



HoChiMinh City, 03 April 2017

REPORT OF THE BOARD OF DIRECTORS

AT THE FY2016 ANNUAL GENERAL MEETING OF SHAREHOLDER

I. ASSESSMENT OF THE BOARD OF DIRECTORS ON THE HSC'S PERFORMANCE IN 2016

A. Assessment of the BoD on the corporation's operations

Vietnam's economy in 2016

2016 is considered a challenging year for Vietnam's economy given unresolved internal problems and a turbulent international financial and political context. China's deteriorating economic health with huge debt burden, plummet in oil price and the Bank of Japan's adoption of negative interest rate policy also led to a sharp drop in interest rates of developed countries; Brexit shock also caused the British pound to slump and 10-year bond yields to fall below 1%, triggering the market turbulence. Immediately after the seismic shock, U.S. presidential election results worsened the investor sentiment and again added to market's volatility.

Against such a backdrop of turbulent world economy with potential risk and little likelihood of an early recovery, Vietnam's economy managed to show improvements in terms of production, business and macroeconomic stability. Vietnam's over 60% GDP growth rate is viewed as a decent outcome given the world context and more importantly, it stems from improving internal factors.

It is such improving internal factors of Vietnam that drove Vietnamese securities market's stable growth in 2016, which was rated as top 05 markets posting the highest growth rate in the Southeast Asia. The VN-Index lifted up by 16%, the market capitalization reached VND 1,923 trillion, equivalent to 46% of GDP or an increase of 40% compared to 2015. Liquidity strongly improved, the daily average transaction value reached VND 3,047 billion, an increase of 19% compared to VND 2.570 billion / day of 2015.

Business results in 2016

Relatively positive movements of the stock market last year, trust from shareholders, particularly the major and strategic ones, and relentless efforts of HSC team have brought thriving business results compared to the peers. Specifically, the profit after tax in 2016 reached VND 305 billion, increasing by 43% compared to 2015 and representing 101% of the target set by the General Meeting of Shareholders (AGM) 2015.

HSC's brokerage market share in 2016 represents 11.2% of the total market, higher than that of 10.4% in 2015 but still falls short of the planned target of 11.8%. However, we still strive to grasp every opportunity to increase market share without compromising sustainable development strategy. Retail client brokerage market share rose to 7.1% from 6.9% in 2015 institutional client brokerage market share also increased to 3.9% from 3.4%, exceeding the target.

B. The BoD's supervision over the Chief Executive Director and Board of Management

In 2016, the BoD maintained supervision over the CEO and BoM in implementing the resolutions passed by AGM and BoD as follows:

1. Methods of supervision

The Board of Directors and the Supervisory Board thoroughly understood the operations of the Company, enabling them to assist the CEO and the Management Team in the fulfilment of their respective responsibilities.

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

- The Board Risk Management Committee reported all significant risks arising in each quarter, and proposed recommended action plans to mitigate these risks; and
- The Board Internal Audit Committee reported on the number of internal audits conducted in the quarter, including audit findings and recommendations for strengthening the internal control environment.
- The Board Remuneration Committee reported on the Employee Stock Ownership Plan (ESOP 2016) and approved the remuneration plan for 2016.

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

The Board of Directors issued resolutions after each periodic meeting and upon request, to approve the business results for each quarter. The Board also provided strategic guidance, oversight and input relating to the state of the markets and general economy which was used to help develop business plans for the subsequent quarter. Regular communication by the Board with the CEO and Management Team helped to oversee the implement of these plans to help meet HSC's strategic objectives.

2. Results of supervision

Business results in 2016 with the basic financial indicators are as follows:

Unit: VND million

Target	2016	2015	Change	2016 Plan	% Plan
Revenue	824.245	591.139	39%	734.593	112%
Profit before tax	385.383	271.500	42%	376.357	102%
Profit after tax	304.531	213.310	43%	301.086	101%

3. Conclusion

In accordance with our Company Charter and policies & procedures, the Board of Directors delegates the Management Team to carry out the daily operational activities of the Company and to implement strategic decisions aligned with our business plans. Through quarterly reports on business performance, the Company's daily operation reports, and ad-hoc management reports, the Board of Directors evaluates that the CEO and the Management Team have executed their duties in compliance with prevailing laws; the Company Charter and the AGM shareholders' resolutions. Additionally, the Board of Directors has conducted and performed their duties with care, professionalism and integrity, thus protecting the interests of the Company and its shareholders. CEO and the Management Team had fulfilled to the best of their efforts the business plan adopted by the AGM 2015. They also contributed to building the business environment based on sustainable development, improving corporate governance; enhance the role of risk management and control.

