE IMPACTS TO THE COMPANY

Pursue stable and steady growth

In line with growth in operational scale, in 2018, HSC attained positive financial results. Revenue and profits in 2018 reached record levels, and maintained stable y-o-y growth. Total revenue in 2018 reached VND 1,702 billion, up 23% compared to 2017, with the average growth rate from 2014-2018 reaching 22%. Profit after taxed reached VND 675 billion, up 22% as of 2017, for an annual growth rate of 19% since 2014. This growth in revenue and profit helped HSC ensure optimal benefits for shareholders and workers and make positive contributions to the society and community development.



In line with growth in business activities, HSC's total capital and assets keeps increasing year-by-year, and so have profitability ratios, which have reached a high level, even amongst leading companies. These high levels of profitability demonstrate HSC's efficient use of capital meeting shareholder expectations. HSC's financial safety ratio, in accordance with regulations of Ministry of Finance to the end of December 2018, reached 502% (526% on Dec 31 2017, 2.8 times higher than the 1805 required by the State Securities Commission of Vietnam.

Key Ratios	2018	2017
Liquidity Ratio		
Quick ratio	2.3	1.7
Short-term ratio	0.3	0.2
Total asset turnover	0.3	0.2
Debt ratio		
Debt to equity ratio	0.7	1.4
Total debt to total asset	0.4	0.6
Financial Safety Ratio	502%	526%
Profitability Ratio		
Net profit ratio	39.7%	40.1%
Net profit/Shareholders' equity (ROAE)	23.1%	21.4%

Ensure Income and economic benefits for employees

Maintaining stable economic growth year-by-year helps HSC ensure benefits for workers including salary, allowances and other welfare payments, creating favorable conditions for workers and contributing to sustainable development targets.

HSC's payroll policy is based on the principle that salary is tied to divisional performance and individual performance, while always being in compliance with government regulations in a competitive and fair manner. Employee Performance Management (EPM) is based on 5 scales to identify targets and

measure specific performance as an important basis for personnel management decisions including salary, training, development and promotion. At HSC, 100% of employees are evaluated on their performance each year. For sales staff, apart from their basic salary, HSC also offers a commission policy as an encouragement to maintain and attract talented people, as well as to strengthen HSC's business activities. In 2018, HSC incurred over VND 377 billion in salary, insurance payments and other remuneration, within which remuneration for job execution represented a very high proportion as set out below.



Description	2018	2017	2016	2015
Salary	142,277,324,771	104,334,685,218	82,261,510,479	73,357,702,877
Social Insurance, health insurance, union fee	18,223,521,000	14,066,467,500	11,961,205,002	10,971,071,000
Unemployment Insurance expenses	1,065,905,999	810,611,000	667,208,998	591,940,000
Other Remuneration	215,924,944,225	134,710,790,040	68,928,650,022	54,567,739,809
<b>Total</b>	<b>377,491,695,995</b>	<b>253,922,553,758</b>	<b>163,818,574,501</b>	<b>139,488,453,686</b>

Employee Welfare

HSC believes that its people are the most significant factor in achieving its objectives. Therefore, HSC pays special attention to building effective human resources. The Company's Welfare Policy has been written to be at least equal to, and in many areas more extensive than the Welfare Law promulgated by the Government in terms of motivating them, improving spiritual lives of employees and helping to retain them.

At HSC, apart from State welfare policies, it also provides employees other policies such as annual health checks, accident and health insurance, travel insurance, holidays, outings, sporting and community activities, competitive holiday entitlements, as well as

marriage, parental, birthday and funeral leave. One of the Company's most integral welfare programs to attract and retain talented people is the Employee Stock Ownership Program ("ESOP") based on their productivity and development potential in the future. HSC was one of a handful of Vietnamese enterprises pioneering the implementation of such a program in 2017. In addition, HSC also applies online working policies to support employees with health issues that face traveling difficulties.

In 2018, HSC extended its annual leave policy for employees to arrange time to rest and to improve employee work-life balance. In particular, the Company implemented a birthday day off policy at end of 2018. This policy creates time and opportunities for employees to enjoy more quality time with their families. This is also an opportunity to honor employee contributions to HSC.

HSC also focuses on providing health care welfare programs for employees. Apart from health insurance policies stipulated by the Labor Law, HSC provides annual health checks at leading and prestigious hospitals. In order to alleviate financial concerns from employees who are unfortunate enough to encounter accidents and/or serious sickness requiring high treatment costs, in excess of

their ability to pay, HSC proactively partners with reputable insurance companies to provide premium insurance for employees and their relatives. Since 2011, HSC has sought out and contracted with prestigious and professional partners to bring more benefits to employees. Additionally, HSC provides financial support programs for employees facing urgent financial difficulties. This policy has significantly supported HSC employees.

At the same time, HSC has also founded some clubs including tennis, badminton, yoga and gym clubs to improve employee health, wellbeing and fraternity. This is an opportunity for individuals to showcase their abilities and attend sporting events with partners.

HSC also frequently coordinates in organizing firefighting and prevention drills at its head office and transaction offices to raise employee awareness regarding fires. In the process of managing and upgrading its facilities, the Company always puts a strong focus on preparing, testing and maintaining firefighting and prevention systems to ensure the safety of employees. For offices in high-rise buildings, HSC complies strictly with general regulations on fire fighting and prevention.



HSC NEXT GEN - HUMAN CAPITAL

Entering a new era of the capital markets, HSC acknowledges the need of having a strong talent pool of highly-skilled and capable employees across levels to be able to succeed. Therefore, the development of high quality workforce has been a top priority of HSC.

2018 marked a milestone in the succession planning of HSC as capable middle-managers were assessed and considered for important management roles. HSC also formulated a strategic plan to equip the next leaders necessary skills.

Also in 2018, HSC implemented the employee performance management program, which helps supervisors measure and appraise the KPI accomplishment of their team members more accurately. The program ensures that high-performing and outstanding employees are rewarded properly for their contributions as well as to incentivize other employees.

Besides, over the last 12 years, HSC has been a pioneer in Vietnam in applying the employee stock ownership plan (ESOP) to attract and retain talent. The key criteria for granting ESOP shares include employee's commitment, capability and ability to excel in their career path at HSC.

One of the Company's most integral welfare programs to attract and retain talented people is the Employee Stock Ownership Program ("ESOP")

Workforce Development

The human factor is a competitive advantage for HSC. With the goal of maintaining its position as a leading financial entity in Vietnam, as well as making efforts to penetrate global markets, HSC has focused on the development a high quality workforce to meet the increasingly rigorous demands of the market.

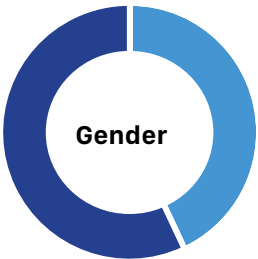
Workforce Statistics in 2018

Growth in employee numbers has gone hand in hand with the HSC’s growth and increased scale year by year. As od December 31, 2018, HSC had a total of 717 employees, up 32% from 2017.

Workforce Diversification

Human Resource Structure by Gender

The balance between female and male employees reflects HSC’s support of employees in terms of gender equality, and encourages female employees to develop their careers. This also reflects the increasingly important role of women in Vietnam’s financial markets.



	Total	Percentage
Female	309	43%
Male	408	57%

Human Resource Structure by nationality

99% of HSC’s employees are Vietnamese, reflecting HSC’s sustainable development model, and creating a positive impact on the market and society by creating a significant number of jobs with high incomes for Vietnamese employees. In addition, HSC also seeks talented foreign employees to further improve the quality of the Company’s products and services.



	Total	Percentage
Foreign employees	9	1%
Vietnamese employees	708	99%

Human resource structure by qualifications

95% of HSC’s employees hold undergraduate or higher university degrees. This illustrates how HSC possesses high-quality human resources. The knowledge and professional skills possessed by employees helps them meet stringent requirements in carrying out complicated tasks. Additionally, their quick response to technology changes can help them apply creativity and advanced technology to projects to promote HSC’s development.



	Total	Percentage
M.A	62	9%
University	618	86%
College	12	2%
Others	25	3%

Human resource structure by expertise

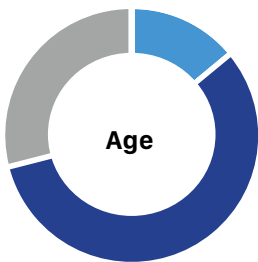
As a professional securities company, 74% of HSC’s employees hold degrees in economics. Their in-depth expertise in financial markets is one of the key factors behind HSC’s ability to provide the best services to clients through high quality financial products and services. The remaining 26% of HSC’s employees possess expertise in other areas, contributing to the human resource diversification at HSC, and helping HSC meet various client demands.



	Total	Percentage
Economics	533	74%
Others	184	26%

Human resource structure by age

One of the Company’s most integral welfare programs to attract and retain talented people is the Employee Stock Ownership Program (“ESOP”).



	Total	Percent-age
Under 25 years old	100	14%
25 – 35 years old	410	57%
Above 35 years old	207	29%

SUSTAINABILITY REPORT (continued)

Education and Training

Human resource education and development is an important factor for HSC in building a solid foundation, in terms of individual capabilities and a solid framework for the generations of successors, helping them transition into a wonderful generation of successors who will help deliver an even brighter future for HSC.

In an increasingly competitive market, HSC understand that it is necessary to frequently organize training courses for employees to get the most up-to-date market knowledge

and professional skills that meet global best practices. In 2018, HSC tried its best to create time and financial support for employees to attend internal training courses and other training to obtain certificates normally held by securities practitioners such as CPA, ACCA, CFA, Legal, and State Securities Commission of Vietnam broker certificates.

The number of training courses increased significantly in 2018 to meet the demands of an increasingly changing securities market workforce.

Training Statistics	2018	Number of participants
Number of training courses conducted in 2018, including courses organized many times, such as the securities professional skill training course	43	1,794
1 Internal training course	5	614
2 Securities Practitioner Certificates	21	912
3 External training courses – development of expertise and professional skills	19	268
Number of participants, where 1 participant may attend multiple training courses, including unofficial employees		1,794
Number of participants, where 1 participant may attend multiple training courses, excluding unofficial employees		600

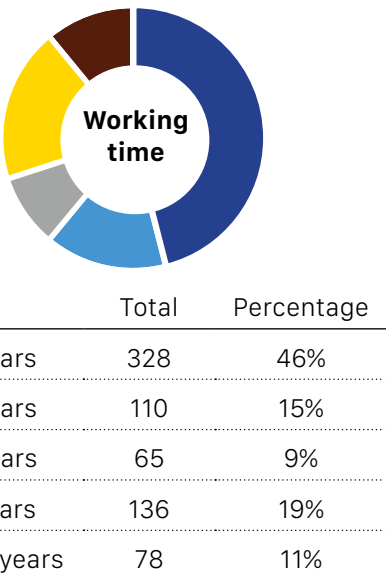
Employee Engagement and Loyalty

Ratio of employees working over 5 years: 39%

Despite being a competitive working environment, HSC is committed to maintaining a work-life balance for employees. Apart from suitable human resource policies, HSC also builds processes for career development by division, department an unit to train, develop and retain talented and dedicated employees. Thanks to this, HSC has trained an experienced workforce with a high degree of loyalty, including 39% of our employees who have been working for us for over 5 years.

Turnover Rate

The turnover rate in 2018 was maintained at 12% as a result of successful human resource policies. This reflects a positive working environment and the special attention HSC pays to its employees.



POSITIVE IMPACT TO THE MARKET

Optimizing shareholders' value

On Dec 31 2018, HSC had a total of 3, 656 shareholders, of whom 120 were institutional investors and 3,536 were individual investors. With stable cash dividend policy of at least 12% per annum, HSC ensures stable income and periodical dividends to shareholders. Additionally, HSC also focuses on development of its internal strengths to increase Corporate value, at the same time establishing a strategy to increase charter capital in an appropriate manner, while providing information that is transparent and allows and market to evaluate the true value of its shares.

HSC devotes significant resources to Investor Relations to preserve its shareholders' rights to access relevant, accurate and timely information about the Company.

HSC devotes significant resources to Investor Relations to preserve its shareholders' rights to access relevant, accurate and timely information about the Company. Investor Relations at HSC is managed by the Communications Department. Through the AGM, Annual Report 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 implemented several new communication channels in line with international best practices. Specifically, 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 a shareholder contact database, which is kept up-to-date to ensure effective dissemination of information. HSC welcomes and listens to comments, feedback, queries and requests for meetings and discussions from investors.

HSC's website [www.hsc.com.vn](http://www.hsc.com.vn) is an important part of the program to enhance the Company's Investor Relations functionality and service quality. The Investor Relations department provides access to regularly updated financial statements, annual reports, outstanding financial information, corporate governance reports, ownership structure information, dividend history, information relating to shareholder meetings, and other important information disclosures. HSC's annual reports are provided in both English and Vietnamese, and 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 making it easy for foreign investors to easily access necessary information.



Dedicated Customer Service

Investor assets are managed safely and transparently

Despite severe competition from other securities companies, HSC has always been consistent in following the principles of customer respect and compliance with laws to help clients not only obtain profit but also avoid losses, and to build a transparent securities market. In recent years, HSC has maintained an effective asset management system for both domestic and foreign investors, winning the trust of investors and building a stable economy. As of the end of 2018, HSC manages a total of 85,000 accounts, with all of these accounts being managed safely and confidentially.

A pioneer in providing new products

Vietnam’s derivatives market officially commenced operations from August 2018, with the first product being the VN30 Index Futures. HSC once again affirmed its pioneering position when it was one of Vietnam’s first securities companies awarded a certificate of eligibility for derivatives trading. HSC was also one of members for the market. In order to provide the best services to clients, apart from training workshops and guidance on trading activities organized weekly all year round, HSC provided free of charge trading activities and derivatives for the first 3 months of the market’s operation, to help clients experience this new product effectively and with the lowest cost.

