



HoChiMinh City, April 02nd 2014

REPORT OF THE BOARD OF SUPERVISION AT THE FY2013 ANNUAL GENERAL MEETING OF SHAREHOLDERS

FY2013 was a successful year for HSC, with revenue of approximately VND 635 billion, a 13% increase from 2012, which was the highest turnover since its establishment. Profits increased at a faster pace - VND 375 billion for EBT and VND 282 billion for EAT, which was 22% and 15% higher than those of 2012 respectively. This result exceeded the target approved by FY2012's AGM by 19%, thanks to the continuous effort of all divisions and the maximal cost reduction. The company's capital optimization achieved 12.8% which was the highest rate in the past 3 years, making HSC one of the leading companies in the industry.

Despite severe competition among securities firms in 2013, HSC continued to expand its operations, and achieved a market share of, on average, 12.2% in 2013, equivalent to an increase of 1.8% of from 2012, which kept us in premier position in the market for two consecutive years. HSC's market share has doubled in the last 4 years from 6.1% in 2010 to 12.2% today. Among the securities businesses in the region, HSC's growth and market share is a stand-out success. Developing rapidly in a turbulent market, alongside building a robust risk management system, our supervisory and monitoring activities have been pivotal to this growth.

I. Activities of the Board of Supervision

The Board of Supervision (BOS) includes three members, among which there are two independent members, acts as shareholder's representatives, supported by the Board of Management (BOM) and Board of Directors (BODs). The AC continues to examine and supervise all activities and suggest necessary changes in terms of risk management and the improvement of corporate governance at HSC. In 2013, the main activities of the BOS were:

- Coordinating with the BODs to establish an Internal Audit Team, under the Audit Subcommittee of the BODs;
- Attending the BODs' meetings as supervisors;
- Working with Independent Audit regarding independent audit results and generated problems;

- Following up and analysing financial statements every quarter

1. Establishment of an internal audit team:

Pursuant to Circular 210/2012/TT-BTC, Securities Firms are public joint-stock companies which should institute an internal audit team (IAT), under the BOD. In 2013, the BOS coordinated with the BODs and the Risk Management team to interview and assess advisory institutions; and KPMG Ltd Co.(KPMG) was chosen to provide the service based on quality, experience, and price. KPMG will support HSC in building the internal audit framework, implementing and securing that this team will efficiently work and meet the expectation of the BODs and the BOS.

The BOS considered the establishment of the IAT as a major step in the process of risk management, with the aim to objectively and independently carry out the supervision, evaluation and consultancy activity, to increase the company's value and operation. Specifically, under the guidance of the Audit Sub-committee, the IAT will review all the process of the company by learning and experimenting at each division, checking all files and documents in the auditing stage, exchanging and interviewing the management staff to ensure that every process is complied in a full and detailed way.

Normally, the IAT is responsible for directly reporting to the BOS; however, due to Circular 210's specified to Securities Firms, this team is under the BODs. Therefore, the BOS and the BODs decided to establish the Audit Sub-committee under the BODs, including 3 people, one of them is a representative of the BOS.

2. Participation in the BODs' meetings

The BOS participated fully in all the meetings of the BODs every quarter and as required, comprehended the actual business situations of HSC in order to contribute ideas regarding the implementation of the strategies and objectives approved by the AGM in April, 2013 to the BODs and the BOM. The BOS realized that the BOD had strictly and cautiously fulfilled their responsibilities. The business projects and plans were discussed and exchanged in a detailed and open way, and only approved when the absolute consensus was achieved in order to benefit and comply with the development strategy of HSC.

Besides, the core matters discussed in the BODs' meetings were about risk management. Specifically, the BODs ratified some major issues such as the Company's Corporate Governance Regulation, the Enterprise Risk Management Framework, Principles and Procedures of Risk management, Limit of Authority.

As supervisors and representatives of investors, the BOS's constructive ideas are all appreciated and considered in all the decisions of the BODs.

3. Discussion with the Independent Audit and financial statement analysis

In 2013, the BOS organized annual meetings (twice a year) with the Independent Audit of HSC (Ernst and Young Vietnam Ltd Co.) to discuss the audit scope, the audit result, and other matters mentioned in the management letter. Accordingly, HSC's activities are transparent and explicit, and no serious violations related to audit, finance, as well as the working process were identified. In 2013, Ernst and Young Vietnam only provided its audit service to HSC, not including any advisory services. The total cost of the audit in 2013 was 802,505,000 VND (included VAT).

Besides, the BOS carried out analyzing quarterly financial statement, 6-month review reports, audited reports of 2013 and the data presented at the AGMs. The BOS realized that HSC's financial position was still in a healthy status:

- HSC's business result in 2013 achieved and exceeded the targets approved by the AGM (as presented at the beginning of this report)
- The capital adequacy ratio as well as other basic ratios in terms of debts, loans and liquidity all met high standards and improved, compared to those of 2012.

Basic financial features:

	Key Ratio	FY 2013	FY 2012
1	Liquid Capital Safety Ratio	950%	746%
2	Liquidity Ratio		
a-	<i>Current ratio (times)</i>	3.14	2.79
b-	<i>Total Debt/ Total Assets Ratio (times)</i>	0.28	0.32
3	Capital Structure		
a-	<i>Owner's Equity/ Total Equity (times)</i>	0.72	0.68
4	Profitability ratios		
a-	<i>ROAE (Return on Equity)</i>	12.80%	11.75%
b-	<i>ROAA (Return on Assets)</i>	8.92%	8.45%
5	Basic earning per share (VND)	2,241	1,979

II. Conclusion and suggestion

Thanks to the clearly defined objectives of the risk management project implemented in 2013, the BOS believed that the risk management, supervising and monitoring activities would continue to provide the BODs, the BOM and other divisions with crucial information of the system and future plans which are to continuously improve the Corporations's operation moving towards better growth and enhancing market opportunities in the long term.

FY 2014 will be a pivotal year in which the IAT will be completing its competence, process, scope of audit and reaudit range of major departments of HSC.

The BOS, as a representative of the shareholders, strongly believes in the business governance, construction and development ability of the BODs and BOM, as well as the staff and employees of HSC

Best Regards.

**For and on behalf of the Board of Supervision
CHAIRMAN**

(signed and seal)

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To:

- *As mentioned above;*
- *BOD Office for record,*