C. Plans and strategies of the Board of Directors

In the context of potentially turbulent world economy and unresolved internal problems of Vietnam, 2017 is projected to be faced with many difficulties and challenges.

Recognizing the current difficulties is an opportunity for the economy in general and each business in particular to review its existing strategy and corporate enterprise values in a sustainable manner through affirming strong financial status, improving competitiveness and pursuing sustainable - effective growth, the BoD aims to focus on the following activities in 2017:

- Develop strategic business development plans;
- Strengthen and promote core business activities of the Company through diversifying product ranges, improving the quality of service to customers and seizing new opportunities in the stock market as a basis for research, development and diversification of products which maximize customers' benefits and experience.
- Enhancing corporate governance as well as risk management and risk control responsibilities in financial management, accounting and auditing, and enterprise risk management by upgrading the capabilities and competencies of the committees under the
- Continuing to enhance transparency in business operations, and ensuring fulfillment of the Board of Directors' independent members' responsibilities;
- Committing to standardizing our procedures to drive efficiency gains, aligning our current processes with applicable laws, especially relating to information security, risk management, internal controls, internal audit and margin lending;
- Increasing the efficiency of capital utilization through enhancing products and services offerings, as well as investing in research and development activities for new products and services to meet international standards, regulatory requirements and clients' needs. Adopt

the development of the process/procedures, trading system and human resource for the derivatives market and new products;

- Promotion and enhancement of corporate values by sustainable development through participating in drafting strategic CSR development plan;
- Developing a succession plan for the next generation of management

II. CORPORATE GOVERNANCE 2016

Strong corporate governance is an essential element to building a strong business foundation and bringing sustainable value to our business. Our approach to corporate governance is derived from a set of values and behaviours that underpin our daily activities, provide transparency and accountability, and always maximize value to shareholders and stakeholders

We are committed to excellence in corporate governance standards, which we see as fundamental to the sustainability of our business and our performance...

To maximize the corporate values, HSC not only pursues business development objectives to grow revenue and profits but also gradually improves governance capacity in line with international practice, ensuring resources and opportunities are optimized to create sustainable values in the long-term.

1. Rights of Shareholders

1.1. Shareholders meeting

On 21/04/2016, HSC held the 2015 Annual General Meeting (2015 AGM). All procedures, laws and regulations at that AGM were followed to ensure protection of shareholders' benefits and rights.

- All HSC's shareholders in the list on the most recent registration date March 10, 2016 provided by the Vietnam Securities Depository - Ho Chi Minh City Branch received full and clear information relating to the AGM 2015 as detailed in their notice of invitation. AGM 2015 notice of invitation specified the time, venue, agenda and basic information about registering for the Meeting. The full AGM 2015 documents were published on HSC's website in both (02) languages (Vietnamese and English) fifteen (15) days before the date of AGM 2015. In addition, notice of invitation for AGM 2015 was also posted on the Securities Investment Review.
- To facilitate all shareholders and proxy representatives, the 2015 AGM was held on a working day and the admission desk was opened one (1) hour prior the meeting. HSC used barcodes to confirm shareholders' ID and supporting documents as well as the voting and election ratios.
- Chairman of the Board, Board members, Chairman of the Board Committees and Board of Management chaired the AGM in 2015. In addition, representatives of independent auditors also attended the Meeting and representatives of minority shareholders were entitled to nominate themselves to the Vote Tally Committee. The chairing members were available to respond to any questions and encouraged shareholders or proxy representatives to comment in order to jointly build sustainable growth for HSC.

- Meeting minutes, voting result report and the 2015 AGM Resolutions were published on the HSC website in two (02) languages (English and Vietnamese) within twenty four (24) hours after the AGM.

1.2. Dividend Payout

In line with current practice, seventy percent (70%) of the profit after tax is used to pay annual dividends to shareholders. Depending on the business results in past years, the dividend rate ranged from twelve percent (12%) to twenty percent (20%). HSC always commits to pay at least between these boundaries or even at a higher rate than approved rate at the AGM.

