



HoChiMinh City, 09 April 2018

REPORT OF THE BOARD OF DIRECTORS AT THE FY2017 ANNUAL GENERAL MEETING OF SHAREHOLDER

I. 2017 PERFORMANCE EVALUATION BY THE BOARD OF DIRECTORS

A. Operations Review

The economy of Vietnam is gaining momentum in 2017

The global economy in 2017 has strongly recovered and resumed its growth after a decade of financial crisis. From China to Europe, from Latin America to Japan, everywhere showed significant momentum. The world economy is recovering strongly due to the rise in private consumption, the sustainable development of global investment, the improvement of the labor market, the strong recovery of world oil prices. Global GDP growth has started making significant footprints for recovery and the world economy is really flourishing. Moreover, the International Monetary Fund (IMF) reported that the growth for 2017-2018 would exceed 3.7%, the fastest pace since 2010. The year 2017 will go down in history as a once in a decade occurrence for financial market correction.

In alignment with the strong global economic recovery, Vietnam's economy has set many high records. Firstly, GDP growth reached 6.81%, exceeding the target set by the National Assembly. Moreover, foreign direct investment (FDI) reached US \$ 17.5 billion. Not only that, this is the first time in history that Vietnam's export and import turnover exceeded 400 billion USD and trade surplus reached 2.67 billion USD. Last but not least, foreign exchange reserves set a record of US \$ 51.5 billion and large-scale state capital sales were all executed successfully.

Economic development is the prerequisite condition to form the foundation of a capital market and stock market. The year 2017 can be seen as the sublimation of the Vietnam stock market, an important channel for capital raising, investment mobilization, and financial intermediation, where the economy of Vietnam stands to benefit with a strong and confident economic and financial structure. Stock market and bond market capitalization have reached over 100% of GDP, compared to 130% of GDP of outstanding credit at the moment. This shows that Vietnam's financial-monetary market is gradually achieving a more balanced and stable structure than before. Furthermore, as strongly backed by internal factors of the economy, VN-Index made an impressive gain of 48%, slightly touch to the 1000-point mark. In a similar vein, the HNX-Index

improved by 46% to 116.86 points at the end of 2017. The market capitalization jumped to VND 3,360 trillion, 73% higher than from the end of 2016, which is equivalent to 74.6% of GDP. Unexpectedly, it has excellently gone beyond the original target set for 2020. Additionally, the market liquidity has improved significantly. The average trading value of stocks and share certificates reached VND 5,000 billion per day, which increased 63% compared to 2016 and represented the highest trading value ever traded in the decade since 2007. With the above performance, Vietnam was ranked as the highest growth stock market in Southeast Asia in 2017 and was ranked third in the world this year.

2017 Financial Performance

HSC had very impressive financial performance for 2017. There are three major factors allowing HSC to make hay while the sun shines. Firstly, HSC operations rode on the back of a booming economic, both at home and abroad. Secondly, HSC was trusted by the network of partners that ranged from shareholders to stakeholders to intermediaries, and even vendors. Lastly, the HSC staff contingent was complemented and strengthened with additional capabilities that improved the ability to seek, identify, and execute the trades and boosted the corporate finance advisory services. The three elements provided the trilogy to reach high levels of financial governance and transparency that would ensure the future development of HSC and its corporate sustainability.

HSC's financial results for 2017 were impressive and positive with total revenue reaching an all-time record of VND 1,540 billion. The figure represented a quantum leap of 87% and surpassed 52% of the planned target for 2017. The after-tax profit reached VND 554 billion, 82% higher than in 2016. It also exceeded 53% of the plan set by the 2016 Annual General Meeting of Shareholders (AGM) 2016. HSC's brokerage market in 2017 accounted for 11.3% of total, which was a slight but stable improvement from 2016 of 11.2%. However, it was under the planned target of 12.3%. In the brokerage market, HSC's individual client brokerage market share was 6.4% while institutional client brokerage market achieved 4.5%.

B. BoD's Supervision over the Chief Executive Officer and Board of Management

In 2017, the BoD maintained a close supervision over the CEO and BoM in implementing the resolutions passed by AGM and BoD. The details are as follows:

1. Methods of Supervision

The Board of Directors (BoD) and the Supervisory Board (SB) thoroughly cooperated and examined the business operations of HSC. The high level of understanding has enabled the two Boards to support and guide the CEO and BoM to implement the corporate plan and fulfil their core responsibilities.

The committees of the BoD regularly meet and reported to the BoD. The sub-committees and their reporting activities are listed:

- The Risk Management Committee reported all significant risks, such as liquidity risks, credit risks, and capital risks arising in each quarter, and proposed recommendations and necessary actions for risk mitigation;
- The Internal Audit Committee reported on the number of internal audits conducted in the quarter, the audit findings, and audit recommendations for strengthening the internal operational processes, procedures, systems and technology environments; and.
- The Remuneration Committee considered, evaluated and approved the compensations, benefits, and remuneration policies for 2017.

At all times, The Board of Directors and the SB assess the feasibility of the action plans and recommendations, thereby proposing solutions that are more practical and appropriate to the company's operations.

