

REPORT**ANNUAL GENERAL MEETING OF SHAREHOLDERS FY2021
HO CHI MINH CITY SECURITIES CORPORATION****Subject: Company's operation 2021 of the Board of Supervisors**

In 2021, the Board of Supervisors ("BoS") fulfilled its duties as stated in HSC's Charter and Governance regulations on the organization and operation of the BoS, assisting the Board of Management ("BoM") in executing the business plan and other matters that were approved by shareholders at the 2020 annual general meeting ("AGM"). The BoS is comprised of three (03) members including one independent member, who is the chairman of the board. The BoS represents shareholders to carry out regular audit and supervision tasks and make necessary and important recommendations to enhance HSC's risk management and corporate governance. In 2021, the BoS carried out the following activities:

- Supervised activities of the Board of Directors ("BoD") and the implementation of resolutions approved at the 2020 AGM;
- Supervised HSC's business activities and financial performances in 2021; and
- Supervised the activities of the internal audit department in 2021.

1. Supervision of activities of the BoD and the execution of resolutions approved at the 2020 AGM

In 2021, the BoD held fifty-two (52) meetings, of which thirty-two (32) meetings were in-person and virtual meetings and the remaining twenty (20) meetings were in the form of written opinions. In these meetings, the BoS reviewed the Company's performance and, along with the BoD and BoM, contributed strategic opinions to help the Company achieve the business plan as approved by the 2020 AGM.

The key issues discussed in the BoD's meetings included the followings:

- FY2020 business performance and 2021 quarterly business reports;
- Approval of the agenda and proposals related to the 2020 AGM;
- Approval of the intention, detailed plan, and result of issuing shares to existing shareholders to increase shareholders' capital;
- Acceptance of the letter of resignation of member of the BoD for the term of office IV (2016-2020) and election of the chairman and vice chairman of the BoD for the term of office V (2021-2025);
- Approval of the organization and operational regulations of the Risk Management Sub-committee, Audit Sub-committee and Human Resources - Remuneration Sub-committee;
- Approval of the change in Representatives of Hanoi Branch, the change in location of Hoan Kiem transaction office and Hanoi branch;
- Use-of-capital plans for each business, capital needs in the following years and bank-loan proposals;
- Approval on covered warrant issuances in 2021;
- Approval on the first interim cash dividend in 2021 of 5% on par value; and
- Approval of contributions to the Vaccine Fund and to Ho Chi Minh City's Department of Health.

All contributions and recommendations of the Supervisory Board as supervisors and representatives of shareholders were respected and thoughtfully considered by the BoD when they made decisions and resolutions on relevant matters.

2. Supervision of 2021 business activities and financial performances

In 2021, together with members of the Audit Sub-committee (“BAC”) members, the BoS participated in the interim and year-end meetings with HSC’s external auditor, PwC Vietnam Limited, to discuss the scope, audit findings and relevant matters mentioned in the Management letter. According to the auditor’s opinion, HSC’s business operations were conducted in a transparent manner and had no violations in accounting, finance, and operational processes.

In last year, PwC provided statutory audit service to HSC with total fee of VND1,005,400,000 (one billion five million four hundred thousand dong) (VAT included). Besides, in 2021, PwC also prepared and issued the report on change in owner equity after HSC completed the share issuance to existing shareholders pursuant to the certificate of registering for the offer of shares to public No. 186/GCN-UBCK dated 22/09/2021 for a service fee of VND49,500,000 (forty nine five hundred thousand dong) (VAT included). PwC did not provide any other advisory services in addition to the services mentioned.

In addition, the BoS also reviewed and analyzed HSC’s quarterly and YE2021 financial statements and capital adequacy ratio review reports. About financial safety, HSC maintained high liquidity and capital-related ratios. HSC’s financial safety ratio, calculated in accordance with the guidances of the Ministry of Finance, was 705% as at the end of 2021 (566% as at the end of 2019), 3.9 times higher than the 180% requirement of the State Securities Commission of Vietnam.

