



HoChiMinh City, April 01st 2015

REPORT OF THE SUPERVISORY BOARD

AT THE FY2014 ANNUAL GENERAL MEETING OF SHAREHOLDERS

2014 was an eventful and surprising year for Vietnam's stock market, with a doubling of trading activity and value. Accompanying this, there has been an increase in intensity of competition among securities firms, which has impacted upon HSC's business performance; HSC's brokerage market share fell year-on-year for the first time in the six years from 2008. However, perhaps more importantly, HSC has made significant progress in developing systems of risk management, control and supervision to support its sustainable development objectives.

I. ACTIVITIES OF THE SUPERVISORY BOARD

The Supervisory Board consists of three members, including two independent members, who all act as shareholders' representatives, supported by the Management Team and the Board of Directors. The Supervisory Board examines and supervises commercial operations, and advises on risk management and corporate governance issues at HSC. In 2014, the main areas overseen by the Supervisory Board were:

- The activities of the Board of Directors, including the implementation of resolutions passed at the FY2013 Annual General Meeting ("**AGM**");
- Business activities and the production of financial statements in 2014; and
- Internal audit activities in 2014

1. Supervising the activities of the Board of Directors, including the implementation of resolutions passed at the FY2013 AGM:

The Supervisory Board participated fully in all quarterly and on-demand meetings of the Board of Directors. The Board used its clear understanding of HSC's business performance to advise the Board of Directors and the Management Team on the implementation of strategic objectives approved at the AGM on April 2014. Strategic plans were discussed in a detailed and open manner, and were only approved once a unanimous consensus was obtained.

The core matters discussed in the Board of Directors' meetings included the Company's capital structure; the appropriate margin lending limits in light of the development of the market; the expansion of business activities; and investment in IT systems. Other related activities of the Supervisory Board include closely supervising the implementation of the Business Process Improvement ("**BPI**") project; reviewing and advising on the findings of the

Internal Audit Function; and advising the Management Team on medium and long term strategic issues. The advice and supervisory activities of the Supervisory Board, and its role as a representative of investors, were all respected by, and considered in the decisions of the Board of Directors.

2. Supervising business activities and financial performance in 2014

In 2014, the Supervisory Board organised regular meetings with HSC's independent auditors, Ernst & Young Vietnam, to discuss the statutory audit scope, audit findings and other relevant matters. The Supervisory Board has found HSC's business activities to be transparent, and no significant violations relating to accounting, commercial operations or internal processes were identified. Moreover, the Supervisory Board requested the independent audit to consider all tax-related policies, and to notify HSC in a timely manner of all requirements, in order to avoid any potential tax arrears cases as arose during inspection last year. For the reporting year, Ernst & Young Vietnam only provided audit services to HSC; no advisory services were provided. The total cost of the audit in 2014 amounted to VND 842 million (including VAT).

In addition, the Supervisory Board analysed the quarterly financial statements, semi-annual review reports, audit reports of 2014 and financials presented at the meetings between the Management Team and the Board of Directors. The Supervisory Board acknowledged that HSC's financial position was healthy throughout the period:

- a) HSC's business results in 2014 reflected a high growth rate and an increase in key profitability ratios, and exceeded the targets approved at the AGM (as presented at the beginning of this Annual Report); and
- b) HSC's Liquid Capital Safety Ratio, as well as other key liquidity and solvency ratios, all exceeded minimum requirements throughout the period.

Basic financial ratios

No	Key ratio	FY2014	FY2013
1	Liquid Capital Safety Ratio	798%	950%
2	Liquidity Ratio		
a	Current ratio (times)	2.5	3.1
b	Total Debt/ Total Assets Ratio (times)	0.4	0.3
3	Capital Structure		
a	Owner's Equity/ Total Equity (times)	0.6	0.7
4	Profitability ratios		
a	ROAE	16.3%	12.8%
b	ROAA	10.8%	9.0%

3. Supervising internal audit activities in 2014

In fulfilling objectives set at the end of 2013, the Supervisory Board focused on supervising the establishment and operational activities of the Internal Audit Function during the period,

in cooperation with the Board Audit Committee under the Board of Directors. The Supervisory Board acknowledges the results achieved as follows:

i. Establishment of an Internal Audit Function

Completion of documents providing the basis for operations of the function, including key employees' responsibilities, the Internal Audit Charter and the Internal Audit Manual. The documents were officially approved by the Board of Directors on March 10th 2014.

ii. Identifying risks of HSC's operating procedures

Documenting and collecting information obtained from interviews and surveys relating to internal control-based risks, prioritising risks and confirming the results with the Management Team and the Board of Directors.

iii. Designing an internal audit plan for the 2014-2016 period

Based on the risk assessments referred to in paragraph (ii), the Internal Audit Function linked key risks with HSC's relevant business procedures, and on this basis, proposed a suitable internal audit plan for the succeeding three years. Accordingly, in the 2014-2016 period, the Internal Audit Function Department of HSC, assisted by KPMG, will conduct audits of fifteen business areas. Of these areas, five were assessed to have a relatively high level of risk and so are to be audited annually; five were assessed to have a mid-level risk, and are to be audited on a biennial basis; and five areas were deemed to be of low-level risk, and so were recommended to be audited every three years.

iv. Completing internal audits of margin lending and private brokerage activities

After reviewing the two audit results, the Supervisory Board found that key findings mainly related to processes and procedures at these functions and the rigorous implementation of them. The Supervisory Board recognises that the Management Team acknowledged these findings, and outlined specific timelines and appropriate action plans in response to them

II. REMUNERATION AND OPERATING COSTS OF THE SUPERVISORY BOARD AND EACH MEMBER

In 2014, the Supervisory Board received remuneration for each member (after deduction of income tax) as follows:

- Vo Van Chau: VND 10 million / month
- Doan Van Hinh: VND 6 million / month
- Dang Nguyet Minh: VND 6 million / month

III. PLAN OF THE SUPERVISORY BOARD FOR 2015

Based on the three-year plan referred to above, the Supervisory Board continues to accompany and supervise the Internal Audit Function in the audits of the following business areas:

No	Business area to be audited	Expected time for audit
1	IT Function	7 January 2015 – 10 March 2015
2	Anti-money laundering policies and processes	2 February 2015 – 13 February 2015
3	Brokerage services for institutional clients	2 March 2015 – 8 May 2015
4	Strategic planning	11 May 2015 – 10 July 2015
5	Process of human resources management	13 July 2015 – 11 September 2015
6	Treasury proprietary investment	14 September 2015 – 13 November 2015
7	Margin lending (for the second time)	16 November 2015 – 13 January 2016

In addition, the Supervisory Board will continue to oversee the improvement of HSC's risk management framework, as well as the development of the Company's long-term strategic plans. The Supervisory Board will seek to improve its own operating processes in order to continually meet international corporate governance standards and practices.

Best Regards.

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

(signed and seal)

VO VAN CHAU

To:

- As mentioned above;
- BOD Office for record,