



Ho Chi Minh City, April 02nd 2014

REPORT OF THE BOARD OF DIRECTORS

AT THE FY2013 ANNUAL GENERAL MEETING OF SHAREHOLDERS

I. ASSESSMENT OF THE BOARD OF DIRECTORS ON THE OPERATIONS OF HSC IN 2013

A. ASSESSMENT OF THE BOARD OF DIRECTORS ON THE COMPANY'S OPERATIONS

In 2013, notwithstanding the hardship of the economics, the recovery of macroeconomic indices impacted positively towards the securities market in Vietnam, which overcame the turbulence relatively successfully. Given the increase of both VN-Index and HNX-Index by 21.97% and 18.83% respectively, Vietnam was ranked as one of the top 10 countries possessing the most vigorous recovery level worldwide.

Thanks to the positive movement of the securities market, trust of the shareholders as well as the non-stop endeavors of HSC, the business outcome of HSC was successfully achieved compared to others firms in the industry. Specifically, profit after tax of 2013 reached VND 282 billion, which was a 15% increase from 2012 and approximately 119% of the targeted plan set by the AGM in FY2012.

Regarding brokerage market share, HSC continued to hold its top position on both HOSE and HNX in 2013. The contribution of the Private Clients Brokerage & Sales Division (PBD) and Institutional Clients Brokerage & Sales Division (IBD), whose market share increased from 7% in 2012 to 7.5% in 2013 and from 3.2% in 2012 to 4.5% in 2013 respectively, enabled HSC to obtain the largest market share in Vietnam with the annual growth rate of 17% y/y.

Alongside this, other business divisions also strove for success. The Investment Banking Division revenue in 2013, reached VND 22.6 billion, rising by 136% and accounting for 59% of the target. Whereas the Principal Investment Division finished 2013 with more remarkable results translating into the revenue of VND 85 billion, rising by 281% compared to VND 22 billion of 2012 and 180% above the target.

In 2013, HSC successfully issued shares for existing shareholders from owner's equity and issued shares in accordance with Employee Stock Ownership Plan (ESOP) for HSC staff, thereby increased charter capital from VND 1,008 billion to VND 1,272 billion.

Alongside the intensification of business activities, so that HSC reached beyond the target approved in the AGM in FY2012, HSC constructed a business environment based on the criteria of transparency, trustworthiness and sustainable development. Therefore, the implementation of risk management in corporate governance was steadily built up. With these foundations, HSC is

currently building a risk management model so that its staff to identify, assess, supervise and manage risks in compliance with risk management principles applied in Vietnam and worldwide. Besides, HSC established the Internal Audit Division. In the initial phase, HSC cooperated with KPMG Vietnam Ltd for internal control execution. Later on, there shall be an independent Internal Audit Division who reports directly to the Internal Audit Sub-committee under the Board of Directors of HSC.

To mitigate risks relating to information security, HSC implemented successfully the Information Security Project ISMS (Information Security Management System) with the purpose of ensuring the confidentiality of information under thorough control and management, confronting to the principle of C.I.A (Confidentiality-Integrity-Availability) and was certified ISO / IEC 27001:2005 for "Providing online trading and brokerage services" by TUV Rheinland (Germany). Thanks to this achievement, HSC reinforced its status of being a pioneer in the development of IT infrastructure; thereby upheld the trust and loyalty of its clients when using services of HSC.

In 2013 HSC has continuously received many prestigious awards in Vietnam and worldwide given by reputable institutions as follows:

- *"Representative Company in Ho Chi Minh City"* by People's Committee of HoChiMinh City;
- *"Top 10 the best Brokerage Market Share in HOSE"* by HoChiMinh Stock Exchange;
- *"Outstanding Member of HNX in 2013"* by Hanoi Stock Exchange;
- *"Best Brokerage House in Vietnam"* by The Asset magazine;
- *"Top 50 Listed Company in Vietnam"* by Forbes magazine,