HSC invested in a synchronous and modern technology infrastructure, trading management software and clearing payment solutions – Winner Trade – to provide specific trading solutions for derivatives in accordance with international standards. This kind of system has helped support the majority of daily trading volumes with diversified services and a stable high-speed trading floor, that enables various types of orders to be placed, connecting information exchanges and clearing with market participants (HNX, VSD and banks) in real time, while integrating risk management to bring high performance and utility to clients.

Continuously improving customer service quality

Following the “Industrial Revolution 4.0”, E-Broking is born to lead the market – building an ecosystem to supply quality online securities brokerage services. It also eliminates space and time constraints, allowing easy access for clients everywhere looking to invest. Through the launch of our website [www.online.hsc.com.vn](http://www.online.hsc.com.vn) and fan page [dongtienthongminh](https://www.facebook.com/dongtienthongminh) (smart money), E-Broking is now working step by step to access and serve clients via the internet through a series of services including account opening, trading guidance, training, analysis reporting and investment consultancy.

Instead of connecting with HSC through traditional brokerage channels, clients are now accessing online channels with more professional services. Every online securities service provided to clients will be managed by specialized units to ensure the best service quality.

Strengthening training courses and enhancing investor knowledge

In 2018, HSC worked well as a market leader frequently accompanying press agencies to provide trading know-how to investors. In addition, training courses to enhance product knowledge and market and trading strategies in North and South Vietnam were continuously organized on a weekly basis at transaction offices and via social networks through our fan page [dongtienthongminh](https://www.facebook.com/dongtienthongminh). Investors are not only provided with advanced trading technology and dedicated consultancy but were also able to attend free training courses on market analysis, to study new products in a complete and convenient way. These are considered as effective customer service channels, creating favorable conditions for clients to access positive information, and meeting demands for safe investment that bring benefits to all of HSC’s clients.

By the end of 2018, HSC had taken a leading derivatives market share (23%) with approximately 3,600 accounts.

As a result, by the end of 2018, HSC had taken a leading derivatives market share (23%) with approximately 3,600 accounts. In Q1 2019, HSC integrated derivatives trading services into HSC Trade’s trading software for both mobiles and on HSC’s iTrade website. This allows clients to conduct online general stock and derivatives trading on the same platform with a simple and easy-to-use interface. This also allows for the transfer of money between accounts easily as well as meeting information management and monitoring and trading demands quickly.



Contribution to market development

As one of Vietnam’s leading securities companies, HSC is fully aware of its key role in the development of the securities market. Through continuous innovation and development of new products, HSC has proactively acted as a decision maker in supporting innovation in the securities market.

HSC is fully aware of its key role in the development of the securities market

As a member of HOSE’s Market Development Advisory Committee, HSC provides professional consultancy and makes proposals on domestic and international securities market development trends. HSC is very active in supporting HOSE to develop strategic initiatives, effective solutions and important investment directions in the development of the securities market. HSC also effectively meets demands for technology and new product development initiatives for intermediary organizations, stock issuers, investors and market participants.

Regarding covered warrants, these are expected to be launched in June 2019. HSC is a member of the product development group with HOSE, actively contributing ideas on tax and accounting related regulations. HSC will also be one of the first securities companies to issue covered warrants. In addition, HSC is an active member of an “action group” developed by SSC, HNX, VSD and other securities companies to prepare for launching bond futures, which are expected to put into operation at the beginning of Q2 2019.

Connecting opportunities for Vietnam financial market development

Vietnam Investment Professionals Forum 2018

In the framework of the 3rd Vietnam Investment Professionals Forum (VIPF 2018) held from November 8-11, 2018, HSC delivered a presentation on outstanding issues pertaining to the current securities and financial markets. At the forum, Mr. Trinh Hoai Giang, Deputy General Director of HSC, made a presentation during the market policy session, and made comments on and forecasts regarding the short-term securities and financial market outlook. HSC’s insights shared at the forum provided useful and profound information about the securities market in general to market participants. At VIPF 2018, members and speakers shared their insights on macro-issues, investment ideas and trends in 2018. The forum discussed opportunities and challenges for the securities market, investment opportunities and other relevant issues. All of this was aimed at building a healthy securities market, and creating opportunities for investors, managers and securities companies to promote more effective interaction.

Emerging Vietnam 2018

HSC understands that positive macro factors, including sound economic growth, a stable exchange rate and lower inflation, will open more opportunities for foreign investors in Vietnam’s securities market going forward. Therefore, implementation of solutions to strengthen connectivity between domestic and international investors is very necessary.

From September 27-28, 2018, at Le Méridien Saigon Hotel, HSC successfully organized the Emerging Vietnam 2018 event. The event consisted of forums and group discussions attracting participation by more than 40 leading companies in Vietnam and 200 investors from all over the world, including

the USA, EU, Japan, Singapore, Hong Kong, Korea and Thailand. The event provided in-depth discussions about Vietnam’s economy, as well as direct dialogues and meetings between investors and representatives of Vietnamese companies. Matters discussed at the event were hot issues which had attracted special attention in 2018 including via panel discussions. The attraction of the event lies in the opportunity for one-on-one exchanges with top private business owners to seek potential investment opportunities.

The Global Futures Symposium

On September 6 2018, HSC was honored to be one of the members participating with Phillip Futures-Singapore to organize the Global Futures Symposium in HCMC. The event aimed to create opportunities to study and share knowledge between prestigious domestic financial organizations, such as Techcombank, PG Bank, MB Bank, Vietinbank, BIDV, Sacombank and foreign financial equity market participants like CME, ICE, LME, SGX, APEX, DCE, INE, TOCOM, with partners and clients who are interested in derivatives products. The event provided useful information about the development of international derivatives markets and addressed investor concerns

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 businesses.
- **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.
- **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.
- **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.
- **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.



POSITIVE IMPACT ON SOCIETY

Fulfill obligations and responsibilities

Fulfilling State financial obligations is part of HSC’s commitment to contributing to the development and stable growth of Vietnam’s economy and society. HSC’s total contribution to the State Budget in 2018 was over VND 514 billion including corporate income tax and temporary advances to investors. According to the V1000 ranking for the top 1000 companies that pay the largest amounts of corporate income tax in Vietnam, the contribution by HSC to the State Budget has kept increasing year by year. In 2017, HSC was ranked 160th amongst the largest contributors to the State Budget.

Fiscal year	2013	2014	2015	2016	2017
HSC’s rankings	179	145	108	250	160

Sharing with the community

Having a thorough understanding of the importance of the human factor in building future societal foundations, HSC focuses on supporting the development of the younger generation and optimizing values via education projects. Additionally, HSC employees frequently organize community activities and philanthropic activities to share and support people in difficult circumstances, as well as to bring them opportunities and greater confidence in life.

Supporting younger generations

With the aim of “100 years of cultivating people”, HSC has made ceaseless efforts to support and cooperate with educational organization, NGOs and non-profit organizations to organize young talent incubation programs for the next generations of leaders, to support training activities and create opportunities for practical experience in a professional working environment.

**Participating in and giving financial support to the 15<sup>th</sup> FESE** organized by UEL. This is an academic program that is both detailed and comprehensive, with new, complete and creative content attracting a majority of student investors nationwide.

HSC has accompanied and supported FESE for many years and recruited many generations of students from this program, with many of them now holding important positions at HSC. In 2018, HSC continued to be a strategic sponsor of FESE to the tune of VND 200 million including cash, scholarships, recruitment and training programs for students. At the same time, HSC and UEL signed a MOU on strategic cooperation to open opportunities for young students to participate in the securities market in the future, and to tighten connectivity between companies and schools to enhance quality of human resources.



HSC to donate computers to schools:

Education is a long-term investment and a necessary requirement for all children nationwide. Apart from accompanying universities in career-oriented activities or training for future leaders, HSC also carries out visits to children in remote areas. In 2018, HSC donated 12 computers to the Minh Tan Primary School in Kien Xuong District, Thai Binh province. These computers were installed in the IT department to create opportunities for poor children in rural areas to study and access information technology. Through this type of activity, HSC aims to work with training facilities to motivate and empower poor children to develop and access new knowledge. This kind of activity has been maintained over the last 6 years to support students in rural areas to have better knowledge for their future development.

Organizing Career Day in universities:

During 2018, HSC organized many symposiums and career advice days for students at many universities to provide career orientation programs, training courses, opportunities to meet businesses and internships. These activities provide students with a solid overview of working conditions, as well as the expectations of recruiters in the field of finance. In 2018, HSC worked with some universities, including the Foreign Trade University (FTA), HUTECH, the Banking University, FPT University, the University of Economics and Finance (UEF), UEH, UEL, Hoa Sen University and Ton Duc Thang University.



Sharing love

Blood donation 2018

Blood donation is one of HSC’s annual philanthropic activities in its commitment to contribute to the society. This was the 5th consecutive year HSC organized this activity. The blood donation program 2018 took place at our Nguyen Thi Minh Khai branch on August 14, with participation by 60 people, including 53 successful donors with 65 units of blood. This activity is highly appreciated due to its humanistic significance in providing blood to those in need, with a single blood unit being able to save three lives.

Journey of love

Inspired by young and enthusiastic people at HSC, the “Journey of love” consists of visits by members of the PCD Thanh Vương – a special voluntary fund established by HSC members – to share love to children living with difficult circumstances at temporary shelters, orphanages, handicapped camps, etc. Gifts and scholarships given to poor children are not only of material value but also provide invaluable spiritual support for children including orientation consultancy by HSC’s partners.



EPS

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THRIVING

**HO CHI MINH CITY SECURITIES CORPORATION**  
**FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31 DECEMBER 2018

TABLE OF CONTENTS	PAGE
Corporate information	133
Statement by the Board of Management	134
Independent auditor’s report	135
Statement of financial position (Form B 01 – CTCK)	137
Statement of comprehensive income (Form B 02 – CTCK)	141
Statement of cash flows (Form B 03(b) – CTCK)	143
Statement of changes in equity (Form B 04 – CTCK)	146
Notes to the financial statements (Form B 09 – CTCK)	147

**CORPORATE INFORMATION**

<b>ESTABLISHMENT AND OPERATION LICENCE</b>	No. 11/UBCK-GPHĐKD 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/GPĐC-UBCK was issued on 2 March 2017.	
<b>BOARD OF DIRECTORS</b>	<b>Mr. Do Hung Viet</b>	<b>Chairman</b>
	<b>Mr. Le Anh Minh</b>	Phó chủ tịch
	<b>Mr. Nguyen Thanh Liem</b>	Vice Chairman (resigned on 7 March 2018)
	<b>Mr. Pham Nghiem Xuan Bac</b>	Member
	<b>Mr. Le Thang Can</b>	Member
	<b>Mr. Johan Nyvene</b>	Member
<b>BOARD OF MANAGEMENT</b>	<b>Mr. Le Hoang Anh</b>	Member
	<b>Mr. Lam Hoai Anh</b>	Member (appointed on 26 April 2018)
	<b>Mr. Johan Nyvene</b>	Chief Executive Officer
	<b>Mr. Trinh Hoai Giang</b>	Deputy Chief Executive Officer
	<b>Mr. Le Cong Thien</b>	Deputy Chief Executive Officer
	<b>Mr. Stephen James McKeever</b>	Managing Director
	<b>Mr. Pham Ngoc Bich</b>	Managing Director
	<b>Mr. Bach Quoc Vinh</b>	Managing Director
	<b>Mr. Le Anh Quan</b>	Managing Director
	<b>Mr. Tran Tan Dat</b>	Managing Director
<b>LEGAL REPRESENTATIVE</b>	<b>Mr. Johan Nyvene</b>	Chief Executive Officer
<b>REGISTERED OFFICE</b>	5-6th Floor, AB Tower, 76 Le Lai Street, Ben Thanh Ward, District 1, Ho Chi Minh City, Vietnam	
<b>AUDITOR</b>	PwC (Vietnam) Limited	

CEO  
Message

About HSC

2019 Macro  
and Strategy  
Report

2018  
Performance  
Overview &  
2019 Outlook

Supporting  
Functions

Corporate  
Governance

Sustainability  
Report

Financial  
statements

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 2018 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 132 to 202 which give a true and fair view of the financial position of the Company as at 31 December 2018 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  
27 March 2019

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 2018 and approved by the Board of Management on 27 March 2019. The financial statements comprise the statement of financial position as at 31 December 2018, the statement of comprehensive 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 132 to 202.