The BoD issued resolutions after each periodic meeting and upon special request, and to approve the business results and business plan for each quarter. At the same time, the BoD also provided strategic guidance, market assessments and overall economic situation to support the review of business plans for the subsequent quarter. There were regular communications and interactions between the CEO, the BoM and the BoD, which supported the implementation of policies and monitoring the results of those policies to ensure that the overall objectives of HSC are achieved.

2. Supervision results

The financial performance for 2017 with basic financial indicators are as follows:

Unit: VND million

Target	2017	2016	Change ratio (%)	2017 Plan	Plan completion ratio (%)
Revenue	1,540,043	824,245	87%	1,011,913	152%
Profit before tax	692,601	385,383	80%	450,778	154%
Profit after tax	554,059	304,531	82%	361,052	153%

3. Conclusion

In accordance with HSC Company Charter, company's policies and procedures, the BoD authorized the CEO and BoM to implement and manage the day-to-day operations of HSC, and to ensure the deployment of resources to achieve the strategic decisions aligned with the business plans. Through the mechanism of reporting periodical inspection, supervision, financial performance, the daily operation of the Company and reports on unexpected affairs as required,

the Board of Directors concluded that the CEO and The Board had exercised its rights and duties in accordance with the prevailing laws, as well as the Company's Charter and other resolutions as discussed in the AGM 2016. Besides, the Board of Directors has exercised the assigned rights and responsibilities in a prudent, professional and integrity manner to ensure the maximum legitimate interests of the Company and its shareholders. Moreover, the CEO and Board of Directors have done their best to meet and exceed the business objectives approved by the AGM 2016. At the same time, the CEO and the Board also did well in building a great business environment where the main focuses were sustainable development, strong corporate governance, risk management enhancement and great control ability.

C. Strategic Plans and Orientations of the Board of Directors

2018 is expected by most economists and financial experts to be a sunrise year for the global economy. The growth of trade flows and financial flows will continue steadily resulting in a sharp increase in stock market capitalization and market liquidity because the stock market is the litmus test of the economy.

The Vietnam stock market in 2018 is forecasted to see optimism and to be full of potential. There are many signals to drive that optimism. Firstly, the stock market will continue to receive attractive financial intermediation opportunities from SOE equitizations and IPO equity placements by large SOEs in key areas. Secondly, a number of financial products that are traded on the stock market, such as covered warrants or government bond will increase the level of attractiveness, investment opportunities as well as meet hedging needs. And finally, the legal framework for the capital market - the stock market will continue to improve in the coming time, especially when the Ministry of Finance is expected to complete the amendment of the Securities Law in 2019. The revised Law on Securities will create a conducive environment for enterprises to undertake capital raising, by issuing instruments such as shares or bonds, creating a new legal framework for new products in the market, improving the quality and effectiveness of inspection and supervision activities of the stock market. , thereby improving the quality and effectiveness of financial intermediation as well as ensuring the sustainability of market development and transparency.

Given the optimistic outlook of the stock market in 2018, the BoD shall focus on the following initiatives:

- Developing robust and dynamic strategic development objectives, plans and policies;
- Strengthening and promoting the core business activities of the company by diversifying its products, improving service quality for customers as well as seizing new opportunities in the stock market to research, develop and diversify products to bring maximum benefit to customers;
- Enhancing corporate governance, risk management and risk control system, especially in financial management, accounting and auditing. Enhance corporate risk management by

improving the organizational capabilities and competencies of the committees under the BoD;

- Continuing to seek higher levels of transparency in business operations and enhance the role of Independent Directors;
- Standardizing processes, systems and procedures to improve efficiency and ensure compliance with legal regulations, especially in the areas of information security, risk management, control internal, internal audit and margin lending;
- Increasing the efficiency of capital utilization through enhancing financial products and services and investing in research and development to create new financial products and services that meet international standards, regulatory requirements and clients' needs.
- Promoting corporate values of sustainable development in the drafting and promulgation of the CSR strategy and initiatives; and
- Developing a succession plan for the next generation of leaders.

II. CORPORATE GOVERNANCE 2017

Strong and compliant corporate governance is one of the key factors for building a strong corporate foundation that delivers sustainable business value. The HSC approach for enacting corporate governance is to promote a set of values and behaviours that directs its day-to-day operations, provides transparency and accountability, and maximizes financial value to shareholders, stakeholders, and partners. We are committed to maintain high standards of corporate governance, financial accountability, and financial transparency that will ensure long term sustainability.

In order to maximize business value, HSC is not only interested in business development goals for revenue and profit growth, but also to focus on enhancing corporate governance in line with international practices and take full advantage of every opportunity that creates sustainable value in the long run.

1. Engaging Shareholders, Investors and Partners

1.1. Shareholders AGM

In addition to the information provided in the Quarterly Financial Statements, the Annual Report, and newsletters, the Annual General Meeting (AGM) of Shareholders is an important opportunity for the Company to disseminating and engaging with shareholders, investors and partners. At the AGM of Shareholders, the BoD presents the financial results and initiatives undertaken in the past year, the business plan for the next financial year, and other information deemed important to seek the decisions of the AGM of Shareholders .