At the 2015 AGM, shareholders approved an ordinary share dividend payment rate of 12% in 2016. The execution plan for the dividend payment in 2016 is summarized as follows:

- The company issued the 1st cash dividend advancement in 2016 at a rate of five percent (5%), which was paid to shareholders on 12/01/2017. This was announced by the Board of Directors in Resolution No. 11/2016/NQ-HĐQT dated 12/12/2016.
- In order to maintain an attractive equity return rate for shareholders, the Board of Directors will propose a higher rate for second cash dividend payment at AGM 2015 comparing to the approved plan.

2. Shareholders' equal rights

2.1. Appoint a proxy in the Annual General Meeting of Shareholders

HSC creates all favorable conditions for shareholders to attend the Annual General Meeting. Where a shareholder is absent and cannot delegate a proxy to attend the AGM, that shareholder has the right to delegate a member of the Board of Directors or Supervisory Board on their behalf and to make decision on all the resolutions and issues discussed at the AGM.

2.2 Voting at AGM

Each shareholder or proxy attending the AGM was given voting cards and voting forms using HSC templates. The voting card and voting form have barcodes so the vote count can be conducted efficiently and accurately. Shareholders use voting cards to vote for resolutions raised at the AGM. Key content for the AGM was sent to shareholders prior to the meeting. Shareholders must confirm their voting by inserting a cross in one of three (3) boxes provided. These boxes are termed "approved", "fail" and "no comment" and the shareholders are required to sign the form to confirm and validate the vote.

2.3 Election, discharge, dismissal and addition of members into the Board of Directors and Supervisory Board

Election, discharge, dismissal and addition of members into the Board of Directors and Supervisory Board must be approved at the AGM.

The selection and appointment of new members to the Board are made in accordance with formal procedures stated clearly and transparently in the Company Charter and Corporate Governance Policies. In the event of composition changes to the Board of Directors during the

middle of member's term, the Board will nominate and appoint the temporary member according to the Company Charter and Corporate Governance Policies. The nomination and appointment will be submitted at the next AGM for ratification.

At AGM 2015, HSC dismissed all members of the BoD/Supervisory Board third term (2010-2015) and elected new BoD/Supervisory Board members of fourth term (2016-2020) in the form of a secret ballot and cumulative voting whereby each individual shareholder or authorized representative thereof has a number of votes equal to the number of shares outstanding held times the number of positions up in the BoD/Supervisory Board for vote or they can dedicate all their votes to one or a number of candidates. The list of candidates with attached resumes were posted on the website of the Company seven (07) working days before the date of AGM 2015 so as to give shareholders adequate time to consider qualified candidates for the BoD/Supervisory Board of the upcoming term.

3. Roles of stakeholders

3.1. Relations with stakeholders

Customers

HSC is committed to creating the most favorable conditions and optimal products and services to our customers. To maintain the brand of financial service trust and grasp the opportunity to obtain permission to develop the derivatives market and other new products, HSC attempted to prepare the trading system, the process of deploying the product and human resource to be among the first securities companies to offer derivative products and services to customers in a short while with the highest quality and credibility being assured. It is hoped that from 2017, Vietnamese capital market for listed instruments will be complete as other markets including the stock market, bond market and the derivatives market and offer customers of HSC in particular and investors in Vietnam more generally additional attractive opportunities to invest their capital. Besides focusing investment in the derivatives market, HSC also constantly developed new products to cater the needs of different customer segments.

Shareholders

Long-term and loyal commitments of all HSC's shareholders, regardless of whether it is major, strategic or minority shareholder, is the main source of motivation driving HSC's efforts to bring sustainable investment efficiency to shareholders and maintain the trust "Investing right, investing in HSC" .

HSC ensures equal and non-biased rights without any discrimination whatsoever. All shareholders are entitled to adequate information to make appropriate investment decisions.

Staff

Corporate culture is the foundation of human development in a company. To foster a culture up to the expectations of the company itself and the majority of employees, we aim to build a

corporate culture where professional, qualified and insightful staff are also men of good moral standards who always give compassion to the community.

HSC aims at building a professional, attractive, friendly, efficient workplace and merit-based assessment mechanism in line with the company's vision, code of conduct, and corporate culture to maximize the capacity of the employees for the sustainable development of the enterprise.