B. ASSESSMENT OF THE BOARD OF DIRECTORS ON THE OPERATIONS OF THE MANAGEMENT TEAM

Pursuant to the Charter and promulgated rules and regulations, the BODs authorized the Management Team to make decisions on business activities of the company on a day-to-day basis and concurrently exercise resolutions, business plan and directions by the BODs and the General Shareholders Meeting. Based on the mechanism of examination and supervision via a quarterly report on business results, business situations of the company and extraordinary reports, the BOD assessed the Management Team had successfully exercised powers vested and assigned duties as provisions of applicable laws, the Company Charter, resolutions of the Annual General Meeting and the Board of Directors in a truthful, prudent manner for the best interests of the company and its shareholders. Accordingly, the Board of Management finished 2013 with the fulfillment beyond the target of business plan in 2013 approved by the Annual General Meeting, as well as having implemented the construction of business environment on the foundation of sustainable development, and upgraded corporate governance of the Company, managerial roles and risk management.

C. PLANS, DIRECTION OF THE BOARD OF DIRECTORS

Speculation on the stability of the macroeconomics, controlled inflation, lower interest rates and a restructuring of the securities market, the implementation of the derivative securities market project and the proposed merger of two stock exchanges as well as the increase of market demand in terms of foreign investment of the State Securities Commission, are all vital elements contributing to the progressive recovery of Vietnam's securities market. With the above predictions and in order to continuously upgrade the efficiency of leveraging the capital of shareholders and investors, as well as remain in the top position among securities companies in Vietnam, the Board of Directors is committed to the following policies in 2014:

- Continuously reinforcing and improving the management activities of the Company as well as enhancing governance and risk management in finance, accounting and auditing, corporate risk management by enhancing the competence of the sub-committees under the Board of Directors;
- Continuously increase transparency in business operations and enhancing the roles of the independent members of the Board of Directors;
- Standardizing all the professional procedures of the company as far as it is appropriate within the business conditions and the law; notably in terms of information security, risk management, internal control, etc;
- Improving capital capacity by promoting the competencies of current products and services as well as researching and developing new products in compliance with international practices and standards, so as to fulfill customer's demands;
- Researching and implementing ETF fund, derivative products to amplify the scope of development in the upcoming phases;
- Investing intensively and optimizing the securities brokerage services to maintain the prevailing top position in Vietnam.
- Continuously implementing operations of Principal Investment Division in a prudent manner, in which prioritizes the increase in investment capital ratio into stocks and reduction in investment into bonds as the interest rate is on progress of stability;
- Promoting strategic cooperation with strong and prestigious domestic private business groups as well as international institutions to improve HSC's competitive edge;
- Continuously implementing and deploying the business plan until 2015, especially focusing on M&A activities to rapidly affirm and retain HSC's competitive advantage;
- Developing and enhancing the corporate values on a sustainable foundation by creating a Corporate Social Responsibility (CSR) strategy;
- Bringing forward the succession planning and development project at corporate management level.

- Maximizing the interests of shareholders and balancing between such interests and the administration of the company reasonably,

II. REPORT OF THE BOARD OF DIRECTORS IN 2013

A. THE BOARD OF DIRECTORS

1. Introduction of the Board of Directors

According to provisions of the Law on Enterprises and the Charter of HSC, The Board of Directors is the administrative body of the Company, which has full powers on behalf of the Company to decide to perform rights and obligations of the Company, which are not the competence of the Annual General Meeting. The Board of Directors shall be responsible for ensuring operations of the Company, conducting fair treatment to all shareholders and respecting interests of people relating to the Company. In 2013, the Board of Directors maintained its operations in accordance with provisions of the Company Charter and Corporate Governance with the number of members of the Board of Directors is 07 members, including 02 independent members, 03 non-executive members and 02 executive members. Such independent members are Mr. Do Hung Viet (Chairman of the Board of Directors) and Mr. Pham Nghiem Xuan Bac (member of the Board of Directors). 02 over 03 non-executive members are representatives of the contributing capital of Hochiminh City Finance and Investment state-owned Company (HFIC), which is the major state-owned shareholders holding 29.47% of charter capital, including Mr. Nguyen Thanh Liem (Vice Chairman of the Board of Directors) and Mr. Hoang Dinh Thang (Member of the Board of Directors). Mr. Le Anh Minh (Vice Chairman of the Board of Directors) is the representative of the contributing capital of Dragon Capital Markets Limited (DC), which is the major foreign shareholder holding 30.87% of charter capital of HSC. The remaining 02 executive members are Mr. Johan Nyvene (Chief Executive Officer) and Mr. Trinh Hoai Giang (Deputy Chief Executive Officer).