On 24 April 2017, HSC held the 2016 Annual General Meeting (2016 AGM) in Ho Chi Minh City. The AGM followed and complied with the current statutory regulations, company mandate, and procedures to ensure the protection of shareholders' benefits and rights.

- All shareholders whose registrations were undertaken on latest 09 March 2017, as provided by the Ho Chi Minh City Branch of the Vietnam Securities Depository, received full and clear information related to the AGM 2016 as detailed in their notice of invitation. The notice of invitation has clearly specified the time, venue, agenda and basic information about the registration of the meeting. The full AGM 2016 documents were published on HSC's website in Vietnamese and English languages, twenty-one (21) days before the launching date of AGM 2016. In addition, the notice of invitation for AGM 2016 was published in the Securities Investment Newspaper.
- In order to facilitate all shareholders and their authorized representatives, the 2016 AGM was held on a working day and the registration and admission desk were opened one hour prior to the meeting. HSC used barcodes to confirm shareholders' identification and other supporting documents as well as calculating the voting and election ratios.
- The Chairman of the BoD, BoD members, Chairman of the Committees, and BoM chaired the 2016 AGM. In addition, the representatives of independent audit firm were in attendance. The representatives of minority shareholders were entitled to nominate themselves in the Vote Tally Committee to count the votes.
- The Chairing Committee members were responsible and available to respond to any questions asked from the attendees and they encouraged shareholders or authorized representatives to give comments and jointly agree on the objectives, policies and CSR initiatives for HSC.
- The minutes of the meeting, voting results report, and the 2016 AGM Resolutions were published on HSC website in English and Vietnamese languages within 24 hours after the AGM.

1.2. Dividend Payout

Dividend policy is reviewed by the Board of Directors annually but HSC is committed to ensure that at least 50% of the after-tax profit would be distributed as dividends to shareholders. Based on the financial performance of previous years, the dividend payout rate ranged from 12% to 20%. HSC is committed to always pay the correct amount or even higher if approved by AGM.

At the 2016 AGM, shareholders approved an ordinary share dividend payment rate of 12% payable in 2017. The execution plan for the dividend payment in 2017 is summarized as follows:

- HSC issued the first cash dividend advance in 2017 at 6%, which was paid to shareholders on 24 January 2018. This was announced by the Board of Directors in Resolution No. 16/2017/NQ-HĐQT dated 25 December 2017.
- To retain the attractiveness of the stock for shareholders, the BoD will propose a higher rate for second cash dividend payment at AGM 2017 in line with the approved plan.

1.3. *Investor relations*

HSC is always proactive in engaging shareholders, investors, and the wider partnership community networks to provide timely, useful, complete, reliable and accurate information. The data and information are provided through a number of communication and media channels, such as, the website, AGM, newsletters, videos and direct email blast to the investment community with registered email addresses.

HSC has encouraged all shareholders, investors, and partners to discuss, share ideas, provide questions and all possible forms of information contribution to HSC by emailing to Director of Communications.

2. *Shareholders' Equal Rights*

2.1. *Appointing an authorized representative to the Annual General Meeting of Shareholders*

HSC strongly encourages shareholders participation at the AGM. Should a shareholder unable to attend the AGM, he or she may nominate an authorized representative such as a BoD member or BoS member to vote on their behalf and to decide on any resolutions and issues discussed at the AGM.

2.2. *Voting at the AGM*

Each shareholder or their authorized representative attending the AGM are given voting cards and voting forms printed by HSC. The cards and forms have barcodes so that the vote counting process can be more efficient and accurate. The shareholders shall use voting cards to vote for resolutions raised at the AGM. Key information content for the AGM was sent to shareholders prior to the meeting. The shareholders must confirm their voting by marking a cross in one of the three boxes provided. The contents of the three boxes were "approve", "not approve" and "no comment." The shareholders were required to sign the form to confirm and validate the vote.

2.3. *Conflicts of Interest Management*

There is a need to prevent conflicts of interest in operations and decision making. Recognizing this need resulted in the development of internal policies, procedures, systems of control and monitoring at HSC. The system and processes served to prevent or mitigate "conflicts of interest" situations. The risks that are to be prevented or mitigated include actions of personal gain but at the loss to shareholders, investors, partners and HSC.

Right now, HSC is compliant with the "conflict of interest avoidance" regulation under Vietnam law. The BoD has plans to raise the bar as the firm grows, expands and matures. It is planned that HSC follows international benchmarks and best practices.

Related Parties Transactions

Related party transactions are frequently the causes of the collapse of many large corporations, depleting shareholder value, and reducing confidence of shareholders, stakeholder, and

investors in the integrity of the market. This issue has become a considerable challenge to the business environment in Vietnam in recent years and has shaken investors confidence to the core.

For this reason, HSC will develop policies for the control, monitoring, and handling of the related parties transactions. The policy will be placed centrally within the corporate governance framework to ensure that any potential conflicts of interest when dealing with related parties are strictly monitored and controlled.