Besides, the company encourages employees to seize the opportunity for their own professional development and development of the Company. Opportunities are always there for those who seek and try. We encourage individuals to understand the company, learn the products and current needs so that when opportunity knocks, such insightful understanding of the company will open the door. It is capabilities and attitudes that help you seize the opportunities. With that guiding principles, in 2016, HSC launched cross - sale operations to optimize resources and ensure fast and sustainable growth in the future.

Identifying the right corporate values will help shape the identity and bring positive values to all stakeholders.

Communities

HSC is dedicated to contributing to all aspects of community development. We endeavour to implement initiatives that have long term positive impacts on all communities in which we live in and work, and also those where we don't. We believe that whilst giving back to communities enhances our corporate image, our driver in community development is simply one of Humanity. Raising community standards is a core objective which we believe will be an essential component of our future success.

Environment (Market)

We recognize our responsibility to contribute to the development Vietnam's capital markets. We are recognized as a pioneer locally, supporting holistic growth in products, market activity and corporate expansion and therefore fostering goodwill from domestic and foreign observers. We play an active role in shaping the market and the rules by which we are bound, through our interaction and ongoing dialogue with the Regulator. It is a leadership and supporting role that HSC is obligated to fulfil.

3.2. Contact channels

The only current contact point in HSC is the Director of Communications. All questions of the stakeholders will be directed to the departments in charge and then the Director of Communications will represent HSC in answering questions by phone or email.

4. Information Disclosure

Policy on information disclosure

Information disclosure policies at HSC comply with all regulations and are aligned with our corporate governance policies. The information HSC discloses is in accordance with the following principles:

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

5. Board of Directors

5.1. Board of Directors members and its structure

In 2016 the Board of Directors has maintained operations in compliance with the Company Charter and corporate governance policies. The Board of Directors consists of seven (7) members. Its structure ensures the balance between members with various skills, knowledge and experience including legal, finance and securities professions with a balance between executive, non-executive and independent members. The names of the persons who have been or are Directors in the reporting period are listed below, along with their shareholding and the voting rights of each member including individuals and representative:

No.	Full name	Board of Directors' Member			HCM shares ownership %	
		Independent	Non-executive	Executive	% Representative	% Owned
01	Do Hung Viet	√			-	0,01
02	Le Anh Minh		√		15,43 (**)	0,03
03	Nguyen Thanh Liem		√		20,63 (*)	-
04	Le Thang Can		√		8,84 (*)	-
05	Pham Nghiem Xuan Bac	√			-	0,24
06	Johan Nyvene			√	15.43 (**)	0.40
07	Le Hoang Anh		√		-	-

Notes:

(*) The percentage of representatives from the HCM Finance and Investment state-owned Company (HFIC), a key state-owned shareholder owning 29.47% of HSC's charter capital.

(**) The percentage of representatives from the Dragon Capital Markets Limited (DC), a key foreign shareholder accounting for 30.87% HSC's charter capital.

5.2. Changes in the BoD members

On April 21, 2016 when AGM 2015 was held, out of seven (07) members of the Board elected for IV term (2016-2020), six (06) were reappointed and one (01) new members nominated by strategic shareholder DC, i.e. Mr. Le Hoang Anh. Mr. Trinh Hoai Giang, Board member cum Deputy CEO, was no longer a member of the Board as of April 21, 2016.

Changes to the board members of the fourth term (2016 - 2020) were made in line with international practice on BoD structure: minimize the number of part-time executive board members, increase the number of non-executive and independent board members.

5.3. Chairman of the Board of Directors and CEO are separate roles

The separation between the roles of Chairman and CEO represents independence and a clear division of responsibilities between the Board of Directors and the Board of Management to ensure the division of powers in decision-making process, increase accountability and improve independence of the Board. Powers and duties of the Board Chairman and CEO are stated in the Company's Charter.

Chairman of the Board is an independent member who served as the Company's CEO since its establishment. He was appointed in 2007 and currently sitting on the Board of the fourth term.

5.4. Roles and responsibilities of the Board of Directors

In accordance with the provision of Enterprise Law and the Company Charter, the Board of Directors is the governing body of HSC, which has ultimate decision-making authority, and it is empowered on behalf of the Company to carry out its duties and fulfil its obligations to the shareholders, which are not necessarily under the jurisdiction of the AGM.