2. Sub-committee under the Board of Directors

To improve the corporate governance and provisions of applicable law as well as international standards, the Board of Directors established two sub-committees under the Board of Directors, whose duties are to consult and assist the Board of Directors in maintaining and reinforcing the internal control of the Company as follows:

a. Risk management Sub-committee

Sub-committee comprises 03 non-executive members of the BOD, specifically as follows:

No.	Name	Position
01	Mr Le Anh Minh	Vice Chairman of the BOD - Principal of the Sub-committee
02	Mr Do Hung Viet	Chairman of the BOD - Member of the Sub-committee
03	Mr Pham Nghiem Xuan Bac	Member of the BOD- Member of the Sub-committee

b. Internal auditing sub-committee

Internal auditing sub-committee comprises three members, including two non-executive members of the Board of Directors and one member of the Audit Committee as follows:

No.	Name	Position
01	Mr Do Hung Viet	Chairman of the BOD- Principal of the Sub committee
02	Mr Hoang Dinh Thang	Member of the BOD- Member of the Sub-committee
03	Ms Dang Nguyet Minh	Member of the Audit Committee- Member of the Sub-committee

3. Operations of the Board of Directors

As provisions of the Company Charter, in 2013, the BOD maintained the that a meeting be held every quarter to discuss and make decisions within the competence of the Board of Directors and thereof, promptly regulate and lead the business operations of the company based on the turbulence of the market. The BOD managed to hold nine meetings, including three office meetings and six meetings in form of collecting written opinions. Members of the BOD participated and contributed opinions and voted to pass resolutions. There were votes obtained from more than half of total votes of all members of the BOD. All office meetings of the BOD included Head of the Audit Committee and/or Member of the Audit Committee as observers:

Meetings of the BODs

No	Member of the BOD	Position	Meeting participation	Rate	Reasons for absence
01	Mr Do Hung Viet	Chairman	9/9	100%	
02	Mr Le Anh Minh	Vice Chairman	9/9	100%	
03	Mr Nguyen Thanh Liem	Vice Chairman	8/9	89%	On business trip
04	Mr Pham Nghiem Xuan Bac	Member	9/9	100%	
05	Mr Hoang Dinh Thang	Member	8/9	89%	Bad health condition
06	Mr Johan Nyvene	Member	9/9	100%	
07	Mr Trinh Hoai Giang	Member	9/9	100%	

The following issues were passed at the Resolutions of the BOD

No	Resolution's No	Date	Content
01	01/2013/NQ-HĐQT	27/02/2013 Lấy ý kiến bằng văn bản	Approval for the time, venue and content of the Annual General Meeting FY2013.
02	02/2013/NQ-HĐQT	07/03/2013	- Approval for 2013 business plan.

No	Resolution's No	Date	Content
			<ul style="list-style-type: none"> - Approval for main contents in the reports for Annual General Meeting FY2012 as follows: <ul style="list-style-type: none"> o Approval for the 1st advance payment of cash dividend in 2012 o Dividend plan in 2013 o Profit distribution plan in 2012 o Selecting the auditing firm for FY 2013 o Issuance of shares to raise share capital from owners' equity and issuance of share in ESOP program o Amending the Charter of HSC. - Agreement on the celebration day for 10-year anniversary of HSC, which was May 16th 2013
03	03/2013/NQ-HĐQT	25/03/2013 Lấy ý kiến bằng văn bản	Approval for the Management Team to buy/sell stakes of the Saigon beer-alcohol-beverage Corporation (SabeCo).
04	04/2013/NQ-HĐQT	21/05/2013 Lấy ý kiến bằng văn bản	Approval for the Management Team to sell 329,560 treasury shares HCM.
05	05/2013/NQ-HĐQT	05/06/2013 Lấy ý kiến bằng văn bản	Decision on the selection of Ernst & Young Ltd. as an audit firm for FY2013.
06	06/2013/NQ-HĐQT	12/07/2013 Lấy ý kiến bằng văn bản	Approval on the alternation of overdraft limit at Bank for Investment and Development of Vietnam (BIDV) and credit limit at commercial banks.
07	07/2013/NQ-HĐQT	09/08/2013	<ul style="list-style-type: none"> - Reports on business results of the H1-2013. - Reports on the results of selling 329,560 treasury shares. - Approval for the implementation time of issuing shares to increase share capital from owners' equity in issuance form approved by the AGM of FY2012 on 26/04/2013. - Approval for the appointment of Mr. Arnold V. Pangilinan to be Managing Director of the Risk Management Division of the Company. - Approval for the Enterprise Risk Management framework, operation principles and regulations of Company risk management as well as appointment of human resource accordingly. - Approval for the selection of advisory firm and implementation timeline of the Business Process Improvement (BPI) Project. - Approval for the principles of composing the

