



Ho Chi Minh City, 09 April 2018

REPORT OF THE SUPERVISORY BOARD AT THE FY2017 ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders of Ho Chi Minh City Securities Corporation (HSC),

On behalf of the Supervisory Board, I would like to report the activities of the board.

The Supervisory Board consists of three members, including two independent members, who act together as shareholders' representatives to continue examining, supervising, and advising on risk management and corporate governance issues at HSC. In 2017, the main areas overseen by the Supervisory Board were as follows:

- The implementation of resolutions passed at the FY2017 Annual General Meeting ("AGM"); and the activities of the Board of Directors (BoD);
- Business activities and 2017 financial results; and
- Internal audit activities in 2017.

1. Supervising the activities of the BoD, and the implementation of resolutions passed at the FY2017 AGM.

The Supervisory Board participated in all four BoD meetings, took into consideration the actual situation of HSC, providing insights into HSC's performances, advising the BoD and the Executive Committee (EXCO) on the implementation of resolutions approved at the FY2017 AGM.

Key issues discussed in the BoD's meetings include:

- Quarterly business updates;
- The use of capital in each segment and capital needs in the coming years;
- Incremental adjustment of dividend payment;
- Report on derivatives product development;
- Approved covered warrants product deployment, investment in the trading system, and the establishment of new transaction offices.

Inputs from the Supervisory Board in its roles as supervisors and representatives of investors, were all respected by, and considered in the decisions of the BoD.

2. Business activities and 2017 financial results

In 2017, together with other members of the BoM, the Supervisory Board participated in meetings with HSC's external auditor, Price Waterhouse Coopers Vietnam Limited, to discuss about the audit scope, audit findings and other relevant matters detailed in the Management Letter. Accordingly, HSC's business operations were conducted in a transparent manner, with no violations in relation to the accounting, finance and operational processes of HSC. Moreover, Price Waterhouse Coopers Vietnam Limited only provided audit services to HSC and the company did not provide any other advisory services. The total expenditure for 2017 audit services was VND 924 million (*VAT included*).

Additionally, the Supervisory Board analyzed all the quarterly financial statements, reviewed half year and full year audited reports, as well as any financial information presented by EXCO at BoD meetings. In terms of financial safety, HSC has a high standard of liquidity and capital-related ratios, with capital adequacy ratio (CAR) continuing to be one of the top in the industry, at 526%.

In terms of financial results, HSC has excellently exceeded 52% of revenue target and 53% of profit target approved by AGM2017. Among the activities of HSC:

- Proprietary trading income increased by VND 430 billion with profitability ratio reaching 40% per year, 3.5 times higher than the previous year.
 - The market making for ETFs and derivatives trading are new activities that have been recently launched but achieved very positive results, contributing more than 30% of proprietary trading income.
- Brokerage fees increased by VND 612 billion, equivalent to 75% increase compared to 2016. In which:
 - Brokerage fees for individual clients and institutional clients increased 57% and 100% respectively.
 - In 2017, HSC has successfully conducted outstanding brokerage deals with record-breaking contract values in Vietnam market e.g arranged for the Jardine Group to acquire 10% of Vinamilk's shares, both from the market and from the state-owned State Capital Investment Corporation (SCIC).
- Revenue from margin lending and interest income increased by VND 439 billion, or an increase of 28% compared to last year.
- Revenue from advisory services increased by VND 45 billion, recorded an 84% increase, which exceeded 37% of the approved target.
- Overall, total operating expenses increased by 93% along with the increases of trading activities. The Cost to Income ratio was 55% in 2017, setting it apart as being more cost-efficient compared to the Top 10 securities companies in Vietnam (whose average cost to

income ratio stood at 60%). This also highlighted that operating cost for 2017 was well monitored and well-controlled and reflected the wise management of expenses.

In 2017, the Supervisory Board found that all the business divisions of HSC, especially the Corporate Finance Division and the Institutional Clients Brokerage Division, had cooperated closely and created valuable results. The record-breaking performance will be a major motivation for all business divisions in creating new products, conducting more large deals for both HSC and Vietnam's stock market.

Basic financial ratios

No.	Key ratios	FY2017	FY2016
1-	Liquid Capital Safety Ratio	526%	710%
2-	Liquidity and Solvency Ratios		
a-	<i>Current Ratio (times)</i>	1.67	2.84
b-	<i>Total Debt to Total Assets Ratio (times)</i>	0.58	0.34
3-	Capital Structure Ratios		
a-	<i>Owner's Equity to Total Assets Ratio (times)</i>	0.41	0.66
4-	Profitability Ratios		
a-	<i>ROAE (Net Profit after Tax to Average Owners' Equity)</i>	21.38%	13.04%
b-	<i>ROAA (Net Profit after Tax to Average Total Assets)</i>	10.76%	9.06%

3. Supervising internal audit activities in 2017

In the year 2017, due to some personnel changes in the Internal Audit Department as well as the audited departments, some plans were not implemented as scheduled. Auditing activities focused on monitoring progress, reminding the departments to follow the procedures and operating regulations as recommended in the first-time internal audit report.

With the intention of standardizing HSC's operational procedures in accordance with best practice standards, the Project Management Office is scheduled to be established and will be officially operated from the beginning of 2018. The Supervisory Board strongly supports the decision and expects close coordination between the Internal Audit Department and the Project Management Office. This is to ensure that HSC operations are safely controlled and risk limited.

4. Remuneration of the Supervisory Board in 2017:

Total remuneration of the Supervisory Board in 2017 was VND 293,333,332 (*inclusive of personal income tax*). Specific remuneration to each member is as follows:

No.	Member	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

5. Plan of the Supervisory Board for 2018:

The Supervisory Board continues to accompany and supervise the Internal Audit Department in completing the audits started in 2017 and new audits in the following processes:

No.	Audit processes
1	Anti-money laundering processes (annually)
2	Margin lending process (2nd review)
3	IT Security Management (2nd review)
4	Risk Management (1st review)

We would like to sincerely thank our shareholders for trusting and giving continuous support to the Supervisory Board, and we wish HSC new levels of prosperity.

Best Regards.

For and on behalf of the Board of Supervision
CHAIRMAN

TRƯỞNG BAN KIỂM SOÁT



VÕ VĂN CHÂU

To:

- As mentioned above;
- BoD Office for record,