In carrying out its duties, the Board of Directors must comply with all laws, the Company Charter and resolution made at the AGM. In the event decisions made by the Board contradict the law or Company Charter, thereby causing damage to the Company, the members who voted in favour of for these decisions are jointly and individual liable for any damages.

5.5. Activities of the Board of Directors

The BoD summoned eleven (11) meetings in 2016 including four (04) direct meetings and seven (07) meetings in the form of written consultation. Notice of invitation and the agenda of the direct meetings were emailed to BoD members at least fifteen (15) days and meeting documents to be sent at least five (05) days before the meeting. As for written consultation via email, contents consulted are presented in detail in the proposals and deadline for response is no later than seven (07) days after the date of sending the proposals.

At the meetings, the Board approves business results for each quarter, makes market commentary and reviews the strategic plan for the next quarter, and approves other issues under their mandate. Periodically at the first meeting of the fiscal year, the Board assesses the situation

of domestic and international market, thereby reviewing the Company's vision and mission in light of the current context.

The resolution is only adopted when over one-half (1/2) of the total number of participants agree.

The list of members attending Board meetings in 2016 is as follows:

Board of Directors meetings in 2016

No.	Member	Position	Date of appointment	Date of resignation	Number of Board meetings attended	Attendance ratio	Reasons for not attending
01	Mr. Do Hung Viet	Chairman	April 21, 2016		11/11	100%	Re-appointed on April 21, 2016
02	Mr. Le Anh Minh	Vice Chairman	April 21, 2016		11/11	100%	Re-appointed on April 21, 2016
03	Mr. Nguyen Thanh Liem	Vice Chairman	April 21, 2016		11/11	100%	Re-appointed on April 21, 2016
04	Mr. Pham Nghiem Xuan Bac	Member	April 21, 2016		11/11	100%	Re-appointed on April 21, 2016
05	Mr. Le Thang Can	Member	April 21, 2016		11/11	100%	Re-appointed on April 21, 2016
06	Mr. Johan Nyvene	Member	April 21, 2016		11/11	100%	Re-appointed on April 21, 2016
07	Mr. Le Hoang Anh	Member	April 21, 2016		7/11	64%	Appointed on April 21, 2016 and did not attend due to business trip
08	Mr. Trinh Hoai Giang	Member	April 08, 2011	April 21, 2016	3/11	27%	Resigned on April 21, 2016

Contents adopted in the Resolution of the Board of Directors

Business results and business plan

- Projections of business results 2015 (Resolution 01/2016)
- Adjustment of profit after tax in the business plan 2016 (Resolution 03/2016)
- Projections of business results first 6 months of 2016 (Resolution 06/2016)
- Projections of business results first 9 months of 2016 (Resolution 09/2016)

Risk management

- Adjustment of the total value of margin lending (Resolution 01/2016)
- Adjustment of Section 4.2, Article 4 of the Operating Principles of the Risk Management Committee (Resolution 01/2016)
- Approval of the proposal to raise credit lines in banks (Resolution 01/2016, Resolution 02/2016, Resolution 03/2016, Resolution 05/2016, Resolution 06/2016, Resolution 07/2016, Resolution 08/2016, Resolution 09/2016)

Corporate governance

- Agreement on the date AGM 2015 (Resolution 01/2016)
- Approval of the time, venue and agenda for AGM 2015 and the main contents of the report to be submitted to the AGM 2015 (Resolution 02/2016)
- Adjustment of the agenda for AGM 2015 (Resolution 03/2016)
- Approval of the proposal by the Board of Management submitted to the General Meeting of Shareholders regarding HSC's engagement in the derivative securities market (Resolution 03/2016)
- Approval in principle of the ESOP 2016. Board Executive Board proposal regarding ESOP 2016 plan submitted to the General Meeting of Shareholders for approval (Resolution 03/2016)
- Approval of some basic criteria for ESOP 2016 (Resolution 06/2016)
- Approval of the structure of the Board of Directors (Resolution 06/2016)
- Approval of the structure of the Board Risk Management Committee, Internal Audit Committee and Remuneration Committee (Resolution 06/2016)
- Approval of Policy on Authority (Resolution 09/2016)
- Approval of operating principle of the Board of Management (Resolution 09/2016)
- Agreement on amending and supplementing the Company's Charter after the Circular replacing Circular No. 121/2012 / TT-BTC is issued (Resolution 03/2016)
- Agreement on raising the foreign investor's ownership ratio after the Decree regulating "Conditions of Securities Investment and Business Operation" is issued (Resolution 03/2016)
- Approval of the relocation of Hanoi Branch (Resolution 10/2016)