No	Resolution's No	Date	Content
			<p>Corporate Governance Regulation of the Company.</p> <ul style="list-style-type: none"> - Approval for the ratio and time of payment of cash dividend in 2013 with the rate of 5% - Approval for the appointment of Mr. Le Cong Thien to be Deputy CEO of the Company.
08	08/2013/NQ-HĐQT	30/10/2013	<ul style="list-style-type: none"> - Approval for the business results of 9 months of 2013. - Approval for the depository, listing and additional transaction of the total issued shares to increase the capital from owner's equity in accordance with proposal plan approved at the AGM in FY2012 at Vietnam Securities Depository - HCMC Branch and HOSE. - Approval for standards of staff eligible for ESOP 2013, principles of determining the number of shares for each subject, nominating members for ESOP Committee and deployment time of ESOP 2013. - Approval for the purchase of additional shares of DongA Joint Stock Commercial Bank. - Approval for the Corporate Governance Regulation of the Company. - Approval for the guideline on Limit of Authority. - Approval for the advisory firm and deployment time for internal audit of the Company.
09	09/2013/NQ-HĐQT	06/12/2013 Lấy ý kiến bằng văn bản	<ul style="list-style-type: none"> - Approval for the authorization of the CEO to be the representative of the Company in signing all documents relating to credit cards named HSC opened at HSBC Bank (Vietnam) Ltd. - Approval for the additional registration, listing at Hochiminh Stock Exchange and depository at Vietnam Securities Depository- HCMC Branch of a total of 1,200,000 (One million two hundred thousand) shares issued to the staff under the ESOP scheme approved at the AGM FY2012.

Decisions issued by the Board of Directors

No.	Decision's number	Date	Content
01	01/2013/QĐ-HĐQT	12/08/2013	Decision to appoint Mr. Le Cong Thien to be Deputy CEO of the Company.
02	02/2013/QĐ-HĐQT	12/08/2013	Decision to appoint Mr. Arnold Villanueva Pangilinan to be Managing Director - Head of Risk Management of

4. Operations of non-executive members of the BODs:

The prevailing structure of the BODs ensures the balance between executive members and non-executive members, in which one thirds of the total members of the BODs are independent members. The independence of members must follow provisions of the Company Charter.

Almost non-executive members are members of the sub-committee under the BODs. Therefore, besides the universal duties of the BODs, such members shall be responsible for assigned works at their sub-committee.

5. Operations of the sub-committees of the BODS

a. The Risk Management Sub-Committees

The Risk Management Sub-committee assists in the supervision of the structure of corporate risk management; regulations and guidance on governance and risk evaluation; level of risk tolerance; capital, liquidity and capital raise of the company and the efficiency the Head of Risk Management.

With mentioned tenure, in 2013, the risk Management Sub-committee approved the structure of corporate risk management, operating principles, limit of authority, risk management policy, strategic risk models, risk management guideline and regulations of corporate risk management stipulated by the Risk Management Division for the approval of the BODs.

On a monthly basis, the Executive Board of Risk Management sends monthly reports to the Risk Management Sub-committee.

The Risk Management Sub-committee shall hold meetings to approve transactions within its authority.

b. Internal Audit Sub- Committees

The Internal Audit Sub-committee was established at the beginning of 2014 and on progress of completing the Operating Principles Draft, Charter Draft and staff of the Sub-committee.