Transactions of managers and executives of the Company and related parties

Firstly, the related parties must report and disclose information at least three working days prior to the date of trading of HCM stock to the Ho Chi Minh Stock Exchange (“HOSE”) and report within three (03) working days from the date of execution to the State Securities Commission and HOSE.

Secondly, the company’s directors and managers must inform the BoD of all interests that may conflict with the interests of HSC. The interests could be benefits and opportunities received through economic entities, transactions, and other individuals. These benefits and opportunities are not allowed to be received for personal purposes. This relates to privileged information too, that is obtained by virtue of their position, and used for personal gains.

Thirdly, HSC does not provide loans or guarantees to its directors and managers and their related parties unless decided at the AGM.

Fourthly, HSC is not allowed to engage in transactions with value at 35% or more of the total assets recorded in the latest financial statement with these related parties or engage in transactions with shareholders / their authorized representatives owning more than 10% of HSC’s total ordinary shares and their related parties, unless decided by the AGM.

3. Role of Stakeholders

3.1. Role of Stakeholders

Clients

In order to maintain our financial services' brand of trust, HSC always tries to create favorable conditions and bring the best products and services to its customers, giving them more attractive opportunities to invest in capital with highest value in return. HSC has always been one of the pioneers who have worked with the authorities since the early days to build the operating system for new products in the market such as guaranteed security products for Ho Chi Minh City Stock Exchange (HSX) and bond futures products for Hanoi Stock Exchange (HNX) and State Securities Commission (SSC). In addition to constantly support the market in developing new products, HSC is also striving to create its own products and services such as individual account

management consulting services, which has been one of important revenue stream to HSC in 2017.

In addition, at HSC, client confidentiality and client data privacy are the top priorities. The client is put on the pedestal and holds the pivotal position in the business operations. HSC measures its success through client satisfaction based on the user experience.

Shareholders

It can be said that the position of HSC today cannot be achieved without the strong support of all the shareholders. To the shareholders, HSC wants to provide information access that is timely, transparent, usable and accurate to assure equal rights, without distinction between major shareholders, strategic shareholders or minority shareholders. All shareholders have the right to be provided with all the necessary information to make appropriate investment decisions. And above all, HSC is committed to bringing sustainable investment efficiency with shareholders' return being at least above the industry average. As evidence of this commitment, thus far, HSC has maintained its status as one of the top three securities companies in Vietnam.

Staff

Generally, corporate culture is a foundation of human in a company. In order to foster an outstanding culture that meets both corporate and corporate expectations, HSC aims to build a corporate culture, in which every staff of HSC does not put only strong emphasis in professionalism, capability, knowledge but also integrity and compassion for the community.

On the other hand, corporate culture is reflected in the relationship between colleagues in the company. There is little distinction between high level leaders and senior managers and staff - they see and treat each other as "partners". Because of that, it is very essential for HSC to find a way to efficiently transform a team of nearly nine hundred employees to nine hundred "Partners" with the aim of optimizing resources to ensure rapid and sustainable growth in the future. Effective relationships between partners in their own departments, across different divisions and throughout the organization can be established through the sharing of information, ideas and innovative approaches. More importantly, building effective relationships with our "Partners" within the Company is the key to enhance cooperation and understanding. Furthermore, establishing relationships and working with external partners is important to capture and utilize every opportunity for cooperation. The "Partnership" culture has started and being spreading strongly in the "HSC partner community", inspiring "one day in HSC is a happy day" for all staff.

HSC will identify the appropriate set of values and embed them in the organization to shape the identity and bring positive values and greater opportunities to all shareholders, stakeholder, and partners.

Community

The sense of community sharing has been built and promoted throughout the company's history since its early days. At an organizational level, HSC is committed to help build the country by creating employment opportunities and contributing to public finance through the payment of taxes. HSC has set up the Humanity Foundation to help with the sudden hardships and emergency illness of the staff. Besides, HSC has organized training sessions to assist students to improve their skills through familiarizing themselves with the business environment so that they have an easier access and transition to the workplace when they graduate. At the same time, there are volunteer activities, sharing and helping the less privileged and disadvantaged groups of people. This has become an upright tradition for HSC. The spirit of "sharing the happiness" is actively communicated throughout HSC.

HSC endeavors to implement initiatives that have long lasting impact on communities where HSC is located. HSC is dedicated to contributing to all aspects of community development. Community development is at the core of CSR where HSC believes will be an essential component for long term success.

Environment

HSC recognizes its responsibility to contribute to the development Vietnam's capital markets and the wider economy. HSC is ranked as a pioneer in the securities market. The organization supports the holistic growth in financial investment products, financial intermediation and corporate advisory services. HSC plays a proactive role in actively discussing and communicating regularly with regulators, thereby contributing to the process of market shaping, market development and related regulatory requirements. This role is considered essential for the long-term development of HSC.