Other issues

- Agreement on the rate of job allowance deductibles for employees in 2015 (Resolution 01/2016)
- Approval of the 1st advance dividend in 2016 in cash at the rate of 5% (Resolution 11/2016)
- Approval of selecting Ernst & Young Vietnam Ltd. as the audit firm for financial year 2016 (Resolution 04/2016)

5.6. Activities of non-executive, independent members of the Board of Directors

Compliance with regulations on the proportion of independent and non-executive members can ensure objective and independent decision making. The current structure of the HSC board members is balanced between the executive, part-time members and non-executive, independent members, at least 1/3 of who are independent members.

In referencing the current regulations and international practice applicable to listed companies on the independence of the Board members, HSC Board found that although the two (02)

independent members of the Board, namely Mr. Do Hung Viet and Mr. Pham Nghiem Xuan Bac have been sitting on the Board for over nine (09) years but they do not take advantage of such long lasting relation to alter the independence of decision making process and continue to make valuable contributions to the development of the company. Therefore, it is deemed that the two (02) members still comply with current regulations on independent Board members.

Independent and non-executive members are mostly members of the Board Committees. As a matter of fact, besides general duties as the Board members, they also undertake assignments under their Committees.

5.7. *The Board Committees*

Two Committees namely Board Risk Management Committee and Board Audit Committee are established under the BoD. In 2016, the Board officially established the Board Remuneration Committee.

These committees are tasked with advising and assisting the Board in maintaining and enhancing internal control operations of the Company. All three committees are comprised of independent, non-executive and executive members. They were selected based on qualifications and experience as well as contributions to the committee:

No.	Name	Position	Board Risk Management Committee	Board Internal Audit Committee	Board Remuneration Committee
01	Mr. Do Hung Viet	Chairman Independent Board member	√	Chairman √	√
02	Mr. Le Anh Minh	Vice Chairman Non-executive Board member	Chairman √		Chairman √
03	Mr. Le Thang Can	Member Non-executive Board member		√	
04	Mr. Le Hoang Anh	Member Non-executive Board member	√		
05	Johan Nyvene	Member Executive Board member			√
06	Mr. Vo Van Chau	Head of Supervisory Board Member			√
07	Ms. Dang Nguyet Minh	Member of Supervisory Board		√	√

5.8. *Activities of the Committees under the Board of Directors*

1. **Board Risk Management Committee**

Risk Management Committee is responsible for advising the Board in issuing the strategies, processes, and policies related to risk management of the Company. Risk Management Committee is also tasked with analyzing and providing warnings about the prudential thresholds in the face of potential risks and proposing preventive measures; analyzing and determining the overall risk level of the company, setting risk appetite and risk tolerance in specific business lines

as well as the overall business operations of the Company, and overseeing the implementation of policies in the company, reviewing funding, liquidity and capital raising the company. Risk Management Committee shall be responsible for reviewing and deciding on changes to the organizational risk management structure of the company to comply with the requirements for risk management of the authorities. In addition, Risk Management Committee also needs to evaluate the performance of the Chief Risk Officer.

Activities of the Risk Management Committee:

- In 2016, the Risk Management Committee approved the Delegation of Authority Policy and Terms of Reference for the Management Board prepared by the Risk Management Department before submitting to the Board of Directors for adoption. The Risk Identification and Escalation Policy for the whole company and the Margin Lending Risk Management & Reporting Escalation Policy have also been issued following the approval of the Board of Management, Risk Management Committee and Board of Directors. On a quarterly basis, the Risk Management Department will send a report on significant risks identified in the quarter along with an action plan and monitoring results to the Risk Management Committee.
- On a monthly basis, the Risk Management Department will send a report on transactions carried out during the month to Risk Management Committee.
- The Risk Management Committee shall summon a meeting to approve the transactions under their mandate.
- Changes to the composition of the Risk Management Committee: Mr. Le Hoang Anh - BoD Member, appointed to the Risk Management Committee from 28/06/2016 in place of Mr. Pham Nghiem Xuan Bac.