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 Board of Management 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

CEO Message

About HSC

2019 Macro and Strategy Report

2018 Performance Overview & 2019 Outlook

Supporting Functions

Corporate Governance

Sustainability Report

Financial statements



INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF  
HO CHI MINH CITY SECURITIES CORPORATION (CONTINUED)

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 2018, 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 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

Report reference number: HCM7921  
Ho Chi Minh City, 27 March 2019

Nguyen Thi Cam Nhung

Audit Practising Licence No.  
2636-2018-006-1

Form B 01 – CTCK

STATEMENT OF FINANCIAL POSITION

			As at	
Code	ITEM	Note	31.12.2018 VND	31.12.2017 VND
<b>ASSETS</b>				
<b>100</b>	<b>CURRENT ASSETS</b>		<b>5,065,174,554,410</b>	<b>6,505,802,971,605</b>
<b>110</b>	<b>Financial assets</b>		<b>4,949,941,619,088</b>	<b>6,402,627,990,511</b>
111	Cash and cash equivalents	3.1	117,332,185,998	196,221,037,531
111.1	Cash		117,332,185,998	196,221,037,531
112	Financial assets at fair value through profit or loss (FVTPL)		851,839,940,206	860,630,190,796
114	Loans	3.3	3,262,014,843,244	4,501,592,303,606
115	Available-for-sale financial assets (AFS)	3.4	-	399,255,614,501
116	Provision for impairments of financial assets and mortgages	3.3	(23,573,148,070)	(33,631,027,290)
118	Prepayments to suppliers		2,081,707,500	521,277,025
119	Service related receivable	3.5	725,571,555,348	471,021,351,378
122	Other receivables	3.5	54,258,327,010	46,601,035,112
129	Provision for doubtful debts	3.6	(39,583,792,148)	(39,583,792,148)
<b>130</b>	<b>Other current assets</b>		<b>115,232,935,322</b>	<b>103,174,981,094</b>
131	Advances		594,697,297	1,008,685,484
133	Short-term prepaid expenses		8,976,240,525	6,880,258,510
134	Pledged assets, mortgages, security deposits in short term		3,405,632,500	3,460,031,100
137	Other current assets		102,256,365,000	91,826,006,000
137.1	Deposits for derivatives trading activities	3.7	102,256,365,000	91,826,006,000
<b>200</b>	<b>NON-CURRENT ASSETS</b>		<b>191,130,772,771</b>	<b>174,769,071,916</b>
<b>220</b>	<b>Fixed assets</b>		<b>47,422,412,537</b>	<b>38,006,860,366</b>
221	Tangible fixed assets	3.8(a)	24,065,517,122	17,914,374,586
222	Historical cost		73,789,663,436	58,519,025,049
223a	Accumulated depreciation		(49,724,146,314)	(40,604,650,463)
227	Intangible fixed assets	3.8(b)	23,356,895,415	20,092,485,780
228	Historical cost		64,392,294,363	51,357,006,015
229a	Accumulated amortisation		(41,035,398,948)	(31,264,520,235)
<b>240</b>	<b>Construction in progress</b>	<b>3.8(c)</b>	<b>4,447,220,550</b>	<b>6,851,041,776</b>
<b>250</b>	<b>Other non-current assets</b>		<b>139,261,139,684</b>	<b>129,911,169,774</b>
251	Pledged assets, mortgages, security deposits in long term		7,528,788,877	5,653,083,350
252	Long-term prepaid expenses	3.9	100,173,558,928	94,258,086,424
253	Deferred income tax assets	3.17	1,558,791,879	-
254	Deposits in the Settlement support fund	3.10	20,000,000,000	20,000,000,000
255	Other long-term assets		10,000,000,000	10,000,000,000
255.1	Deposits in the Derivatives trading clearing fund	3.11	10,000,000,000	10,000,000,000
<b>270</b>	<b>TOTAL ASSETS</b>		<b>5,256,305,327,181</b>	<b>6,680,572,043,521</b>

The notes on pages 147 to 202 are an integral part of these financial statements.

CEO  
Message

About HSC

2019 Macro  
and Strategy  
Report

2018  
Performance  
Overview &  
2019 Outlook

Supporting  
Functions

Corporate  
Governance

Sustainability  
Report

Financial  
statements

# STATEMENT OF FINANCIAL POSITION (CONTINUED)

Form B 01 – CTCK

		As at	
Code	ITEM	Note	
		31.12.2018 VND	31.12.2017 VND
<b>300</b>	<b>LIABILITIES</b>	<b>2,195,769,164,684</b>	<b>3,889,410,891,258</b>
<b>310</b>	<b>Current liabilities</b>	<b>2,195,769,164,684</b>	<b>3,874,368,196,992</b>
311	Short-term borrowings and finance lease liabilities	1,554,132,323,195	2,479,755,399,374
312	Short-term borrowings	3.12 1,554,132,323,195	2,479,755,399,374
316	Short-term issued bonds	3.12 150,000,000,000	800,000,000,000
318	Trading obligations	3.13 315,637,153,051	352,425,986,816
320	Short-term trade accounts payable	3,466,914,332	3,326,671,321
322	Tax and other payables to the State Budget	3.14 34,014,747,386	80,514,265,840
324	Employee welfare payables	3,591,087,935	2,971,042,385
325	Short-term accrued expenses	3.15 58,349,981,835	50,020,750,442
329	Other short-term liabilities	3.16 31,471,069,058	92,095,955,096
331	Bonus and welfare funds	45,105,887,892	13,258,125,718
<b>340</b>	<b>Non-current liabilities</b>	<b>-</b>	<b>15,042,694,266</b>
356	Deferred income tax liabilities	3.17 -	15,042,694,266
<b>400</b>	<b>OWNERS' EQUITY</b>	<b>3,060,536,162,497</b>	<b>2,791,161,152,263</b>
<b>410</b>	<b>Capital and reserves</b>	<b>3,060,536,162,497</b>	<b>2,791,161,152,263</b>
411	Owners' capital	1,625,017,521,491	1,625,309,121,491
411.1	Share capital	3.18 1,297,567,580,000	1,297,567,580,000
411.1a	Ordinary shares	1,297,567,580,000	1,297,567,580,000
411.2	Share premium	330,343,798,499	330,343,798,499
411.5	Treasury shares	(2,893,857,008)	(2,602,257,008)
412	Revaluation reserve	3.19 -	70,064,262,508
414	Supplementary capital reserve	129,756,758,000	129,756,758,000
415	Financial and operational risk reserve	129,756,758,000	129,756,758,000
416	Other equity funds	3,961,374,994	3,961,374,994
417	Undistributed earnings	3.20 1,172,043,750,012	832,312,877,270
417.1	Realised post-tax profits	1,223,955,850,562	861,985,479,360
417.2	Unrealised losses	(51,912,100,550)	(29,672,602,090)
<b>440</b>	<b>TOTAL RESOURCES</b>	<b>5,256,305,327,181</b>	<b>6,680,572,043,521</b>

The notes on pages 147 to 202 are an integral part of these financial statements.

Form B 01 – CTCK

# OFF STATEMENT OF FINANCIAL POSITION ITEMS

		As at	
Code	ITEM	Note	
		31.12.2018 VND	31.12.2017 VND
<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	5,176,74	13,402,69
	Japanese Yen	241,915	240,905
	Singapore Dollar	590	300
	British Pound	100,00	93,17
	New Taiwan Dollar	3,200	3,200
	Canadian Dollar	100	100
	Malaysian Ringgit	750	-
006	Number of shares in issue (shares)	4.3 129,554,168	129,570,368
007	Number of treasury shares (shares)	3.18 202,590	186,390
		<i>Par value (VND)</i>	
008	Securities listed/registered at Vietnam Securities Depository (VSD)	317,517,950,000	447,684,720,000
009	Securities in custody of VSD and not yet traded	3,150,000,000	146,075,030,000
010	Securities purchased and awaiting settlement	18,501,900,000	12,200,000,000
012	Securities not in custody of VSD	26,401,400,000	34,897,120,000
<b>B</b>	<b>ASSETS OF AND LIABILITIES TO CUSTOMERS</b>		
021	Securities listed/registered at Vietnam Securities Depository (VSD)	20,261,840,614,043	18,338,836,463,686
021.1	Freely traded securities	15,934,948,960,000	14,920,958,190,000
021.2	Restricted securities	269,550,390,000	235,619,410,000
021.3	Mortgaged securities	3,391,438,550,000	2,733,898,110,000
021.4	Suspended securities	132,776,880,000	93,676,820,000
021.5	Securities awaiting settlement	270,097,200,000	310,630,550,000
021.7	Customers' deposits for derivatives trading	263,028,634,043	44,053,383,686
022	Securities in custody of VSD and not yet traded	7,536,110,000	172,212,900,000
022.1	Securities in custody of VSD and not yet traded – freely traded securities	5,612,110,000	139,206,100,000
022.2	Securities in custody of VSD and not yet traded – suspended securities	1,924,000,000	33,006,800,000
023	Securities purchased and awaiting settlement	352,223,480,000	391,444,340,000

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CEO  
Message

About HSC

2019 Macro  
and Strategy  
Report

2018  
Performance  
Overview &  
2019 Outlook

Supporting  
Functions

Corporate  
Governance

Sustainability  
Report

Financial  
statements

		As at	
Code	ITEM	31.12.2018 VND	31.12.2017 VND
<b>B</b>	<b>ASSETS OF AND LIABILITIES TO CUSTOMERS (continued)</b>		
026	Customers' deposits	1,285,995,489,258	944,598,631,066
027	Customers' deposits for securities trading	1,022,966,855,215	900,545,247,380
027.1	Customers' deposits at VSD	263,028,634,043	44,053,383,686
031	Payables to customers relating to their deposits at the Company for securities trading	1,022,966,855,215	900,545,247,380
031.1	Payables to domestic customers relating to their deposits at the Company for securities trading	1,016,049,164,264	899,585,811,824
031.2	Payables to foreign customers relating to their deposits at the Company for securities trading	6,917,690,951	959,435,556

  
**Le Thi Thuy Duong**  
Preparer

  
**Lam Huu Ho**  
Chief Financial Officer

  
**Johan Nyvene**  
Chief Executive Officer  
27 March 2019



The notes on pages 147 to 202 are an integral part of these financial statements.

For the year ended 31 December				
Code	ITEM	Note	2018 VND	2017 VND
OPERATING INCOME				
01	Gains from financial assets at fair value through profit or loss (FVTPL)		928,460,243,499	428,248,267,000
01.1	Realised gains on disposal of FVTPL financial assets	5.1	858,463,794,818	333,375,626,482
01.2	(Decrease)/increase in revaluation gains of FVTPL financial assets	5.2	(35,012,239,201)	34,575,574,912
01.3	Dividends and interest income from FVTPL financial assets		105,008,687,882	60,297,065,606
03	Interest income from loans and receivables		523,064,352,711	439,218,521,489
06	Brokerage fee income		758,849,301,292	601,941,990,625
09	Custody service income		8,554,349,465	6,723,580,746
10	Financial consultancy service income		119,216,643,588	45,178,947,072
11	Other operating income		11,671,488,830	16,266,327,089
20	TOTAL OPERATING INCOME		2,349,816,379,385	1,537,577,634,021
OPERATING EXPENSES				
21	Losses from financial assets at fair value through profit or loss (FVTPL)		(650,116,339,657)	(158,409,352,306)
21.1	Realised losses on disposal of FVTPL financial assets	5.1	(662,889,080,398)	(150,316,077,489)
21.2	Decrease/(increase) in revaluation losses of FVTPL financial assets	5.2	12,772,740,741	(8,093,274,817)
24	Provisions for doubtful debts, impairments of financial assets and diminution in value of mortgages, and borrowing costs	5.3	(155,881,063,174)	(156,024,647,341)
26	Self-trading expenses		(75,036,982,785)	(47,284,737,897)
27	Brokerage fee expenses		(414,598,167,005)	(326,594,494,995)
30	Custody fee expenses		(10,276,510,005)	(6,896,562,514)
31	Financial consultancy expenses		(21,555,635,774)	(22,984,196,336)
32	Other operating expenses		(1,139,112,140)	(6,525,285,991)
40	TOTAL OPERATING EXPENSES		(1,328,603,810,540)	(724,719,277,380)

The notes on pages 147 to 202 are an integral part of these financial statements.



# STATEMENT OF COMPREHENSIVE INCOME (CONTINUED) Form B 02 – CTCK

For the year ended 31 December				
Code	ITEM	Note	2018 VND	2017 VND
<b>FINANCIAL INCOME</b>				
42	Dividend income and interest income from demand deposits		2,310,619,199	2,464,966,108
<b>50</b>	<b>TOTAL FINANCIAL INCOME</b>		<b>2,310,619,199</b>	<b>2,464,966,108</b>
<b>62</b>	<b>GENERAL AND ADMINISTRATION EXPENSES</b>	<b>5.4</b>	<b>(181,439,833,060)</b>	<b>(123,000,555,130)</b>
<b>70</b>	<b>OPERATING RESULT</b>		<b>842,083,354,984</b>	<b>692,322,767,619</b>
<b>OTHER INCOME AND EXPENSES</b>				
71	Other income		102,300,000	278,036,363
<b>80</b>	<b>NET OTHER INCOME</b>		<b>102,300,000</b>	<b>278,036,363</b>
<b>90</b>	<b>NET ACCOUNTING PROFIT BEFORE TAX</b>		<b>842,185,654,984</b>	<b>692,600,803,982</b>
91	Realised profit		864,425,153,444	666,118,503,887
92	Unrealised (loss)/profit		(22,239,498,460)	26,482,300,095
<b>100</b>	<b>CORPORATE INCOME TAX</b>	<b>5.5</b>	<b>(166,705,500,612)</b>	<b>(138,541,640,240)</b>
100.1	Corporate income tax – current		(165,790,921,130)	(137,376,727,470)
100.2	Corporate income tax – deferred		(914,579,482)	(1,164,912,770)
<b>200</b>	<b>NET PROFIT AFTER TAX</b>		<b>675,480,154,372</b>	<b>554,059,163,742</b>
<b>300</b>	<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>		<b>-</b>	<b>70,064,262,508</b>
301	Gain from revaluation of AFS financial assets	3.19	-	70,064,262,508
<b>400</b>	<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>70,064,262,508</b>
<b>500</b>	<b>EARNINGS PER SHARE</b>			
501	Basic earnings per share (VND/share)	5.6	5,214	4,289
502	Diluted earnings per share (VND/share)	5.6	5,214	4,289



**Le Thi Thuy Duong**  
Preparer




**Lam Huu Ho**  
Chief Financial Officer



**Johan Nyvene**  
Chief Executive Officer

27 March 2019

The notes on pages 147 to 202 are an integral part of these financial statements.