3.2. Audit firm

HSC is committed to always select one of the Big 4 Audit Firms in Vietnam to ensure the quality of the independent external audit examinations. Price Waterhouse Coopers (PwC) Vietnam Limited was chosen for the fiscal year 2017, replacing Ernst & Young Vietnam Limited. The selection was approved by the State Securities Commission of Vietnam under the framework of issuing, listing and securities trading organizations. The audit examination was undertaken on the annual financial statements and review of quarterly financial statements. This change was made with the aim of bringing new perspectives to HSC's financials.

The audit fees amounted to VND 924,000,000 (*VAT included*) payable to Price Waterhouse Coopers Vietnam who were contracted to perform the external audit. The audit review and examination process undertaken include:

- Review of interim financial statements;
- Review of the interim Liquidity Ratio Report;

- Auditing financial statements at year end;
- Audit Report on liquidity ratios at year end;
- Auditing the special financial information of the Company at year end in accordance with international accounting standards (IFRS)

In addition, HSC also paid non audit fees of VND 495,000,000 (*VAT included*) to its joint audit company, KPMG.

3.3. Contact for Media Inquiries

Currently, the only point of contact for media inquiries to HSC is the Director of Communications. Any questions from stakeholders will be forwarded to the relevant heads of department. The responses to the questions will be sent to the Director of Communications who shall represent HSC in responding by phone or email.

4. Information Disclosure

Policy and implementation of information disclosure

The information disclosure framework at HSC is in compliance with the statutory regulations, internal policies and corporate governance policies. The information disclosures must be in accordance with the following fundamental principles:

- The disclosed information should be accurate, complete, clear and must be disclosed within the agreed time frame;
- The disclosed information must strictly comply with current statutory regulations;
- All stakeholders have the right to access the disclosed information;
- Information that may have a significant impact on the share price of HCM, or possibly influence an investor's decision, affecting shareholder rights, or may cause a serious event 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

The Board of Directors is responsible for ensuring that the best corporate governance practices are applied throughout the Company. The Board of Directors has been and is going to implement the best corporate governance standards from the highest level of management board to every HSC employee as the foundation to achieve the Company's goals. Not only that, it is empowered by HSC to carry out its role and responsibilities and fulfil its obligations to the shareholders, as well as enhance the company value.

5.1 Members and Composition

In 2017, the BoD has maintained its operations in compliance with the Company Charter and corporate governance policies. The BoD consists of seven members. The composition of the

Board ensures the balance with skills, knowledge and experience in legal, finance and securities as well as the balance between executive and non-executive members. Below is the list of board members:

BOARD OF DIRECTORS	Members of the Board of Directors	
	Non-executive	Executive
	Do Hung Viet	
	Le Anh Minh	
	Nguyen Thanh Liem	
	Le Thang Can	
	Pham Nghiem Xuan Bac	
	Le Hoang Anh	Johan Nyvene

COMMITTEES UNDER THE BOARD OF DIRECTORS	
	Risk Management Committee
	Internal Audit Committee
Remuneration Committee	

5.2 Roles and responsibilities of the Board of Directors

Under the Enterprise Law and the HSC Charter, the Board of Management is the governing body of the Company and has full authority to act on behalf of the Company to exercise its rights and obligations beyond the authority of the BoD.

When performing their functions and tasks, the Board of Directors must strictly comply with the provisions of law, the Charter of the Company and resolutions of the General Annual Meeting of Shareholders. In the event where decisions are made by BoD contravenes the law or Company Charter, thereby causing detriment to HSC, the members who voted in favour for these decisions are jointly and individual liable for any damages as according to the relevant law.

5.3 Activities Completed by the Board of Directors in 2017

The BoD called for 19 meetings in 2017, in which 11 meetings were direct meetings and 08 meetings were in the form of written consultations. Notices and the meeting agendas were sent to BoD members at least 15 days in advance and meeting documents to be sent at least 5 days prior to the meeting. As for written consultation via email, the consulted contents were presented in detail in the proposals and deadline for response is no later than 7 days after the submission date.

At the meetings, the Board discussed quarterly business results, reviewed the market trends and strategic plans for the next quarter, and granted approval for issues under its authority. Periodically at the first meeting of the fiscal year, the Board assesses the situation of domestic and international markets, thereby reviewing HSC's vision and mission in light of the current environment and market trends.

The resolution is only passed and adopted if there is over 50% agreement among the total number of participants.

The list of members participating in Board meetings in 2017 is as follows:

Board of Directors meetings in 2017

No.	Meeting date	Meetings		Resolution No.
		Direct meetings	Meetings in the form of written consultations	
01	17/01/2017	√		01/2017/NQ-HDQT
02	13/03/2017		√	02/2017/NQ-HDQT
03	24/03/2017	√		03/2017/NQ-HDQT
04	05/06/2017	√		04/2017/NQ-HDQT
05	08/06/2017	√		05/2017/NQ-HDQT
06	28/06/2017		√	06/2017/NQ-HDQT
07	27/07/2017	√		07/2017/NQ-HDQT
08	02/08/2017	√		08/2017/NQ-HDQT
09	02/08/2017	√		09/2017/NQ-HDQT
10	25/08/2017	√		09A/2017/NQ-HDQT
11	29/08/2017		√	10/2017/NQ-HDQT
12	02/10/2017		√	11/2017/NQ-HDQT
13	06/10/2017	√		12/2017/NQ-HDQT
14	25/10/2017	√		13/2017/NQ-HDQT
15	14/11/2017	√		14/2017/NQ-HDQT
16	14/11/2017		√	15/2017/NQ-HDQT
17	14/11/2017		√	16/2017/NQ-HDQT
18	14/11/2017		√	17/2017/NQ-HDQT