The Internal Audit Sub-committee shall implement the internal auditing in cooperation with KPMG Ltd as advisory firm in a course of three years from 2014 to the end of 2016. During this course, the advisory firm shall train, coach the Internal Audit Division as well as the Internal Audit Sub-committee as well as construct internal auditing plans and jointly implement the annual internal auditing. After this course of joined internal auditing, which means after 2016, HSC shall have an independent Internal Audit Division which is accountable to the Internal Audit Sub-committee under the BODs.

6. Certificate of corporate governance

All members of the BODs participated in all activities relating to the governance of the Company and possessed certificate of corporate governance, except for Mr. Pham Nghiem Xuan Bac, who did not have sufficiently favorable conditions to participate in all activities.

B. TRADINGS, REMUNERATION AND BENEFITS OF THE BOARD OF DIRECTORS, BOARD OF MANAGEMENT, AND THE BOARD OF SUPERVISOR

1. Remuneration of the BOD and the BOS

The operating fund of HSC's BODs and BOS in 2013 was approved with the ratio of 01% of profit after tax by the FY 2012's AGM.

The remuneration payment to members of the BOD and BOS complies with Resolution no. 12/2011/NQ-HĐQT dated on December 21st, 2011 by the BODs about the approval of remuneration for the BOD and BOS.

Remuneration to the members of the BODs in 2013

Unit: VND

No.	Name	Position	Specialization	Cum Management	Remuneration level per month (after tax)
01	Mr. Do Hung Viet	Chairman	√		Salary received
02	Mr. Le Anh Minh	Vice Chairman			10,000,000
03	Mr. Nguyen Thanh Liem	Vice Chairman			10,000,000
04	Mr. Pham Nghiem Xuan Bac	Member			10,000,000
05	Mr. Hoang Dinh Thang	Member			10,000,000
06	Mr. Johan Nyvene	Member		√	Salary received
07	Mr. Trinh Hoai Giang	Member		√	Salary received

Remuneration to the members of the BOS in 2013

Unit: VND

No.	Name	Position	Specialization	Cum management	Remuneration level per month (after tax)
01	Mr. Vo Van Chau	Chairman			10,000,000
02	Mr. Doan Van Hinh	Member			6,000,000

03	Ms. Dang Nguyet Minh	Member	6,000,000
----	----------------------	--------	-----------

Based on the remuneration presented above and the prevailing number of members of the BODs and BOS at specific times, the payment of remuneration and operating expenses to the members of the BODs and BOS specifically are as follows:

a. Remuneration of the BOD

- Total number of the members of the BOD: 07 members

(among which there are 01 member of specialization and 02 members of cum management receiving salary)

- Total remuneration: 533,333,328 VND *(including personal income tax)*

b. Remuneration of the BOS

- Total number of the members of the BOS: 03 members

(among which there is 01 supplementary appointed member receiving the remuneration from Q2/2013)

- Total remuneration: 273,333,332 VND *(including personal income tax)*

c. Remuneration and operating expenses of the BODs and BOS in 2013

Number	Content	Amount (VND)
	Operating fund of the BODs & BOS in 2013 (with 01% extracting from profit after tax 2012)	2,463,805,238
01	Remuneration of the BODs & BOS in 2013	806,666,660
02	Other operating expenses	1,443,817,688
	The remaining operating fund of the BODs & BOS in 2013	213,320,890

2. Share trading transactions of internal shareholders

In 2013, HSC had only 01 trading transaction of Mr. Lam Huu Ho – Chief Financial Officer of the Company as following:

No	Name	Relationship with internal shareholders	Number of shares owned in the beginning		Number of shares owned in the end period		Reasons for increase, decrease (purchase, sell, convert, reward,...)
			Number of shares	Percentage	Number of shares		
01	Mr.Lam Huu Ho	Chief Financial Officer	60,083	0.06	35,083	01	Mr. Lam Huu Ho

To overcome the challenges and to complete the company's mission successfully, the Board of Directors hope to receive the supports from the shareholders, customers, partners as well as all the staff and employees of HSC and believe to identify themselves with HSC.

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,*