2. Board Audit Committee

The Board Audit Committee was founded in early 2014. The Board Audit Committee acts in accordance with the Terms of Reference and Charter which have been approved by the Board of Directors.

Board Audit Committee has completed the joint internal audit contract with KPMG Vietnam Ltd. for the period of three (03) years from 2014 to the end of 2016. From 2017 onwards, HSC will have independent Internal Audit Department, reporting directly to the Board Audit Committee under the Board of Directors.

Activities of Internal Audit Department and Follow-up of Internal Audit Findings :

In 2016, the Internal Audit Department has issued the following audit reports:

- Anti-money laundering review report
- Institutional client brokerage
- IT Internal Audit Follow-up
- Treasury management / Proprietary trading

- Accounting and financial reporting
- Private Client brokerage Internal Audit Follow-up

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

- Human resource management
- Margin Lending Internal Audit Follow-up
- Institutional client brokerage Internal Audit Follow-up

Audit Projects Progress Report and Follow-up reports on the internal audit findings were reported in the periodic meetings of the Board Audit Committee.

3. Board Remuneration Committee

The Board Remuneration Committee was officially established under Resolution No. 06/2016 / NQ-HDQT dated June 27, 2016 and is in the process of developing Operating principles and the Charter of the Committee to submit to the Board for approval.

The Board Remuneration Committee is tasked with advising and proposing remuneration and other benefits of the members of BoD, Supervisory Board and Board of Management; reviewing the annual budget plan on staff to be submitted to the Board of Directors for approval and deciding on the ESOP for selected employees of the Company.

5.9. Participation of the Board of Director members in corporate governance programs

All members of the Board of Directors and Supervisory Board participated in “Corporate governance” training course as prescribed in Article 34 of the Circular 121/2012 / TT-BTC dated July 26, 2012 of the Ministry of Finance, except for Mr. Pham Nghiem Xuan Bac due to some constraints. The company will arrange reasonable time for Mr. Pham Nghiem Xuan Bac to join such training course on corporate governance in the near future

Besides, Chairman and representatives of HSC Board of Directors also attended workshops on corporate governance in 2016, notably the workshop on “Enterprise Law 2014: New regulations on Corporate Governance and applicability for Vietnam enterprises” updating businesses of issues related to Corporate Governance regulations in the new Enterprise Law and introducing regional and international practice on corporate governance jointly held by Deloitte Vietnam Limited and International Finance Corporation (IFC) in collaboration with the Hanoi Stock Exchange (HNX) and Ho Chi Minh City Stock Exchanges (HOSE) In June 2016.

5.10. Briefing Orientation of the Company and necessary information provided to newly appointed board members

The Board of Directors requires that each newly appointed board members commits to continue improving knowledge and skills in the area of operations of the Company in order to better understand the operation of the company and contribute effectively to the sustainable development of the company, through the document giving overview of the company’s activities,

namely annual reports and direct meetings or email communication with all the members or the Secretary of the Board.

5.11. Assessment of operational effectiveness of the Board of Directors' performance

The Board of Directors has taken several steps to improve corporate governance and align our standards with current regulations and international practice. For example:

- Carried out activities appropriate to the Company Charter, ensuring that regular meeting were held and that all Board members attended the meetings
- Clearly defined the roles of independent and non-executive members were clearly defined in order to maximize interests of all shareholders
- Supervised the implementation of the Board of Directors' decisions and resolutions at the AGM;
- Directed and supervised the implementation of various important projects at HSC, including those relating to risk management, internal audit, improvements in business processes, developing derivatives market and new products.
- Monitor the Board Committees to ensure compliance with the Operating principles and Company Charter.

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

6.1. Remuneration of the Board of Directors and Supervisory Board

The operating fund of HSC's Board of Directors and Supervisory Board in 2016 amounts to one point two percent (1.2%) of profit after tax, as approved at the AGM 2015.