No.	Meeting date	Meetings		Resolution No.
		Direct meetings	Meetings in the form of written consultations	
19	14/11/2017		√	18/2017/NQ-HDQT

Board of Directors meetings in 2017

No.	Member	Position	Number of Board meetings attended	Attendance ratio
01	Mr. Do Hung Viet	Chairman	19/19	100%
02	Mr. Le Anh Minh	Vice Chairman	19/19	100%
03	Mr. Nguyen Thanh Liem	Vice Chairman	19/19	100%
04	Mr. Pham Nghiem Xuan Bac	Member	19/19	100%
05	Mr. Le Thang Can	Member	19/19	100%
06	Mr. Johan Nyvene	Member	19/19	100%
07	Mr. Le Hoang Anh	Member	19/19	100%

Contents adopted in the Resolution of the Board of Directors

Subject Matter	Approved content
Financial performance and Business Plan	Projections of business results 2016 (Resolution 01/2017)
	Business Plan 2017 Forecast (NQ 01/2017)
	Expected business results for the first quarter of 2017 (Resolution 03/2017)
	Projections of business results first 6 months of 2017 (Resolution 07/2017)
	Projections of business results first 9 months of 2017 (Resolution 13/2017)
Risk Management	Total value of loans of the company in 2017 (Resolution 01/2017, Resolution 03/2017, Resolution 10/2017)
	Adjustment of the total value of margin lending (Resolution 07/2017)
	Approval of the proposal to raise credit lines in banks (Resolution 01/2017, Resolution 02/2017, Resolution 04/2017, Resolution 05/2017, Resolution 08/2017, Resolution 09/2017, Resolution 11/2017, Resolution 12/2017, Resolution 14/2017, Resolution 17/2017)
	Approval of the time, venue and agenda for AGM 2016 and the main contents of the report to be submitted to the AGM 2016 (Resolution 01/2017)
	Supplementary content of the annual shareholders' meeting of FY 2016 (Resolution No. 03/2017)
	Approving the main contents of the bond issuance plan (Resolution No. 13/2017)

Subject Matter	Approved content
Corporate Governance	Report on the performance of the operations of derivative securities (NQ 01/2017)
	Implementation of individual customer account management consultancy service (NQ 03/2017)
	To approve the principle of conducting professional operations of the covered warrants product (Resolution No. 03/2017)
	Review the adjustment of foreign ownership to 100% (Resolution No. 03/2017)
	The establishment of Hoan Kiem Transaction Office in the North (NQ 03/2017)
	Expansion of Kim Lien Transaction Office in the North (Resolution No. 15/2017)
	Relocated and renamed Cho Lon Transaction Office in the South (Resolution 18/2017)
Other Issues	First dividend payout in 2017 in cash at the rate of 6% (Resolution 13/2017)
	Adjusting the 1st dividend payment in 2017 from 5% to 6% (Resolution No. 16/2017)
	Price Waterhouse Coopers Vietnam Limited was selected as the audit firm for FY 2017 (NQ 06/2017)
	Agreed to submit to the 2012 Annual General Meeting of Shareholders for approval of the bonus and welfare fund 2016 (NQ 01/2017)
	Approval for Advisory Service Contract between Ho Chi Minh City Securities Corporation and Dragon Capital Markets Limited (DC) (Resolution 01/2017)
	Adjustment of the Charter of the Company in accordance with the new capital after completing listing 2.5 million shares of the Company in the share issue program for the employees (ESOP 2016) (Resolution No. 3/2017)
	Authorize the CEO to sign the employee's retirement plan to take part in the ESOP 2016 retirement plan (Resolution 13/2017).
Approval for the investment in the Transaction system (Resolution 07/2017)	

5.4 Activities of Non-executives and Independent Members of the Board of Directors

1. Assess the independence and tenure of independent members of the Board of Directors

The independence of a member is not based on the length of time served on the Board of Directors, such as five or nine consecutive years, as stipulated by the Vietnamese statutes. There are many other factors including the skills and knowledge, quality of advice, experience, ethical standards, and especially integrity and objectivity. The strengths of independent members are their understanding and insights of the core business and their depth of analysis and critical thinking to make the right decisions. These competencies can only be acquired with time, exposure to, and experience in, the industry.

There are two independent board members, Do Hung Viet and Pham Nghiem Xuan Bac, who have served 10 years, and have exceeded the statutory limit of 9 years. After consulting the current legal regulations as well as international practices, the HSC Board recognizes that the independence of thought and actions of the two members are still assured. They are able to review operations and make recommendations with an independent perspective. Additionally,

they have made valuable contributions to the development of the company. Therefore, the company decided that although the re-appointment of these two members was not in compliance with the current regulations on independent members of the Board of Directors but in terms of nature, they do play an important role of independent members of the board.