# STATEMENT OF CASH FLOWS (Indirect method)

Form B 03(b)– CTCK

For the year ended 31 December				
Code	ITEM	Note	2018 VND	2017 VND
<b>Cash flows from operating activities</b>				
<b>01</b>	<b>Net profit before tax</b>		<b>842,185,654,984</b>	<b>692,600,803,982</b>
<b>02</b>	<b>Adjustments for:</b>		<b>160,835,620,303</b>	<b>161,653,748,972</b>
03	Depreciation and amortisation		20,281,165,370	9,560,933,260
04	(Reversal of provisions)/provisions		(10,057,879,220)	18,306,613,917
06	Interest expenses		165,938,942,394	142,391,099,821
07	Profits from investing activities		(2,412,919,199)	(2,743,002,471)
08	Accrued interest income		(12,913,689,042)	(5,861,895,555)
<b>10</b>	<b>Changes in non-cash expenses</b>		<b>(12,772,740,741)</b>	<b>8,093,274,817</b>
11	(Decrease)/increase in revaluation losses of FVTPL financial assets		(12,772,740,741)	8,093,274,817
<b>18</b>	<b>Changes in non-cash income</b>		<b>35,012,239,201</b>	<b>(34,575,574,912)</b>
19	Decrease/(increase) in revaluation gains of FVTPL financial assets		35,012,239,201	(34,575,574,912)
<b>30</b>	<b>Changes in working capital</b>		<b>848,066,516,593</b>	<b>(2,748,696,469,964)</b>
31	Increase in FVTPL financial assets		(13,449,247,870)	(527,776,195,146)
33	Decrease/(increase) in loans		1,239,577,460,362	(1,750,647,070,212)
34	Decrease/(increase) in AFS financial assets		311,675,286,366	(399,255,614,501)
37	Increase in service related receivables		(254,550,203,970)	(101,012,947,702)
39	Decrease/(increase) in other receivables		7,981,004,530	(9,030,986,945)
41	(Decrease)/increase in accrued expenses (excluding interest expenses)		(9,435,390,531)	24,770,735,175
42	Increase in prepaid expenses		(8,011,454,519)	(924,812,891)
43	Corporate income tax ("CIT") paid		(197,402,447,080)	(117,934,556,700)
44	Interest paid		(171,732,474,670)	(136,259,769,488)
45	(Decrease)/increase in trade payables		(1,420,187,464)	315,473,501,850
46	Increase in employee welfare payables		620,045,550	289,082,344
47	(Decrease)/increase in tax and other payables to the State Budget (excluding CIT paid)		(14,898,222,504)	20,738,537,300
50	Decrease in other short-term payables	6.1	(28,635,985,680)	(51,868,764,976)
52	Other payments for operating activities		(12,251,665,927)	(15,257,608,072)
<b>60</b>	<b>Net cash inflows from/(outflows for) operating activities</b>		<b>1,873,327,290,340</b>	<b>(1,920,924,217,105)</b>
<b>Cash flows from investing activities</b>				
61	Purchases of fixed assets		(27,292,896,315)	(34,238,069,123)
62	Proceeds from disposals of fixed assets		112,530,000	305,840,000
<b>70</b>	<b>Net cash outflows from investing activities</b>		<b>(27,180,366,315)</b>	<b>(33,932,229,123)</b>

The notes on pages 147 to 202 are an integral part of these financial statements.

CEO  
Message

About HSC

2019 Macro  
and Strategy  
Report

2018  
Performance  
Overview &  
2019 Outlook

Supporting  
Functions

Corporate  
Governance

Sustainability  
Report

Financial  
statements

STATEMENT OF CASH FLOWS

(Indirect method) (continued)

Form B 03(b)– CTCK

For the year ended 31 December				
Code	ITEM	Note	2018 VND	2017 VND
Cash flows from financing activities				
71	Proceeds from issuance of shares	6.1, 7.1(iv)	-	31,000,000,000
72	Payments for share repurchases		(200,880,000)	(1,054,000,000)
73.2	Proceeds from borrowings	6.2	24,405,151,937,751	29,946,435,798,979
74.3	Repayments of borrowings	6.3	(25,980,775,013,930)	(27,666,680,399,605)
76	Dividend paid		(349,211,819,379)	(218,817,600,515)
80	Net cash (outflows for)/inflows from financing activities		(1,925,035,775,558)	2,090,883,798,859
90	Net (decrease)/increase in cash and cash equivalents		(78,888,851,533)	136,027,352,631
101	Cash and cash equivalents at beginning of year		196,221,037,531	60,193,684,900
101.1	Cash	3.1	196,221,037,531	60,193,684,900
103	Cash and cash equivalents at end of year		117,332,185,998	196,221,037,531
103.1	Cash	3.1	117,332,185,998	196,221,037,531

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

STATEMENT OF CASH FLOWS

(Indirect method) (continued)

Form B 03(b)– CTCK

CASH FLOWS OF BROKERAGE AND TRUSTING ACTIVITIES

For the year ended 31 December			
Code	ITEM	2018 VND	2017 VND
Cash flows of brokerage and trusting activities			
01	Trade proceeds	111,418,661,903,490	81,100,663,005,900
02	Trade payments	(105,630,067,603,400)	(83,232,814,229,906)
07	Receipts for settlement of customers' transactions	-	2,457,689,421,144
08	Payments from customers' trading accounts	(5,657,618,342,790)	-
11	Payments for custody fees of customers	(8,554,349,465)	(6,876,672,819)
20	Net increase in customers' deposits	122,421,607,835	318,661,524,319
30	Customers' deposits at beginning of year	900,545,247,380	581,883,723,061
31	Cash at bank	900,545,247,380	581,883,723,061
32	Customers' deposits at the Company for securities trading	900,545,247,380	581,883,723,061
40	Customers' deposits at end of year	1,022,966,855,215	900,545,247,380
41	Cash at bank	1,022,966,855,215	900,545,247,380
42	Customers' deposits at the Company for securities trading	1,022,966,855,215	900,545,247,380

  
**Le Thi Thuy Duong**  
Preparer

  
**Lam Huu Ho**  
Chief Financial Officer

  
**Johan Nyvene**  
Chief Executive Officer



27 March 2019

The notes on pages 147 to 202 are an integral part of these financial statements.

The notes on pages 147 to 202 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Form B 04 – CTCK

Items	As at		For the year ended 31 December 2017				For the year ended 31 December 2018				As at	
	1.1.2017	1.1.2018	Increase		Decrease		Increase		Decrease		31.12.2017	31.12.2018
1. Share capital	1,581,839,121,491	1,625,309,121,491	43,470,000,000		-		(291,600,000)		-		1,625,309,121,491	1,625,017,521,491
1.1 Ordinary shares	1,272,567,580,000	1,297,567,580,000	25,000,000,000		-		-		-		1,297,567,580,000	1,297,567,580,000
1.2 Share premium	310,343,798,499	330,343,798,499	20,000,000,000		-		-		-		330,343,798,499	330,343,798,499
1.3 Treasury shares	(1,072,257,008)	(2,602,257,008)	(1,530,000,000)		-		(291,600,000)		-		(2,602,257,008)	(2,893,857,008)
2. Revaluation reserve	-	70,064,262,508	70,064,262,508		-		-		(70,064,262,508)		70,064,262,508	-
3. Supplementary capital reserve	117,012,921,701	129,756,758,000	12,743,836,299		-		-		-		129,756,758,000	129,756,758,000
4. Financial and operational risk reserve	117,012,921,702	129,756,758,000	12,743,836,298		-		-		-		129,756,758,000	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	572,091,111,375	832,312,877,270	554,059,163,742	(293,837,397,847)	675,480,154,372	(335,749,281,630)	832,312,877,270		832,312,877,270		1,172,043,750,012	1,172,043,750,012
6.1 Realised profits	628,246,013,560	861,985,479,360	527,576,863,647	(293,837,397,847)	697,719,652,832	(335,749,281,630)	861,985,479,360		861,985,479,360		1,223,955,850,562	1,223,955,850,562
6.2 Unrealised losses	(56,154,902,185)	(29,672,602,090)	26,482,300,095	-	(22,239,498,460)	-	(29,672,602,090)		(29,672,602,090)		(51,912,100,550)	(51,912,100,550)
Total	2,391,917,451,263	2,791,161,152,263	693,081,098,847	(293,837,397,847)	675,188,554,372	(405,813,544,138)	2,791,161,152,263		2,791,161,152,263		3,060,536,162,497	3,060,536,162,497



Le Thi Thuy Duong  
Preparer

Lam Huu Ho  
Chief Financial Officer

Johan Nyvene  
Chief Executive Officer

27 March 2019

The notes on pages 147 to 202 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

1 GENERAL INFORMATION

Establishment and listing status

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 issued on 2 March 2017.

The Company was listed on the Ho Chi Minh City Stock Exchange in accordance with Decision No. 27/QĐ-SGDHCM issued by the Ho Chi Minh City Stock Exchange on 20 April 2009.

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.

Contact information:  
Email: info@hsc.com.vn  
Telephone: (+84 28) 3823 3299

Operating charter

The Company’s latest Operating charter was issued in the Annual General Meeting of shareholders and came into effect since 26 April 2018.

Principal activities

The principal activities of the Company include provision of securities brokerage service, proprietary securities trading, securities investment consultancy service, corporate finance consultancy service, and 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 the 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 stipulated in its Operating charter and prevailing regulations on securities.

Network of operation

As at the reporting date, the Company had 10 branches and transaction offices in Vietnam.

CEO  
Message

About HSC

2019 Macro  
and Strategy  
Report

2018  
Performance  
Overview &  
2019 Outlook

Supporting  
Functions

Corporate  
Governance

Sustainability  
Report

Financial  
statements



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") and 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 the 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 indeterminable).

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.

The financial statements in Vietnamese language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Vietnamese language financial statements.

2.2 Form of records applied

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

2.3 Fiscal year

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

2.4 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 comprehensive 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 profit or loss of the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 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 that 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.

2.6 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 by the Board of Management 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).

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, Board of Management 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial assets (continued)

(a) Classification (continued)

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

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 indeterminable). All gains or losses from change in fair value of FVTPL financial assets are recognised in profit or loss of the statement of comprehensive 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 the assets 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 meeting conditions to be classified as loans and receivables.

HTM financial assets are initially recorded at cost inclusive of costs of purchase, and subsequently measured at amortised cost using the effective interest rate method ("EIR").

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 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:

- \* Items that the Company intends to dispose of shortly or in the foreseeable future and as such classified as held for trading, or classified as FVTPL financial assets at initial recognition;
- \* Items that the Company classified as AFS financial assets at initial recognition; or
- \* 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 cost of purchase and 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 disposal of financial assets, dividend and interest receivable, service related receivables, receivables from trade errors and other receivables. Receivables are recorded on an accrual basis and presented at cost less provision for impairment of doubtful debts (if any).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial assets (continued)

(a) Classification (continued)

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

Available-for-sale financial assets are non-derivative 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 cost of purchase. At reporting date, AFS financial assets are measured at fair value. Those shares not traded on an active market or those whose fair value is not reliably determined are accounted for at cost.

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

At de-recognition, accumulated gains or losses in equity are recognised in the profit or loss as a reclassification. Gains using the effective interest rate method are recognised in profit or loss in accordance with accounting 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 an AFS financial asset is impaired, accumulated revaluation loss in equity is reclassified to profit or loss despite that asset not being de-recognised.

(b) Reclassification

(i) Reclassification of non-FVTPL financial assets upon disposal

Non-FVTPL financial assets are reclassified to FVTPL financial assets before disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial assets (continued)

(b) Reclassification (continued)

(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 the assets 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 conditions 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 as AFS and re-measured at fair value. Difference between its carrying value and fair value is recognised in the profit or loss – 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 de-recognised 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 of the assets.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, but has neither transferred 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.

(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.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial assets (continued)

(e) Determination of market value/fair value

The Company follows the prevailing regulations in determining the market value/fair value of financial assets, 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/not registered for trading at the Vietnam Securities Depository (“VSD”)

These shares are revalued based on the average of transacted prices announced by three (3) independent quoting entities at the latest trading date within one (1) month prior to the valuation date. Management and executives of the Company must not be related to management and executives of the quoting entities in accordance with Law on Securities.

(iii) Bonds listed on stock exchanges

These bonds are revalued basing on the quoted price (also called “clean price”) on stock exchanges at the latest trading date prior to the valuation date plus accumulated accrued interests.

(iv) Unlisted bonds

Unlisted bonds are measured at their purchase prices plus accumulated accrued interests.

(v) Certificates of open-ended funds/ exchanged traded fund (“ETF”)

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

(vi) Delisted shares/ shares suspended from 6 days or longer

These shares are revalued based on its book value at the 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 at valuation date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial assets (continued)

(f) Provision for impairment of loans

Provision for 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. Provision/ reversal of provision for loans is debited/credited to expenses in profit or loss of the statement of comprehensive income.

(g) Provision for impairment of receivables

Receivables are subject to impairment assessment based on the overdue status of the receivables or the expected loss arising from undue debts of which the indebted economic entities declare bankruptcy or undergo liquidation procedures; debtors are missing, deceased, prosecuted or in litigation.

The Company makes provision for overdue receivables in accordance with Circular 228/2009/TT-BTC issued by the 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
Above 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%
Above 3 years	100%

Dự phòng/(hoàn nhập dự phòng) phát sinh trong năm được hạch toán tăng/(giảm) chi phí hoạt động trong báo cáo kết quả hoạt động.

(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.