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

Remuneration of the Board of Directors' members in 2016

Unit: VND

No.	Name	Position	Specialization	Executive role	Remuneration per month (after tax)	Note
01	Do Hung Viet	Chairman	√		Salary employing	
02	Le Anh Minh	Vice Chairman			10.000.000	
03	Nguyen Thanh Liem	Vice Chairman			10.000.000	
04	Pham Nghiem Xuan Bac	Member			10.000.000	
05	Le Thang Can	Member			10.000.000	
06	Johan Nyvene	Member		√	Salaried employee	
07	Le Hoang Anh	Member			10.000.000	Appointed 21/04/2016

No.	Name	Position	Specialization	Executive role	Remuneration per month (after tax)	Note
08	Trinh Hoai Giang	Member		√	Salaried employee	Resigned 21/04/2016

Remuneration of the Supervisory Board members in 2016

Unit: VND

No.	Name	Position	Remuneration per month (after tax)
01	Vo Van Chau	Chairman	10.000.000
02	Doan Van Hinh	Member	6.000.000
03	Dang Nguyet Minh	Member	6.000.000

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

Table detailing remuneration and operating expenses of the Board of Directors and Supervisory Board in 2016

No.	Content	Amount (VND)
01	Operating fund of the Board of Directors and Supervisory Board at the beginning of 2016	697.149.329
02	Operating fund of the Board of Directors and Supervisory Board in 2015 (1% of 2014 profit after tax)	2.559.721.203
	Operating expenses of Board of Directors and Supervisory Board	3.127.116.738
03	1. Remuneration of the Board of Directors & Supervisory Board in 2015	992.666.656 (*)
	2. Other operating expenses	2.134.450.082
04	Operating fund of the Board of Directors & Supervisory Board carried forward at the end of 2016	129.753.794

Ghi chú:

(*) Total remuneration of the Board of Directors was VND 633,333,328 and Supervisory Board was VND 293,333,332 (including personal income tax). The spending on remuneration for the Board increased by 13% compared to 2015 due to the appointment of Mr. Le Hoang Anh from April 21, 2016 and incurrence of remuneration from quarter 2/2016. In 2015, Mr. Trinh Hoai Giang concurrently acted like a member of the Board and Deputy CEO so he only received salaries, not remuneration for being a Board member.

6.2. Regulation of bonuses to the Board of Directors and Supervisory Board's members:

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

6.3. Regulation on benefits to the members of the Board of Directors and Supervisory Board

Currently, the Company' business expenses benefits (including those relating to the use of company cars; telephones; social, medical and other insurance; the annual health check, and other items specified in the Company's policies) and other benefits in internal policies are only applicable to the Chairman of the Board of Directors. Only business travel expenses from other members of the Board of Directors and Supervisory Board are charged to the Company (if incurred).

6.4. Share trading transactions of internal shareholders

In 2016, HSC recorded the following transactions of HCM shares with respect to internal shareholders:

No.	Name	Relationship with internal shareholders	Number of shares owned initially		Number of shares owned at the end period		Reasons for increase, decrease (purchase, sell, convert, reward)
			Number of shares	(%)	Number of shares	(%)	
01	Resonance JSC	Company related to Pham Nghiem Xuan Bac – Member of the Board of Directors	481.672	0,38	481.672	0,38	Registered to buy 200,000 shares from 25/03/2016 to 22/04/2016, but not yet purchase due to inappropriate shares' price.
02	Pham Nghiem Xuan Bac	Member of the Board of Directors	360.000	0,28	300.000	0,24	Registered to sell 100,000 shares from 06/09/2016 to 05/10/2016, but sold 60,000 shares due to inappropriate shares' price.

6.5. Transactions with related parties, major shareholders, internal stakeholders and their related parties

No.	Related parties	Relationship	Headquarter	Date of transaction	The Board of Directors resolution No.	Quantity, percentage of shares after transactions	
						Quantity	Percentage
01	Dragon Capital Markets Limited (DC)	Strategic shareholder	Room1501, 15 th Floor, Me Linh Point, No 02 Ngo Duc Ke Street, District 1, HCMC	12/2016	No. 08/2014/N Q-HDQT dated 03/10/2014	39,278,810	30.87

Note:

HSC and DC signed contract on providing consultancy services about business processes, in which DC supports HSC on market research, corporate finance, institutional brokerage, merger and acquisition. The contract term is three (03) years from 2014 to 2016 and consultancy fees for 2016 were VND 9,618,991,691 (VAT included).

All contents of the report of the Board of Directors are presented. On behalf of the Board of Directors, I would like to thank to Shareholders, Customers, Partners and Employees of HSC who have tried their best to overcome the challenges and to complete the company's mission successfully.

Best regards.

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

(signed and seal)

DO HUNG VIET

To:

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