The composition of HSC's current board members ensures the balance between executive and non-executive members, of which at least one third of the members are independent members. Compliance with regulations on the percentage of independent and non-executive members helps the BoD to make objective, fair and independent decisions.

Most independent and non-executive members of the Board are members of committees. Therefore, in addition to the general duties on the Board, these members also undertake the tasks assigned to them under the Committees.

2. The chairman of the Board of Directors shall not be the general director

The separation of the role of the Chairman and the CEO reflects independence and clear division of responsibilities between the BoD and the BoM to ensure the fair division of powers in decision-making, increased accountability and enhanced governance. The powers and duties of the Chairman and the CEO are clearly stated in the Company Charter.

The HSC chairman has been on the BoD since its inception. He was appointed in 2007 and is currently in the fourth term on the Board.

5.5 Board of Directors members' role at other companies

HSC's Board of Directors is committed to comply with current laws, which is not to concurrently serve as a board member in more than five other companies. This regulation encourages BoD members to have more time to focus on the development efforts of HSC.

5.6 The Board Committees

There are three committees reporting to the BoD. They are Risk Management Committee, Audit Committee, and Remuneration Committee.

The three committees are tasked with advising and assisting the Board in maintaining and enhancing internal control operations. All three committees have independent, non-executive and executive members. The members were selected based on expertise and experience as well as their contribution 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			√
07	Ms. Dang Nguyet Minh	Member Member of Supervisory Board		√	

5.7 Activities of the Committees under the Board of Directors

1. Board Risk Management Committee

The Risk Management Committee is responsible for advising the Board on the issuance of risk management strategies, processes and policies. The Risk Management Committee is also responsible for analyzing and issuing warnings about the company's safety against potential risks as well as recommending preventive measures. Besides, the Committee must analyze the company's overall risk level, measuring the risk tolerance level of every functions as well as HSC's overall operations, monitor the implementation of policies and examine the company's capital, liquidity and capital mobilization. The Risk Management Committee is responsible for reviewing and changing the risk management structure of the Company to meet the risk management requirements of the regulatory authorities. In addition, the Risk Management Committee must evaluate the performance of the Risk Manager.

Activities of the Risk Management Committee in 2017:

- In 2017, the Risk Management Division has reviewed and revised the annexes on the Policy on Limits of Authority, specifically the annex on Limits of Expenditure and the appendix on Limits on Investment in Government Bonds. In addition, risk management policy, risk notification for margin lending, procurement policy and commissions policy for stock distribution have been issued.
- The Risk Management Division continues to strengthen the risk management models to minimize the risk impacts on HSC's business activities.

- On a quarterly basis, the Risk Management Division sends the list of key risks identified together with the risk mitigation plan and monitoring results to the RCD.
- On a monthly basis, the BoM sends the monthly transactions report to the Risk Management Committee
- The Risk Management Committee holds meetings when approving transactions within its authority limits.

2. Internal Audit Committee in 2017

The Internal Audit Committee was founded in early 2014. The Internal Audit Committee acts in accordance with the principle in the Code of Conduct and the Charter, which has been approved by the BoD.

The Internal Audit Committee has completed the joint internal audit contract with KPMG Vietnam Limited for the period of three (03) years from 2014 to the end of 2016. Thus, in 2017, HSC had an independent Internal Audit Department, reporting directly to the Audit Committee under the Board of Directors.

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

In 2017, the Internal Audit Department has issued the following audit reports:

- Anti-money laundering review report
- Follow-up on Institutional Client Brokerage Internal Audit Report
- Margin Lending Internal Audit monitoring and reviewing process.

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

- Human resource management
- Individual Clients Brokerage management (second audit)
- Monitoring and reviewing the progress of internal audit of the accounting and financing reporting process.
- Monitoring and reviewing the progress of Capital Management and Principal Investment

The Internal Audit Progress Report was reported at the periodic meeting of the Internal Audit Committee.

3. Board Remuneration Committee

The Board Remuneration Committee was officially established in June 2016. The Remuneration Committee was established with the aim of advising and proposing compensation, remuneration and benefits of the members of BoD, BoS and BoM. The committee also reviews the annual budget for staff compensation and decides on issues related to the Employee Selection Program for selected employees.

5.8 Participation of the Board of Director members in corporate governance programs

All members of the BoD and the BoS participated in “Corporate Governance” training course, except for Mr. Pham Nghiem Xuan Bac who had an unforeseen circumstance. HSC will arrange reasonable time for him to join a similar training in the future.

5.9 **Assessment of Operational Effectiveness of the Board of Director**

The BoD has made great efforts to improve corporate governance and align the standards with current regulations and international best practices. For example:

- The Board of Directors maintains regular activities in accordance with the Company Charter, ensuring that regular meetings were held and that all Board members attended the meetings to meet the legal requirements.
- Clearly defined the roles of independent and non-executive members to maximize interests of all shareholders;
- Supervised the implementation of the BoD’ decisions and resolutions at the AGM;
- Directed and supervised the implementation of various important projects at HSC, including projects related to risk management, internal audit, new product development and issuance of individual bonds of HSC.
- Supervised the Committees’ activities to ensure compliance with the operations principles and Company Charter.