Gain/(loss) on disposal

Gain/(loss) on disposal of financial assets are accounted for as income/(expenses) in profit or loss of the statement of comprehensive income. Costs of shares and fund certificates are determined using the weighted average method up to the end of trading dates, while costs of bonds and derivatives are determined using the specific identification method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial assets (continued)

(h) Recognition of gain/(loss) (continued)

Provision/(reversal of provision) for diminution in value of financial assets

Provision/(reversal of provision) for diminution in value of financial assets is debited/ credited to expenses in profit or loss of the statement of comprehensive income.

2.7 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date (“repos”) are not de-recognised 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.

2.8 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 disposal are determined by comparing net disposal proceeds with the carrying amount and are recognised as income or expense in profit or loss of the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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 profit or loss of the statement of comprehensive on a straight-line basis over the year of the lease.

2.10 Prepaid expenses

Prepaid expenses include prepayments for goods and services, tools and equipment not qualified to be recognised as fixed assets under prevailing 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 amortised to expenses over two (2) to forty (40) years in profit or loss of the statement of comprehensive income:

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

2.11 Short-term/long-term security deposits

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

2.12 Liabilities

(a) Recognition/de-recognition

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 de-recognised when such obligations are fully discharged. Liabilities are recognised on an accrual basis and on prudence 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; and
- \* 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 year from the reporting date to their maturity dates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 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.

2.14 Income tax paid on behalf of investors

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 institutional investors and pay on their behalf. For individual investors (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 investors. For local institutional investors, the Company is not responsible for withholding tax as these entities are responsible for their own tax payment and declaration.

2.15 Borrowing costs

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

2.16 Accrued expenses

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

2.17 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Equity

(a) Share capital

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

Share premium is the difference between the par value and the issue price of shares and the difference between the repurchase price and re-issue 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 year permitted by prevailing regulations on securities. Treasury shares are recorded at cost and deducted from equity. The Company does not account for gains/(losses) from purchase/sale, issuance/cancellation of its equity instruments.

(b) Undistributed profits

Undistributed profits represent cumulative undistributed post-tax profits at the reporting date including cumulative realised profits and cumulative unrealised profits.

Unrealised profit/(loss) of the year is the total difference between gain and loss arising from revaluation of financial assets at FVTPL or other financial assets charged to profit or loss of the statement of comprehensive income.

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

(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 resolutions of Annual General Meeting of shareholders.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue and income recognition

(a) Revenue from provision of services to investors

Revenue from provision of services to investors comprises securities brokerage fees, securities underwriting fees, financial consultancy fees, securities custody service and entrustment service fees.

Revenue from the provision of services is recognised in profit or loss of the statement of comprehensive 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 comprises income from proprietary trading activities and dividend income.

Income from proprietary trading activities is measured as difference between selling price before selling costs and costs of securities disposed. Costs of shares and fund certificates are determined using the weighted average method up to the end of trading dates, while costs of bonds and derivatives are determined using the specific identification method.

Cash dividend is recognised as income in profit or loss of the statement of comprehensive income when the Company's right to receive dividend is established, while stock dividends is not recognised as income, instead their quantity are added to the Company's securities portfolio.

(c) Income from capital activities

Income from capital activities comprises interest income from deposits at bank, income from margin loans, trading advances and financial support agreements. Such 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 activities other than those listed above is recognised on an accrual basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Expenses

(a) Recognition

Expenses are recognised on an accrual 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.

2.21 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 with which 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 an 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.

2.22 Dividend distribution

Dividend of the Company is recognised as a liability in the Company's financial statements when the dividend is declared in accordance with the Company's charter and prevailing applicable regulations.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 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 the related party relationship, the Company considers the substance of the relationship not merely the legal form.

2.24 Segment reporting

A segment is a separable component of 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 Company's operations in a comprehensive way.

2.25 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	
	31.12.2018 VND	31.12.2017 VND
Cash on hand	214,969,560	464,466,344
Cash at bank	117,117,216,438	195,756,571,187
<b>Total</b>	<b>117,332,185,998</b>	<b>196,221,037,531</b>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

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

	Ticker symbol	As at 31.12.2018		As at 31.12.2017	
		Cost	Market value/ fair value	Cost	Market value/ fair value
		VND	VND	VND	VND
Listed shares and shares traded on UPCoM					
Vietnam Prosperity Joint-Stock Commercial Bank	VPB	709,217,997,093	672,534,932,248	613,330,509,297	633,483,284,204
Vingroup Joint Stock Company	VIC	75,480,916,835	69,438,907,650	-	-
Vietnam Dairy Products Joint Stock Company	VNM	63,560,661,503	59,581,750,600	58,903,642,753	60,559,602,800
Masan Group Corporation	MSN	59,409,623,886	56,724,480,000	57,849,520,349	61,394,317,600
Hoa Phat Group Joint Stock Company	HPG	43,441,013,888	41,793,425,000	41,213,708,101	45,629,213,500
VIETJET Aviation Joint Stock Company	VJC	39,529,491,256	40,626,579,400	44,693,293,899	50,725,291,450
Military Commercial Joint Stock Bank	MBB	34,277,986,635	33,281,520,000	-	-
Vincom Retail Joint Stock Company	VRE	31,795,383,922	29,621,027,400	59,387,064,847	67,995,546,000
Saigon Beer – Alcohol – Beverage Corporation	SAB	30,518,717,358	30,421,713,600	-	-
Sai Gon Thuong Tin Commercial Joint Stock Bank	STB	24,599,840,230	26,661,725,000	8,660,928,687	7,339,392,000
No Va Land Investment Group Corporation	NVL	21,570,272,938	21,097,235,050	20,820,555,900	21,364,127,300
Joint Stock Commercial Bank for Foreign Trade of Vietnam	VCB	21,134,909,503	21,070,632,600	12,575,923,787	13,339,641,000
FPT Corporation	FPT	19,992,117,637	19,866,422,500	20,064,034,957	22,612,203,300
Phu Nhuan Jewelry Joint Stock Company	PNJ	19,890,578,135	19,947,771,200	27,993,703,556	27,929,951,100
Others		13,640,612,565	13,417,258,400	573,936	822,000
Unlisted and unregistered shares		210,375,870,802	188,984,483,848	261,167,558,525	254,593,176,154
Viet Nam Investment Fund Management JSC		53,552,640,000	39,377,138,000	93,725,137,636	41,622,042,000
HD Saison Finance Co., Ltd.		21,803,640,000	21,803,640,000	21,803,640,000	21,803,640,000
Ca Mau Seafood Joint Stock Company (*)		17,000,000,000	17,000,000,000	17,000,000,000	17,000,000,000
Others		-	-	10,950,000,000	585,000,000
Listed bond		14,749,000,000	573,498,000	43,971,497,636	2,233,402,000
Ho Chi Minh City Infrastructure Investment Joint Stock Company	CI11709	81,450,161,318	81,450,161,318	173,114,572,242	175,199,112,192
Unlisted bond		1,000,000,000	1,000,000,000	-	-
Vietnam Bank for Social Policies	BVBS18164	1,000,000,000	1,000,000,000	-	-
ETF certificates		58,531,242,345	57,477,708,640	10,132,573,711	10,325,752,400
VFMVN30 ETF	E1VFN30	58,531,242,345	57,477,708,640	10,132,573,711	10,325,752,400
Total		903,752,040,756	851,839,940,206	890,302,792,886	860,630,190,796

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

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

\* Shares of Ca Mau Seafood Joint Stock Company (SEAPRIMEXCO) were registered for trading on UPCoM since 11 January 2018 under the ticker symbol CAT.

As at 31 December 2018	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	709,217,997,093	4,617,455,796	(41,300,520,641)	672,534,932,248
Unlisted and unregistered shares	53,552,640,000	-	(14,175,502,000)	39,377,138,000
Listed bond	81,450,161,318	-	-	81,450,161,318
Unlisted bond	1,000,000,000	-	-	1,000,000,000
ETF certificates	58,531,242,345	-	(1,053,533,705)	57,477,708,640
Total	903,752,040,756	4,617,455,796	(56,529,556,346)	851,839,940,206

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
Total	890,302,792,886	39,629,694,997	(69,302,297,087)	860,630,190,796

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

3.3 Loans and provision 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	
	31.12.2018 VND	31.12.2017 VND
Margin loans (i)	3,143,086,409,319	4,484,136,971,952
Trading advances (ii)	118,928,433,925	17,455,331,654
Total	3,262,014,843,244	4,501,592,303,606

(i) Margin loans

These represent the amounts lent to investors 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 investors at the trading date (“T-date advance”). These amounts were refunded within two (2) working days.

(b) Provision for impairments of financial assets and mortgages

The entire balance of provision for impairments of financial assets and mortgages is provision for impairments of margin loans.

Movements in provision for impairments of financial assets and mortgages during the year are as follows:

	For the year ended 31 December	
	2018 VND	2017 VND
Beginning of year	33,631,027,290	19,997,479,770
(Reserval)/provision during the year	(10,057,879,220)	13,633,547,520
End of year	23,573,148,070	33,631,027,290



3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

3.4 Available-for-sale financial assets (AFS)

	As at 31.12.2018		As at 31.12.2017	
	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
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	Decrease VND
Listed shares	311,675,286,366	87,580,328,135	-
			399,255,614,501

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

Form B 09 – CTCK

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

3.5 Receivables

	As at 31.12.2018		As at 31.12.2017	
	Carrying value VND	Doubtful amount VND	Carrying value VND	Doubtful amount VND
<b>Service related receivables</b>				
Receivable from securities purchasing (i)	690,233,913,794	-	468,267,233,092	-
Financial consultancy service fees receivable	2,455,150,000	1,145,650,000	1,336,650,000	1,145,650,000
Other receivables from securities trading	32,882,491,554	-	1,417,468,286	-
	<b>725,571,555,348</b>	<b>1,145,650,000</b>	<b>471,021,351,378</b>	<b>1,145,650,000</b>
<b>Other receivables</b>				
Overdue margin loans (ii)	37,783,317,946	37,783,317,946	37,783,317,946	37,783,317,946
Others	16,475,009,064	654,824,202	8,817,717,166	654,824,202
	<b>54,258,327,010</b>	<b>38,438,142,148</b>	<b>46,601,035,112</b>	<b>38,438,142,148</b>
<b>Total</b>	<b>779,829,882,358</b>	<b>39,583,792,148</b>	<b>517,622,386,490</b>	<b>39,583,792,148</b>

- (i) This is receivable from institutional investors in relation to their purchases of securities.
- (ii) This is the residual amount of overdue margin loans after the Company forcibly sold all collateral assets to recover the loans. The Company has made full provision for these balances as at 31 December 2018 and as at 31 December 2017 (Note 3.6).

3.6 Provision for doubtful debts

	Doubtful amount		Provision	
	Opening balance VND	Closing balance VND	Opening balance VND	Reversal Closing balance VND
Overdue margin loans	37,783,317,946	37,783,317,946	-	-
Financial consultancy service fees receivable	1,145,650,000	1,145,650,000	-	-
Other receivables from securities trading	654,824,202	654,824,202	-	-
<b>Total</b>	<b>39,583,792,148</b>	<b>39,583,792,148</b>	<b>-</b>	<b>-</b>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

3.7 Deposits for derivatives trading activities

This is the Company's deposits for its proprietary derivatives trading activities in compliance with Decision No. 96/QĐ-VSD dated 23 March 2017 of the Vietnam Securities Depository.

3.8 Fixed assets

(a) (a) Tangible fixed assets

	Motor vehicles	Office equipment	Total
	VND	VND	VND
Historical cost			
As at 1.1.2018	4,009,883,640	54,509,141,409	58,519,025,049
New purchases	-	15,767,117,203	15,767,117,203
Transfers from construction in progress (Note 3.8(c))	-	894,311,990	894,311,990
Disposals	-	(1,390,790,806)	(1,390,790,806)
As at 31.12.2018	4,009,883,640	69,779,779,796	73,789,663,436
Accumulated depreciation			
As at 1.1.2018	1,946,584,030	38,658,066,433	40,604,650,463
Charge for the year	523,367,239	9,986,919,418	10,510,286,657
Disposals	-	(1,390,790,806)	(1,390,790,806)
As at 31.12.2018	2,469,951,269	47,254,195,045	49,724,146,314
Net book value			
As at 1.1.2018	2,063,299,610	15,851,074,976	17,914,374,586
As at 31.12.2018	1,539,932,371	22,525,584,751	24,065,517,122

As at 31 December 2018, 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 2018 was VND36,110,470,869 (as at 31 December 2017: VND33,953,123,446).

The Company had no tangible fixed assets awaiting disposal as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

3.8 Fixed assets (continued)

(b) Intangible fixed assets

	Computer software
	VND
Historical cost	
As at 1.1.2018	51,357,006,015
New purchases	6,838,477,775
Transfers from construction in progress (Note 3.8(c))	6,196,810,573
As at 31.12.2018	64,392,294,363
Accumulated amortisation	
As at 1.1.2018	31,264,520,235
Charge for the year	9,770,878,713
As at 31.12.2018	41,035,398,948
Net book value	
As at 1.1.2018	20,092,485,780
As at 31.12.2018	23,356,895,415

Historical cost of fully amortised intangible fixed assets but still in use as at 31 December 2018 was VND 28,861,336,978 (as at 31 December 2017: VND22,784,069,825).

The Company had no intangible fixed asset awaiting disposal as at 31 December 2018.

