



HoChiMinh City, 06 April 2016

REPORT OF THE SUPERVISORY BOARD

AT THE FY2015 ANNUAL GENERAL MEETING OF SHAREHOLDERS

2015 was indeed a very challenging year for HSC and for the securities industry in Vietnam and abroad. Locally, progressive market reform and compelling domestic macro-economic metrics were outweighed by uncertainty in the global economy, especially the deterioration in Chinese equity markets and the collapse in oil prices. Foreigners became heavy net sellers in the second half of the year and competition in commission pricing and margin lending activities intensified. HSC's market share fell marginally from 2014 however the after tax result fell 43% year on year was mainly driven by lower profitability in the Private Client Division and the Proprietary Investment Function. Notwithstanding this, HSC has focused on advancing all aspects of our corporate governance including improvements in risk management, internal audit and the internal control environment. 2015 was a year where governance initiatives have delivered sustainable service improvements for our clients, helped to develop the skills of our employees whilst increasing our contribution to the communities in which we operate.

I. ACTIVITIES OF THE SUPERVISORY BOARD

The Supervisory Board consists of three members, including two independent members, who together act as shareholders' representatives, supported by the Executive Committee and the Board of Directors. The Supervisory Board examines, supervises and advises on risk management and corporate governance issue at HSC. In 2015, the main areas were overseen by the Supervisory Board as below:

- The activities of the Board of Directors, and the implementation of resolutions passed at the FY2014 Annual General Meeting ("AGM");
- Business activities and the preparation of the 2015 financial statements; and
- Internal audit activities in 2015

1. Supervising the activities of the Board of Directors, and the implementation of resolutions passed at the FY2014 AGM:

The Supervisory Board attended and participated in all Board of Directors meetings, providing insights into HSC's business performance, advising the Board of Directors and the EXCO on the implementation of strategic objectives approved at the previous AGM in April 2015.

The key issues discussed in the Board of Directors' meetings included the Corporate Governance, the official establishment of Executive Committee (EXCO), Investment Committee (IC), Risk Management Committee (RMC) and their operating principles. Additionally, quarterly business results, capital structure, suitable margin lending limits in line with risk appetite, debt to equity ratio, the impact of the increase in foreign ownership limits under Decree 60/2015, preparation for new products and the introduction of listed derivatives were discussed in a transparent and responsible manner. The contribution and opinions 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 statements in 2015

In 2015, the Supervisory Board organized regular meetings with HSC's independent auditors, Ernst & Young Vietnam Limited, to discuss the statutory audit scope, audit findings and other relevant matters contained in the Management Letter issued by them. The Supervisory Board has found HSC's business operations are conducted in a transparent manner, with no significant violations relating to the accounting, finance, business operations and internal processes of HSC. This year, Ernst & Young Vietnam Limited only provided audit services to HSC and they did not provide any advisory services. The total expenditure relating to the 2015 audit was VND 1,016,400,000, which included VAT.

Additionally, the Supervisory Board analysed the quarterly financial statements and reviewed the 2015 half year and full year audited reports. The financial ratios presented by EXCO at the Board of Director meetings are also reviewed by the Supervisory Board. These regular assessments provide the Supervisory Board with sufficient information to make an informed view on HSC's financial strength. HSC's Liquidity Capital Safety Ratio and all other key financial safety ratios were maintained or improved in 2015. The Supervisory Board acknowledged that the financial position remained healthy throughout the year and that satisfactory results were achieved in 2015 despite:

- challenging market conditions that resulted in a decrease in profitability that did not meet the targets approved at the prior year AGM
- average daily trading volumes decreasing about 16% compared to 2014
- margin lending interest rates declining significantly
- poor proprietary trading results from Equity Investment Function

Basic financial ratios

No.	Key ratio	FY 2015	FY 2014
1	Liquid Capital Safety Ratio	1,053%	798%
2	Liquidity and Solvency Ratios		

<i>a</i>	<i>Current Ratio (times)</i>	2.6	2.5
<i>b</i>	<i>Total Debt to Total Assets Ratio (times)</i>	0.4	0.4
3	Capital Structure Ratios		
<i>a</i>	<i>Owner's Equity to Total Assets Ratio (times)</i>	0.6	0.6
4	Profitability Ratios		
<i>a</i>	<i>ROAE (Net Profit after Tax to Average Owners' Equity)</i>	9.2%	16.3%
<i>b</i>	<i>ROAA (Net Profit after Tax to Average Total Assets)</i>	5.7%	10.8%

3. Supervising internal audit activities in in 2015

One of the main responsibilities of the Supervisory Board is to oversee the HSC's internal audit activities. More broadly, this involves considering the effectiveness of the internal control environment, the internal audit system and risk management framework. The Supervisory Board noted that the Internal Audit Function performed reviews of several key processes in accordance with the 2015 Internal Audit Plan. The findings from these reviews have been tabled and discussed at the Board Audit Committee meetings and these findings have been communicated to and reviewed by the Supervisory Board. We acknowledge that the Internal Audit Function completed reviews of the following processes:

- i. The Anti-Money Laundering policies and procedures
- ii. Information Technology Function
- iii. Institutional Client Brokerage Services
- iv. Treasury Proprietary Investment

The audit results show that the EXCO is aware of these risk factors, and there are current policies and procedures to prevent these risks. However, this has been implemented in silo by Department Heads in a piecemeal fashion. Although no financial loss has occurred, the risk remains and therefore the development and implementation of a comprehensive set of policies and procedures documents should be prioritized in HSC's plans.

4. Remuneration of The Supervisory Board in 2015

In 2015, members of the Supervisory Board received remuneration as follows (includes personal income tax):

Member	Position	Per Month
Mr. Vo Van Chau	Chairman	10.000.000
Mr. Doan Van Hinh	Member	6.000.000
Ms. Dang Nguyet Minh	Member	6.000.000

II. PLAN OF THE SUPERVISORY BOARD FOR 2015

Based on the three-year plan proposed in 2014, the Supervisory Board continues to accompany and supervise the Internal Audit Function in the audits of the following business areas:

No.	Processes Business Area to be audited	Expected time for audit
1	Anti-money laundering processes	15 February 2016 – 29 February 2016
2	Human resources management	15 February 2016 – 13 May 2016
3	Accounting and financial reporting	16 May 2016 – 29 July 2016
4	IT and Security Management	Negotiating with audit service provider
5	Margin lending process (2 nd review)	1 st August 2016 – 14 October 2016
6	Private Client Brokerage (2 nd review)	17 October 2016 – 30 December 2016

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 commits to continually developing its own operational processes and to strive to maintain international corporate governance standards and practices. We would like to sincerely thank our shareholders for their trust and ongoing support as we aim to deliver greater long term value to our shareholders by fostering higher standards in sustainability and humanity.

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,