6. **Transactions, Remuneration and Benefits of the Board of Directors, BoM and BoS**

6.1. **Remuneration of the Board of Directors and BoS**

The operating fund of HSC’s BoD and BoS in 2017 amounted to 1.5% of after-tax profit, as approved at the AGM 2016.

The quarterly remuneration payments to the members of the BoD and BoS will continue to comply with Resolution 12/2011/NQ-HĐQT, dated 21 December 2017, which covered the approval of remuneration for the BoD and BoS.

Remuneration for members of the Board of Directors in 2017

No.	Member	Position	Permanent member	Executive role	Remuneration per month (after tax) (VND)
01	Mr. Do Hung Viet	Chairman	√		Salary receiving
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. Le Thang Can	Member			10,000,000
06	Mr. Johan Nyvene	Member		√	Salary receiving
07	Mr. Le Hoang Anh	Member			10,000,000

Remuneration for members of the Board of Supervision in 2017

No.	Full name	Position	Remuneration per month (after tax) (VND)
01	Mr. Vo Van Chau	Chairman	10,000,000
02	Mr. Doan Van Hinh	Member	6,000,000
03	Ms. Dang Minh Nguyet	Member	6,000,000

Based on the remuneration presented above and the prevailing number of members of the BoD and BoS at specific times, the payment of remuneration and operating expenses to the members of the BoD and BoS are detailed as below.

Remuneration and operating expenses of the BoD and BoS in 2017

No.	Details	Amount (VND)
01	Operation fund of the BOD & Supervisory Board in the beginning of 2017	129,753,794
02	Operation fund of the BOD & Supervisory Board in 2017 (account for 1.5% of profit after tax in 2016)	4,567,964,720
03	Operating expenses of the BOD & Supervisory Board In which: 1. Remuneration for Board of Directors & Board of Supervisors in 2017 2. Other operating expenses	3,678,534,098 959,999,992(*) 2,718,534,106
04	Unused fund of the BOD & Supervisory Board	1,019,184,416

Note:

(*) Total remuneration of the Board of Directors was VND 666,666,660 and Supervisory Board was VND 293,333,332 (including personal income tax). The remuneration of the BoD increased about 5% compared to 2016 because Mr. Le Hoang Anh was elected as a member of the HSC Board of Directors from 21 April 2016 and was paid 3 quarters remuneration (since Q2/2016)

6.2. Regulation of Bonuses for Members of BoD and BoS

In addition to the remuneration for members of the Board of Directors and Board of Supervisors mentioned above, independent members of the Board of Directors, non-executive members of the Board of Directors and Supervisory Board do not receive any income or bonuses from the company's bonus and welfare fund.

6.3. Regulation of Benefits for Members of BoD and BoS

Currently, HSC's regime of cost benefits (the company's car use regime, telephones, social, medical and other insurance; 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 BoD and BoS are charged to HSC (if costs are incurred).

6.4. Share trading transactions of internal shareholders

In the year 2017, HSC announced the transactions of HCM shares, which was traded by the members of the BoD and related organizations with members on the HCM City Stock Exchange, to the authorities within three working days. Under the current regulations, they are reported as follows:

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	Percentage (%)	Number of shares	Percentage	
01	Cong Huong Joint Stock Company	Company related to Pham Nghiem Xuan Bac – Member of the Board of Directors	481,672	0.37	450,442	0.35	Registered to buy 100,000 shares from 02/06/2017 to 29/06/2017, but sold 31,230 shares due to inappropriate shares' price.
			450,442	0.35	450,442	0.35	Registered to buy 200,000 shares from 12/07/2017 to 11/08/2017, but not yet purchase due to inappropriate shares' price
02	Mr. Pham Nghiem Xuan Bac	Board of Directors	360,000	0.28	290,000	0.22	Registered to buy 50,000 shares from 02/06/2017 to 29/06/2017, but sold 10,000 shares due to inappropriate shares' price.
			290,000	0.22	290,000	0.22	Registered to buy 150,000 shares from 12/07/2017 to 11/08/2017, but not yet purchase due to inappropriate shares' price

6.5. Transactions between the Company and major shareholders

HSC and Dragon Capital Markets Limited (DC) have signed a contract to provide business consulting services, in which DC advises HSC on market research, institutional clients brokerage, mergers and acquisitions, etc. The contract term is three years from 2017 to 2019. The consultancy fees for 2017 were VND 9,663,896,000 (VAT included).

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)	Related parties	Room1501, 15th Floor, Me Linh Point, No 02 Ngo Duc Ke Street, District 1, HCMC	12/2017	No. 01/2017/NQ-HĐQT dated 17/01/2017	39,278,810	30.87

All contents of 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 HSC's mission successfully.

Best regards.

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



DO HUNG VIET

To:

- As mentioned above;
- BoD Office for record,