CEO  
Message

About HSC

2019 Macro  
and Strategy  
Report

2018  
Performance  
Overview &  
2019 Outlook

Supporting  
Functions

Corporate  
Governance

Sustainability  
Report

Financial  
statements

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

3.8 Fixed assets (continued)

(c) Construction in progress

Construction in progress comprises the following:

As at		
	31.12.2018	31.12.2017
	VND	VND
Software purchases	4,447,220,550	2,755,263,000
System setup costs	-	3,012,405,848
Others	-	1,083,372,928
<b>Total</b>	<b>4,447,220,550</b>	<b>6,851,041,776</b>

Movements in construction in progress during the year are as follows:

For the year ended 31 December		
	2018	2017
	VND	VND
Beginning of year	6,851,041,776	11,158,311,542
Increase during year	4,687,301,337	30,594,667,027
Transfers to tangible fixed assets (Note 3.8(a))	(894,311,990)	(13,128,083,806)
Transfers to intangible fixed assets (Note 3.8(b))	(6,196,810,573)	(21,773,852,987)
<b>End of year</b>	<b>4,447,220,550</b>	<b>6,851,041,776</b>

3.9 Long-term prepaid expenses

As at		
	31.12.2018	31.12.2017
	VND	VND
Office rentals	89,703,467,288	92,536,208,360
Office renovations	5,803,432,315	1,721,878,064
IT costs	4,666,659,325	-
<b>Total</b>	<b>100,173,558,928</b>	<b>94,258,086,424</b>

3.10 Deposits in the Settlement support fund

According to Decision No. 45/QĐ-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 2018 and as at 31 December 2017, the Company fully contributed the maximum amount.

3.11 Deposits in the Derivatives trading clearing fund

According to the Policy on Management and Use of Derivatives trading clearing fund issued in conjunction with Decision No. 97/QĐ-VSD dated 23 March 2017 by the Vietnam Securities Depository, the minimum amount of initial contribution applicable to direct clearing members is VND10 billion.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

3.12 Short-term borrowings and short-term issued bonds

Movements in short-term borrowings and issued bonds during the year are as follows:

	Interest	Opening balance	Disbursement	Repayment	Closing balance
	% per annum	VND	VND	VND	VND
<b>Short-term borrowings (i)</b>					
Bank borrowings	5.0 – 9.0	2,204,800,000,000	10,673,700,000,000	(11,528,500,000,000)	1,350,000,000,000
Bank overdrafts	6.4 – 8.1	274,955,399,374	13,126,451,937,751	(13,197,275,013,930)	204,132,323,195
		<b>2,479,755,399,374</b>	<b>23,800,151,937,751</b>	<b>(24,725,775,013,930)</b>	<b>1,554,132,323,195</b>
<b>Short-term issued bonds</b>					
Private issue in accordance to Resolution No. 13/2017 (ii)	9.0	800,000,000,000	-	(800,000,000,000)	-
Private issue in accordance to Resolution No. 10/2018 (iii)	7.0 – 8.15	-	605,000,000,000	(455,000,000,000)	150,000,000,000
		<b>800,000,000,000</b>	<b>605,000,000,000</b>	<b>(1,255,000,000,000)</b>	<b>150,000,000,000</b>
<b>Total</b>		<b>3,279,755,399,374</b>	<b>24,405,151,937,751</b>	<b>(25,980,775,013,930)</b>	<b>1,704,132,323,195</b>

CEO Message

About HSC

2019 Macro and Strategy Report

2018 Performance Overview & 2019 Outlook

Supporting Functions

Corporate Governance

Sustainability Report

Financial statements



3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

3.12 Short-term borrowings and short-term issued bonds (continued)

- (i) Short-term borrowings have maturities from 1 to 3 months and are used to supplement working capital. Value of short-term collateral assets for these borrowings as at 31 December 2018 was VND4,002,260,933,454 (as at 31 December 2017: VND4,979,630,897,948).
- (ii) According to the Board of Directors' Resolution No. 13/2017/NQ-HĐQT dated 26 October 2017, the Company privately issued 800 bonds with details as follows:
- \* Type of bond: unlisted bond, non-convertible and unsecured
  - \* Actual quantity of issue: 800 (equal to maximum approved quantity of issue)
  - \* Issue price: at par value VND1 billion/bond
  - \* Total value of issue: VND800 billion
  - \* Coupon rate: 9% per annum
  - \* Maturity: 1 year
  - \* Repayment: principals and interests are repaid once at maturity.
  - \* Issue date: 15 December 2017
  - \* Maturity date: 15 December 2018. The Company repaid in full on this date.
- (iii) According to the Board of Directors' Resolution No. 10/2018/NQ-HĐQT dated 12 April 2018, the Company privately issued 605 bonds with details as follows:
- \* Type of bond: unlisted bond, non-convertible and unsecured
  - \* Actual quantity of issue: 605
  - \* Maximum approved quantity of issue: 1,200
  - \* Issue price: at par value VND1 billion/bond
  - \* Total value of issue: VND605 billion
  - \* Coupon rate: 7% - 8.15% per annum. The coupon rate is fixed for maximum first 6 months, then subject to negotiation between the Company and bondholders but shall not exceed 10% per annum.
  - \* Maturity: 2 years
  - \* Early termination: after fixed-coupon period, both the Company and the bondholders reserve the right to redeem/call the issued bonds before their maturities, whether in full in part. Interest rate in such cases shall be applied in accordance with the bonds' terms and conditions and applicable contractual documents.
  - \* Repayment: principals and interests are repaid once at maturity.
  - \* Designated bondholders: Dragon Capital Markets Limited Company and other investment funds.
  - \* Issuance period: from April to December 2018

The Company had no short-term borrowings from related parties as at 31 December 2018 and as at 31 December 2017.

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

3.13 Trading obligations

As at		
	31.12.2018 VND	31.12.2017 VND
Advances from investors for securities purchases	226,450,317,590	157,727,861,392
Trading settlement balances with the stock exchanges	83,159,390,391	180,277,721,001
Payables to stock exchanges and VSD	6,026,789,270	12,392,648,623
Others	655,800	2,027,755,800
<b>Total</b>	<b>315,637,153,051</b>	<b>352,425,986,816</b>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

3.14 Tax and other payables to the State Budget

	As at 1.1.2018	Incurred during the year	Paid during the year	As at 31.12.2018
	VND	VND	VND	VND
Corporate income tax – current	48,296,385,750	165,790,921,130	(197,402,447,080)	16,684,859,800
Personal income tax withheld and paid on behalf of investors	10,984,227,718	166,983,096,011	(166,768,295,853)	11,199,027,876
Foreign contractor withholding tax	5,728,933,050	57,878,517,320	(60,356,574,189)	3,250,876,181
Foreign contractor withholding tax	1,598,581,784	6,616,243,463	(7,876,562,168)	338,263,079
Personal income tax withheld and paid on behalf of employees	13,760,408,957	58,063,166,448	(69,481,747,067)	2,341,828,338
Value added tax	145,728,581	13,010,564,154	(12,956,400,623)	199,892,112
Business licence tax	-	11,519,200	(11,519,200)	-
<b>Total</b>	<b>80,514,265,840</b>	<b>468,354,027,726</b>	<b>(514,853,546,180)</b>	<b>34,014,747,386</b>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

3.15 Short-term accrued expenses

	As at	
	31.12.2018 VND	31.12.2017 VND
Allowance for working performance	45,000,000,000	34,000,000,000
Interest expenses	3,953,633,544	9,747,165,820
Others	9,396,348,291	6,273,584,622
<b>Total</b>	<b>58,349,981,835</b>	<b>50,020,750,442</b>

3.16 Other short-term liabilities

	As at	
	31.12.2018 VND	31.12.2017 VND
Business development expenses payables	19,288,313,897	2,999,866,418
Dividends payable to shareholders	5,097,667,994	82,277,009,573
Dividends paid on behalf	2,507,431,082	2,296,720,302
Others	4,577,656,085	4,522,358,803
<b>Total</b>	<b>31,471,069,058</b>	<b>92,095,955,096</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	
	31.12.2018 VND	31.12.2017 VND
Deferred tax assets recoverable within 12 months (i)	1,558,791,879	2,473,371,361
Deferred tax liabilities payable within 12 months (ii)	-	(17,516,065,627)
<b>Total</b>	<b>1,558,791,879</b>	<b>(15,042,694,266)</b>

CEO  
Message

About HSC

2019 Macro  
and Strategy  
Report

2018  
Performance  
Overview &  
2019 Outlook

Supporting  
Functions

Corporate  
Governance

Sustainability  
Report

Financial  
statements

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

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

### 3.17 Deferred income tax (continued)

The gross movements in deferred income tax, taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

For the year ended 31 December		
	2018 VND	2017 VND
Opening balance	(15,042,694,266)	3,638,284,131
Charged to profit or loss	(914,579,482)	(1,164,912,770)
Recognised directly in equity	17,516,065,627	(17,516,065,627)
<b>Closing balance</b>	<b>1,558,791,879</b>	<b>(15,042,694,266)</b>

(i) Details of deferred tax assets are as below:

As at		
	31.12.2018 VND	31.12.2017 VND
Deductible temporary differences:		
Provisions for impairment of overdue margin loans	7,793,959,395	12,366,856,806
At tax rate of 20%:		
Deferred tax assets:	1,558,791,879	2,473,371,361

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		
	31.12.2018 VND	31.12.2017 VND
Taxable temporary differences:		
Revaluation gain of AFS financial assets (Note 3.4)	-	87,580,328,135
At tax rate of 20%:		
Deferred tax assets:	-	17,516,065,627

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

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

### 3.18 Share capital

(a) *Number of shares*

As at		
	31.12.2018	31.12.2017
Number of shares registered	129,756,758	129,756,758
Number of shares issued	129,756,758	129,756,758
Number of shares repurchased	(202,590)	(186,390)
<b>Number of shares in issue</b>	<b>129,554,168</b>	<b>129,570,368</b>

As at 31 December 2018 and as at 31 December 2017, 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) *Movements in share capital*

Ordinary shares	
As at 1 January 2017	127,155,368
New shares issued	2,500,000
Treasury shares repurchased	(85,000)
As at 31 December 2017	<b>129,570,368</b>
New shares issued	-
Treasury shares repurchased	(16,200)
<b>As at 31 December 2018</b>	<b>129,554,168</b>

### 3.19 3.19 Revaluation reserve

For the year ended 31 December		
	2018 VND	2017 VND
Opening balance	70,064,262,508	-
Reclassified into profit or loss upon disposals	(70,064,262,508)	-
Recognised directly in equity	-	70,064,262,508
<b>Closing balance</b>	<b>-</b>	<b>70,064,262,508</b>

CEO  
Message

About HSC

2019 Macro  
and Strategy  
Report

2018  
Performance  
Overview &  
2019 Outlook

Supporting  
Functions

Corporate  
Governance

Sustainability  
Report

Financial  
statements



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

3.20 Undistributed earnings

	As at	
	31.12.2018 VND	31.12.2017 VND
Realised post-tax profits	1,223,955,850,562	861,985,479,360
Unrealised losses	(51,912,100,550)	(29,672,602,090)
<b>Total</b>	<b>1,172,043,750,012</b>	<b>832,312,877,270</b>

Movements in undistributed earnings in the year are as follows:

	As at 31.12.2017 VND	Profit for the year VND	Dividend declared VND	Appropriation to reserves VND	As at 31.12.2018 VND
Realised post-tax profits	861,985,479,360	697,719,652,832	(272,032,477,800)	(63,716,803,830)	1,223,955,850,562
Unrealised losses	(29,672,602,090)	(22,239,498,460)	-	-	(51,912,100,550)
<b>Undistributed earnings</b>	<b>832,312,877,270</b>	<b>675,480,154,372</b>	<b>(272,032,477,800)</b>	<b>(63,716,803,830)</b>	<b>1,172,043,750,012</b>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

4 NOTES TO OFF STATEMENT OF FINANCIAL POSITION ITEMS

4.1 Bad debts written off

	As at	
	31.12.2018 VND	31.12.2017 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 (in original currency) as follows:

	As at	
	31.12.2018	31.12.2017
US Dollar	5,176.74	13,402.69
Japanese Yen	241,915	240,905
Singapore Dollar	590	300
British Pound	100.00	93.17
New Taiwan Dollar	3,200	3,200
Canadian Dollar	100	100
Malaysian Ringgit	750	-

4.3 Number of shares in issue

	As at	
	31.12.2018	31.12.2017
<b>Ordinary shares</b>		
Quantity issued within 1 year (share)	-	2,500,000
Quantity issued for 1 year or more (share)	129,554,168	127,070,368
<b>Total</b>	<b>129,554,168</b>	<b>129,570,368</b>

CEO  
Message

About HSC

2019 Macro  
and Strategy  
Report

2018  
Performance  
Overview &  
2019 Outlook

Supporting  
Functions

Corporate  
Governance

Sustainability  
Report

Financial  
statements

5 NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

5.1 Net realised gains on disposal of FVTPL financial assets

For the year ended 31 December		
	2018 VND	2017 VND
Realised gains on disposal of FVTPL financial assets	858,463,794,818	333,375,626,482
<i>In which:</i>		
<i>Underlying securities</i>	400,473,436,818	223,939,360,482
<i>Derivatives</i>	457,990,358,000	109,436,266,000
Realised losses on disposal of FVTPL financial assets	(662,889,080,398)	(150,316,077,489)
<i>In which:</i>		
<i>Underlying securities</i>	(376,885,661,398)	(51,575,446,569)
<i>Derivatives</i>	(286,003,419,000)	(98,740,630,920)
<b>Net realised gains</b>	<b>195,574,714,420</b>	<b>183,059,548,993</b>

5 NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

5.1 Net realised gains on disposal of FVTPL financial assets (continued)

Details of net realised gains on disposal of FVTPL financial assets by category are as follows:

	Quantity disposed	Sales proceeds	Costs of disposal (*)		Realised (losses)/ gains during this year	Realised gains in prior year
			VND	VND	VND	VND
Shares	206,040,843	12,067,849,357,146	(12,071,746,895,098)	(3,897,537,952)	160,549,347,002	
Bonds	2,185,876	220,131,211,304	(219,904,853,457)	226,357,847	488,328,262	
ETF certificates	282,824,910	4,732,015,511,600	(4,704,756,556,075)	27,258,955,525	11,326,238,649	
Realised gains on disposal of underlying securities				23,587,775,420	172,363,913,913	
Net position gains from future contracts				171,986,939,000	10,695,635,080	
<b>Total</b>				<b>195,574,714,420</b>	<b>183,059,548,993</b>	

\* Costs of shares and fund certificates are determined using the weighted average method up to the end of trading dates, while costs of bonds and derivatives are determined using the specific identification method.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

5 NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

5.2 Gains/(losses) from revaluation of FVTPL financial assets

	For the year ended 31 December	
	2018 VND	2017 VND
(Decrease)/increase in revaluation gains of FVTPL financial assets	(35,012,239,201)	34,575,574,912
Decrease/(increase) on revaluation losses of FVTPL financial assets	12,772,740,741	(8,093,274,817)
<b>Total</b>	<b>(22,239,498,460)</b>	<b>26,482,300,095</b>

Details of gains/(losses) from revaluation of FVTPL financial assets by category are as follows:

	Cost VND	Market value/ fair value VND	Accumulated revaluation losses as at 31.12.2018 VND	Accumulated revaluation gains/ (losses) as at 31.12.2017 VND	Charged/ credited to profit or loss VND
Listed shares and shares traded on UPCoM	709,217,997,093	672,534,932,248	(36,683,064,845)	20,152,774,907	(56,835,839,752)
Unlisted and unregistered shares	53,552,640,000	39,377,138,000	(14,175,502,000)	(52,103,095,636)	37,927,593,636
Listed bond	81,450,161,318	81,450,161,318	-	2,084,539,950	(2,084,539,950)
Unlisted bonds	1,000,000,000	1,000,000,000	-	-	-
ETF certificates	58,531,242,345	57,477,708,640	(1,053,533,705)	193,178,689	(1,246,712,394)
<b>Total</b>	<b>903,752,040,756</b>	<b>851,839,940,206</b>	<b>(51,912,100,550)</b>	<b>(29,672,602,090)</b>	<b>(22,239,498,460)</b>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

5 NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

5.3 Provisions for doubtful debts, impairments of financial assets and diminution in value of mortgages, and borrowing costs

	For the year ended 31 December	
	2018 VND	2017 VND
(Reversal of provision)/provisions for impairment loss of financial assets and mortgages (Note 3.3)	(10,057,879,220)	13,633,547,520
Interest expense	165,938,942,394	142,391,099,821
	<b>155,881,063,174</b>	<b>156,024,647,341</b>

5.4 General and administration expenses

	For the year ended 31 December	
	2018 VND	2017 VND
Staff costs	100,543,567,890	73,827,837,504
Office rental expenses	38,654,160,368	23,265,856,065
Outsourcing expenses	21,123,606,179	14,610,808,943
Depreciation and amortisation	10,841,170,058	5,672,877,522
Office tools and supplies	1,578,940,324	1,021,349,339
Tax and other fees	759,745,067	282,928,942
Other administrative expenses	7,938,643,174	4,318,896,815
<b>Total</b>	<b>181,439,833,060</b>	<b>123,000,555,130</b>



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

5 NOTES TO THE STATEMENT OF COMPREHENSIVE 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		
	2018 VND	2017 VND
Accounting profit before tax	842,185,654,984	692,600,803,982
Tax calculated at a rate of 20%:	168,437,130,997	138,520,160,796
Adjustment:		
Non-taxable income	(2,904,135,865)	(2,970,569,520)
Non-deductible expenses	1,172,505,480	2,992,048,964
Corporate income tax charge (*)	166,705,500,612	138,541,640,240
Charged to profit or loss:		
Corporate income tax – current	165,790,921,130	137,376,727,470
Corporate income tax – deferred	914,579,482	1,164,912,770
Total	166,705,500,612	138,541,640,240

\* 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 the Company’s corporate income tax up to 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

5 NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

5.6 Basic earnings per share

(a) *Lãi cơ bản trên cổ phiếu*

According to prevailing regulations, basic earnings per share are calculated by dividing the net profit attributable to shareholders after deducting the appropriations to 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 these financial statements, the resolution of Annual General Meeting of shareholders regarding the appropriations to bonus and welfare funds from post-tax profits of the current year was not yet available. Therefore, the net profit amount used for calculation of basic earnings per shares of the current year is not deducted by the amount to be appropriated to bonus and welfare funds. For comparability purpose, the corresponding amount of prior year was not deducted by the amounts appropriated to bonus and welfare funds, neither.

For the year ended 31 December		
	2018	2017
Net profit after tax attributable to ordinary shareholders (VND)	675,480,154,372	554,059,163,742
Weighted average number of ordinary shares in issue (shares)	129,561,679	129,175,546
Basic earnings per share (VND/share)	5,214	4,289

If basic earnings per shares for the year ended 31 December 2017 was calculated taking into account such deduction due to appropriation to bonus and welfare funds from post-tax profits in accordance to Resolution of Annual General Meeting of shareholders No. 01/2018/NQ-ĐHĐCĐ dated 26 April 2018, the adjusted amount would be as follows:

For the year ended 31 December			
Items	Previously reported	Adjustment	Recalculated figures
Net profit after tax attributable to ordinary shareholders (VND)	554,059,163,742	(63,716,803,830)	490,342,359,912
Weighted average number of ordinary shares in issue (shares)	129,175,546		129,175,546
Basic earnings per share (VND/share)	4,289		3,796

(b) *Diluted earnings per share*

The Company did not have potentially diluted ordinary shares during the year.

CEO  
Message

About HSC

2019 Macro  
and Strategy  
Report

2018  
Performance  
Overview &  
2019 Outlook

Supporting  
Functions

Corporate  
Governance

Sustainability  
Report

Financial  
statements

6 NOTES TO THE STATEMENT OF CASH FLOWS

6.1. Major non-cash transactions affecting the statement of cash flows

	For the year ended 31 December	
	2018 VND	2017 VND
Appropriation to bonus and welfare funds (Note 7.1(i), 7.1(iv))	55,405,916,374	30,453,098,130
Capital increase from bonus and welfare funds (Note 7.1(iii))	-	14,000,000,000

6.2 Proceeds from borrowings

Proceeds from borrowings are bank overdrafts, 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, loan repayments and bonds repayments (Note 3.12).

7 NOTES TO THE STATEMENT OF CHANGES IN EQUITY

7.1 Details of changes in equity

	Share capital VND	Share premium VND	Treasury shares VND	Revaluation reserve VND	Supplementary capital reserve VND	Financial risk and operation reserve VND	Other equity funds VND	Undistributed earnings VND	Total VND
As at 1.1.2018	1,297,567,580,000	330,343,798,499	(2,602,257,008)	70,064,262,508	129,756,758,000	129,756,758,000	3,961,374,994	832,312,877,270	2,791,161,152,263
Post-tax profit for the year	-	-	-	-	-	-	-	675,480,154,372	675,480,154,372
Appropriation to bonus and welfare funds (i)	-	-	-	-	-	-	-	(55,405,916,374)	(55,405,916,374)
Appropriation to operation fund of Board of Directors (i)	-	-	-	-	-	-	-	(8,310,887,456)	(8,310,887,456)
Final dividend of the year 2017 (i)	-	-	-	-	-	-	-	(194,299,977,000)	(194,299,977,000)
Share repurchases (iii)	-	-	(291,600,000)	-	-	-	-	-	(291,600,000)
Reclassification to profit or loss upon disposal (Note 3.19)	-	-	-	(70,064,262,508)	-	-	-	-	(70,064,262,508)
Dividend Declared for the year 2018 (ii)	-	-	-	-	-	-	-	(77,732,500,800)	(77,732,500,800)
As at 31.12.2018	1,297,567,580,000	330,343,798,499	(2,893,857,008)	-	129,756,758,000	129,756,758,000	3,961,374,994	1,172,043,750,012	3,060,536,162,497

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

7 NOTES TO THE STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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	VND	VND	VND	VND	VND	VND
As at 1.1.2017	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						
Share issuances (ii)	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 2.18(c))	-	-	-	-	12,743,836,299	-	12,743,836,298	-	(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						
Dividend of year 2017 (v)	-	-	-	-	-	-	-	-	(77,742,220,800)	(77,742,220,800)						
As at 31.12.2017	1,297,567,580,000	330,343,798,499	(2,602,257,008)	70,064,262,508	129,756,758,000	129,756,758,000	129,756,758,000	3,961,374,994	832,312,877,270	2,791,161,152,263						

7

7.1

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

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 26 April 2018:
- \* 10% of post-tax profit for the year 2017 was appropriated to bonus and welfare funds;
  - \* 1.5% of post-tax profit for the year 2017 was appropriated to operation fund of Board of Directors;
  - \* Final dividend of the year 2017 was 15% of par value, equivalent to VND1,500/share.
  - \* Planned dividend of the year 2018 was 15% of par value, equivalent to VND1,500/share.
- (ii) According to authorisation of Annual General Meeting of Shareholders on 26 April 2018, on 15 November 2018, the Board of Directors had advanced the interim dividend of the year 2018 in cash at 6% of par value, equivalent to VND600/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, in which VND14 billion was sourced from bonus and welfare funds and VND31 billion was contributed by the executives. These shares are restricted from transfer in accordance with the ESOP 2016 Policy approved by the Board of Directors.
- During the year, the Company repurchased 16,200 shares from resigning employees. The Company refunded them at their actual contributions to obtain the shares (equivalent to VND12,400/share) and the remaining value was reserved to bonus and welfare funds.
- (iv) According to the Resolution of the Annual General Meeting of shareholders on 24 April 2017:
- \* 10% of post-tax profit for the year 2016 was appropriated to bonus and welfare funds;
  - \* 1.5% of post-tax profit for the year 2016 was appropriated to operation fund of Board of Directors;
  - \* 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, on 25 December 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.

CEO Message

About HSC

2019 Macro and Strategy Report

2018 Performance Overview & 2019 Outlook

Supporting Functions

Corporate Governance

Sustainability Report

Financial statements



7 NOTES TO THE STATEMENT OF CHANGES IN EQUITY (CONTINUED)

7.2 Distributed earnings

For the year ended 31 December		
	2018 VND	2017 VND
Undistributed earnings brought forward	861,985,479,360	628,246,013,560
Accumulated unrealised losses	(51,912,100,550)	(29,672,602,090)
Realised profits incurred in the year	697,719,652,832	527,576,863,647
Appropriations from undistributed earnings:	(63,716,803,830)	(60,508,735,447)
<i>To supplementary capital reserve</i>	-	(12,743,836,299)
<i>To financial and operational risk reserve fund</i>	-	(12,743,836,298)
<i>To bonus and welfare funds</i>	(55,405,916,374)	(30,453,098,130)
<i>To operation fund of Board of Directors</i>	(8,310,887,456)	(4,567,964,720)
Distributable profits	<b>1,444,076,227,812</b>	<b>1,065,641,539,670</b>
Dividend declared	272,032,477,800	233,328,662,400
Income tax withheld	(1,412,458,875)	(1,884,872,850)
Net amount distributed to shareholders	<b>270,620,018,925</b>	<b>231,443,789,550</b>

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 a Director of DC Group. The Company's member of the Board of Directors cum Chief Executive is a 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 City Finance and Investment State-owned Company (HFIC)	Strategic shareholder, holding 28.90% of charter capital. Two members of the Board of Directors are Deputy General Director and Head of Investment Department at HFIC.
Board of Directors and Board of Management Key management	

(a) Related parties transactions

During the year, the following significant transactions were carried out with related parties:

For the year ended 31 December		
	2018 VND	2017 VND
<b>Dragon Capital Markets Limited (DC)</b>		
Brokerage service - purchases	-	127,095,500,000
Brokerage service - sales	321,120,255,600	468,864,015,980
Brokerage fee income	240,840,192	547,535,426
Consultancy expense	-	6,820,500,000
Dividend paid	106,052,787,000	70,701,858,000
<b>Ho Chi Minh City Finance and Investment State-owned Company (HFIC)</b>		
Dividend paid	101,250,000,000	67,500,000,000
<b>Compensation of key management</b>		
Gross salaries and other benefits	32,037,000,957	24,735,439,736

(b) Year-end balances with related parties

As at		
	31.12.2018 VND	31.12.2017 VND
<b>Dragon Capital Markets Limited (DC)</b>		
Dividend payable	-	23,999,023,561
<b>Ho Chi Minh City Finance and Investment State-owned Company (HFIC)</b>		
Deposits for securities trading	25,007,904	24,933,079
Dividend payable	-	22,910,632,470

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 these grounds, the Board of Management determines that the Company has only one geographical segment.

(b) Business activity segments

Income and expenses based on the Company’s business activity segments are as follows:

Năm tài chính kết thúc ngày 31 tháng 12 năm 2018					
	Brokerage and services VND	Trading VND	Lending VND	Consultancy VND	Total VND
Revenue and income (*)	779,075,139,587	928,460,243,499	523,064,352,711	119,216,643,588	2,349,816,379,385
Expenses	(601,787,505,709)	(642,665,345,473)	(52,896,037,846)	(31,254,921,512)	(1,328,603,810,540)
In which:					
Direct cash expenses	(578,075,057,718)	(642,719,829,255)	(62,953,917,066)	(31,232,695,402)	(1,314,981,499,441)
Total amount of significant non-cash expenses, other than depreciation, amortisation and allocation of prepaid expenses	-	12,772,740,741	10,057,879,220	-	22,830,619,961
Total depreciation and amortisation of fixed assets	(13,032,524,244)	(819,385,461)	-	(22,226,110)	(13,874,135,815)
Allocation of long-term and short-term prepaid expenses	(10,679,923,747)	(11,898,871,498)	-	-	(22,578,795,245)
Segment result	177,287,633,878	285,794,898,026	470,168,314,865	87,961,722,076	1,021,212,568,845
Net financial income					2,310,619,199
Net other income					102,300,000
General and administration expenses					(181,439,833,060)
Operating result					842,185,654,984

\* All of revenues are from services rendered to external customers, and all of income is generated from transactions with external partners.

9 SEGMENT REPORTING (CONTINUED)

(b) Business activity segments (continued)

Income and expenses based on the Company’s business activity segments are as follows:

For the year ended 31 December 2017					
	Brokerage and services VND	Trading VND	Lending VND	Consultancy VND	Total VND
Revenue and income (*)	622,466,932,352	428,248,267,000	441,683,487,597	45,178,947,072	1,537,577,634,021
Expenses	(324,625,047,318)	(163,492,786,171)	(225,852,110,932)	(10,749,332,960)	(724,719,277,381)
In which:					
Direct cash expenses	(310,144,344,962)	(150,913,892,949)	(212,218,563,412)	(10,749,332,960)	(684,026,134,283)
Total amount of significant non-cash expenses, other than depreciation, amortisation and allocation of prepaid expenses	-	(8,093,274,817)	(13,633,547,520)	-	(21,726,822,337)
Total depreciation and amortisation of fixed assets	(6,162,617,926)	-	-	-	(6,162,617,926)
Allocation of long-term and short-term prepaid expenses	(8,318,084,430)	(4,485,618,405)	-	-	(12,803,702,835)
Segment result	297,841,885,034	264,755,480,829	215,831,376,665	34,429,614,112	812,858,356,640
Net financial income					2,464,966,108
Net other income					278,036,363
General and administration expenses					(123,000,555,130)
Operating result					692,600,803,982

\* All of revenues are from services rendered to external customers, and all of income is generated from transactions with external partners.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

Form B 09 – CTCK

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

9 SEGMENT REPORTING (CONTINUED)

(b) Business activity segments (continued)

Assets and liabilities based on the Company’s business activity segments are as follows:

As at 31 December 2018						
	Brokerage and services VND	Trading VND	Lending VND	Consultancy VND	Unallocated VND	Total VND
Segment assets	871,838,163,387	965,722,873,139	3,375,423,227,994	3,531,711,273	-	5,216,515,975,793
Unallocated assets	-	-	-	-	39,789,351,388	39,789,351,388
Total assets	871,838,163,387	965,722,873,139	3,375,423,227,994	3,531,711,273	39,789,351,388	5,256,305,327,181
Segment liabilities	328,500,415,674	-	1,708,085,956,739	-	-	2,036,586,372,413
Unallocated liabilities	-	-	-	-	159,182,792,271	159,182,792,271
Total liabilities	328,500,415,674	-	1,708,085,956,739	-	159,182,792,271	2,195,769,164,684
Total expense incurred for purchases of fixed assets	16,605,178,370	4,191,641,551	-	153,780,000	8,746,117,620	29,696,717,541
Segment assets	16,605,178,370	4,191,641,551	-	153,780,000	-	20,950,599,921
Unallocated assets	-	-	-	-	8,746,117,620	8,746,117,620

9 SEGMENT REPORTING (CONTINUED)

(b) Business activity segments (continued)

Assets and liabilities based on the Company’s business activity segments are as follows:

Tại ngày 31 tháng 12 năm 2017						
	Brokerage and services VND	Trading VND	Lending VND	Consultancy VND	Unallocated VND	Total VND
Segment assets	914,328,964,773	1,259,885,805,297	4,473,823,171,871	2,487,194,998	-	6,650,525,136,939
Unallocated assets	-	-	-	-	30,046,906,582	30,046,906,582
Total assets	914,328,964,773	1,259,885,805,297	4,473,823,171,871	2,487,194,998	30,046,906,582	6,680,572,043,521
Segment liabilities	438,091,354,185	15,042,694,266	3,289,502,565,194	-	-	3,742,636,613,645
Unallocated liabilities	-	-	-	-	146,774,277,613	146,774,277,613
Total liabilities	438,091,354,185	15,042,694,266	3,289,502,565,194	-	146,774,277,613	3,889,410,891,258
Total expense incurred for purchases of fixed assets	25,437,765,083	-	-	-	13,110,823,806	38,548,588,889
Segment assets	25,437,765,083	-	-	-	-	25,437,765,083
Unallocated assets	-	-	-	-	13,110,823,806	13,110,823,806



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 of the Company 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 from 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 bank balances are placed with local credit institutions which have high credit ratings.

Financial assets at fair value through profit or loss

The Company’s listed and unlisted 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 sale 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

Trading advances are collected from Vietnam Securities Depository which is a state-owned entity and has no history of payment defaults.

10 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Margin loans

Margin loans are secured by eligible securities listed on the stock exchanges, customers’ cash and trading proceeds. Under the prevailing regulations on margin lending, 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.

Customer Services department is responsible for the continuous review of margin loan report which includes balances, collateral assets and margin maintenance ratio. When the margin maintenance ratio falls below 40% (regulated level: 30%), the system alerts and the Company makes margin calls. When the margin maintenance ratio falls below 30%, the Company forcibly 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	
	31.12.2018 VND	31.12.2017 VND
Cash at bank (Note 3.1)	117,117,216,438	195,756,571,187
Loans (Note 3.3)	3,262,014,843,244	4,501,592,303,606
Receivables (Note 3.5)	779,829,882,358	517,622,386,490
<b>Total credit risk exposure</b>	<b>4,158,961,942,040</b>	<b>5,214,971,261,283</b>

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 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 from 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 the US Dollar ("USD"). As at 31 December 2018 and as at 31 December 2017, the Company had a small amount in United States Dollar, therefore its currency risk is considered not material.

\* Share price risk

Listed and unlisted shares held by the Company are affected by market risk 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.

At 31 December 2018, had the prices of securities increased/decreased by 10% with all other variables being held constant (including tax rate), the Company's profit after tax for the year would have been higher/lower by VND113,578,475,216 (at 31 December 2017: higher/lower by VND110,971,235,264).

10 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 within 1 year:

	As at	
	31.12.2018 VND	31.12.2017 VND
Short-term borrowings (Note 3.12)	1,554,132,323,195	2,479,755,399,374
Short-term issued bonds (Note 3.12)	150,000,000,000	800,000,000,000
Trading obligations (Note 3.13)	315,637,153,051	352,425,986,816
Short-term trade account payables	3,466,914,332	3,326,671,321
Short-term accrued expenses (Note 3.15)	58,349,981,835	50,020,750,442
Other short-term payables (Note 3.16)	31,471,069,058	92,095,955,096
<b>Total financial liabilities</b>	<b>2,113,057,441,471</b>	<b>3,777,624,763,049</b>

(d) Capital risk management

Capital Adequacy Ratio ("CAR") is an indicator that measures the Company's financial safety and ability to meet its financial obligations and absorb certain losses resulting from risks arising during its business operation.

CAR is calculated and presented in the Company's monthly capital adequacy ratio report in accordance with Circular 87/2017/TT-BTC issued by the Ministry of Finance on 15 August 2017 ("Circular 87/2017/TT-BTC") effective from 10 October 2017, regulating requirements of capital adequacy ratio applicable to securities dealing institutions and sanctions imposed on 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 2018, the Company's CAR was 505% (as at 31 December 2017: 526%).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

11 OPERATING LEASE COMMITMENTS

The Company currently rents offices under operating leases. The future minimum lease payments under non-cancellable operating lease contracts are as follows:

As at		
	31.12.2018 VND	31.12.2017 VND
Within 1 year	25,771,977,761	15,975,476,765
Between 1 and 5 years	62,705,263,783	34,886,548,067
Total minimum payments	88,477,241,544	50,862,024,832

12 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year’s presentation, in particular:

For the year ended 31 December 2017				
Code	ITEMS	Previously reported VND	Reclassification VND	Reclassified VND
OPERATING EXPENSES				
26	Self-trading expenses	(100,063,505,528)	52,778,767,632	(47,284,737,897)
27	Brokerage fee expenses	(285,215,150,671)	(41,379,344,325)	(326,594,494,995)
31	Financial consultancy expenses	(8,970,191,476)	(14,014,004,860)	(22,984,196,336)
32	Other operating expenses	(9,139,867,544)	2,614,581,553	(6,525,285,991)

Furthermore, the segmental reports were presented with more detailed information as required in Vietnamese Accounting Standard No. 28 and guidance in Circular 20/2006/TT-BTC issued by the Ministry of Finance on 20 March 2006 in order to help users of financial statements to understand and evaluate the Company’s operations in a comprehensive way.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2018

Form B 09 – CTCK

13 SUBSEQUENT EVENTS

On 30 January 2019, the Company declared its plans of share issuances which were approved in the Annual General Meeting of Shareholders on 26 April 2018, in particular:

(a) Issuance of bonus shares to existing shareholders

- \* Bonus ratio: 3:2 (shareholder holding 3 shares as at closing date is entitled to 2 bonus shares)
- \* Expected quantity of issue: 86,369,445 shares
- \* Expected par value of issue: VND863,694,450,000
- \* Bonus shares are freely traded
- \* Bonus subscription rights are not transferable
- \* Financial resource of the issuance: undistributed earnings and share premium of audited financial statements for the year 2017
- \* Closing date: 21 February 2019

(b) Issuance of new shares to existing shareholders

- \* Subscription right ratio: 3:2 (shareholder holding 3 shares as at closing date is entitled to purchase 2 shares)
- \* Expected quantity of issue: 86,369,445 shares
- \* Issue price: VND14,000/share
- \* Expected value of issue: VND1,209,172,230,000
- \* New shares issued are freely traded
- \* Bonus subscription rights are transferable once from 28 February 2019 to 12 April 2019.
- \* Supcription and payment period is from 28 February 2019 to 19 April 2019.
- \* The Board of Directors are authorised to distribute shares not taken up to other investors at the price not lower than one offered to existing shareholders

(c) Issuance under Employee Stock Option Plan 2018 (ESOP 2018)

- \* Subscribers: executives of the Company
- \* Expected quantity of issue: 6,477,000 shares (approximately 5% of quantity in issue)
- \* Issue price: VND14,000/share
- \* Expected value of issue: VND90,678,000,000, which is sourced from bonus and welfare fund by VND34,004,250,000 and employees’ contribution by VND56,673,750,000
- \* New shares issued are blocked for transfer according to Policy of ESOP 2018 approved by the Board of Directors
- \* The Board of Directors are authorised to finalise the list of eligible subscribers and number of shares allotted to each subscriber
- \* Expected issue date: from 8 to 19 April 2019

Other than these facts, there have been no further significant subsequent events occurring after the reporting date which would require adjustments or disclosures to be made in these financial statements.

CEO  
Message

About HSC

2019 Macro  
and Strategy  
Report

2018  
Performance  
Overview &  
2019 Outlook

Supporting  
Functions

Corporate  
Governance

Sustainability  
Report

Financial  
statements



14 OPERATIONAL FACTS

Volume and value of transactions during the year

	Volume of transactions during the year	Value of transactions during the year
		VND
<b>(a) Of the Company</b>		
Shares	962,814,931	32,413,100,071,180
Bonds	130,631,672	14,155,185,297,490
Future contracts	270,666	26,022,137,906,000
<b>(b) Of Investors</b>		
Shares	8,132,028,513	214,643,356,895,190
Bonds	646,845,136	66,407,127,591,858
Future contracts	9,773,942	273,060,974,937,000
	<b>9,882,364,860</b>	<b>626,701,882,698,718</b>

The financial statements were approved by the Board of Management on 27 March 2019.

**Le Thi Thuy Duong**  
Preparer

**Lam Huu Ho**  
Chief Financial Officer



**Johan Nyvene**  
Chief Executive Officer

27 March 2019

NETWORK

HO CHI MINH

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

LE LAI TRANSACTION OFFICE

Level 2, AB Tower, 76 Le Lai, Ben Thanh Ward,  
District 1, Ho Chi Minh City  
Tel: +84-28 3829 3826  
Fax: +84-28 3823 2621

NAM SAI GON TRANSACTION OFFICE

Level 9, Etown Central, 11 Doan Văn Bo, Ward 12,  
District 4, HCM  
Tel: +84-28 3622 0679  
Fax: +84-28 3622 0689

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

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

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

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

HA NOI BRANCH

Level 2, CornerStone Building,  
16 Phan Chu Trinh, Hoan Kiem District,  
Hanoi  
Tel: +84-24 3933 4693  
Fax: +84-24 3933 4822

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

LANG HA TRANSACTION OFFICE

Level 6, Vinaconex Building, 34 Lang Ha,  
Dong Da District, Hanoi  
Tel: +84-24 3776 7100  
Fax: +84-24 3776 7101

HOAN KIEM TRANSACTION OFFICE

Level 4&5, 66A Tran Hung Dao Building,  
Hoan Kiem District, Hanoi  
Tel: +84-24 3941 6240  
Fax: +84-24 3941 6242



🏠 Level 5 & 6, Building AB, 76 Le Lai ,  
Ben Thanh Ward, District 1, Ho Chi Minh City  
☎ +84-028 3823 3299  
📠 +84-028 3823 3301  
✉ info@hsc.com.vn  
🌐 [www.hsc.com.vn](http://www.hsc.com.vn)

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