Regarding business results, in 2020, HSC achieved a total revenue of VND3,368 billion, which translates to a 112% growth yoy and 126% of the approved business plan. Net profit after tax in 2021 was up by 116% yoy to VND1,147 billion, or 119% of the approved business plan. That was the record business performance of HSC since its inception. The BoS highly appreciates the efforts of the BoM and of all employees of HSC in overcoming the profound challenges caused by the Covid-19 pandemic to exceed the business guidance. HSC was well-positioned to capture opportunities from favorable conditions of the stock market and the strong enthusiasm of retail investors. In last year, liquidity of the stock market surged as the combined average daily trading value of the three stock exchanges reached VND26,654 billion, 3.6 times higher yoy. The number of new securities trading accounts opened in 2021 was 1,532,637, 1.5 times higher than the total number of accounts opened during 2017-2020.

The BoS acknowledged growth across major businesses of HSC. Particularly:

- Revenue of brokerage fees reached VND1,390 billion, an increase of VND759 billion or 120% yoy, accounting for 41% of HSC’s total revenue.
 - In which: brokerage fees from the underlying stock market was VND1,331 billion (+127% yoy) and brokerage fees from the derivatives market was VND59 billion (+35% yoy).
- The margin lending business posted a total revenue of VND1,179 billion, which was VND629 billion or 114% higher yoy, accounting for 35% of HSC’s total revenue.
 - The average lending rate lowered to 10.1% p.a. from 10.7% p.a. in 2020. The rate adjustment was aligned with HSC’s strategy in 2021 to enhance the competitiveness of the business.
 - HSC was one of the top five securities companies with the largest margin lending book as at the end of 2021 and consistently pursued a prudent approach to margin lending, in which HSC focused primarily on large-cap companies with strong fundamentals and high liquidity.

- In 2021, HSC faced margin lending capacity constraint as the completion of the approved share issuance was behind the initially expected schedule. As a result, despite the impressive performance, HSC was not able to fully capture market demand.
- The proprietary trading business delivered impressive performance with a total revenue of VND722 billion, which translates to an average return of 31% and increase of VND353 billion or 95% yoy, contributing to 21.4% of HSC's total revenue.
- The corporate finance business delivered VND47 billion, which was VND9 billion or 28% increase yoy.
 - The revenue in 2021 was primarily contributed by successfully concluded deals in the real estate, banking and financial services industries.

Total operating expenses in 2021 was 32% higher than the budget, largely because variable expenses increased proportionally with revenue, which was up by 26% yoy.

The BoM recognized the importance of effective branding positioning and client-engaging activities to strengthening client relationship and enlarging client base across segments. Therefore, in 2021, HSC carried out different client-centricity campaigns as follows:

- Renovating the office spaces at the headquarter in AB tower in Ho Chi Minh City and at Hanoi branch in Red River building in 1Q 2021 to offer clients better experience.
- Launching the version 3.0 of myhsc, the first digital platform of HSC in 4Q 2021.
- Retail clients:
 - Organizing C2C events to serve the existing clients and attract prospective ones. Particularly, the events were held in cooperation with leading companies including the Orient Commercial Joint Stock Bank (OCB), Housing Development Bank (HDB), REE Corporation (REE) and Vinhomes JSC (VHM) to offer clients more insights about the companies to facilitate their investment decisions.
 - Redesigning the client advisory process to provide information and analysis on listed companies and the stock market that are customized to best suit clients in each segment.
- Institutional clients:
 - Organizing the virtual conferences in cooperation with Goldman Sachs.
 - Organizing the annual Emerging Vietnam conference.

HSC's total brokerage market share in the total trading value of the Ho Chi Minh City Stock Exchange (HSX) was at 6.6% in 2021. HSC also had a leading position in the derivatives market (HNX) with approximately 15.4% market share. The BoS recommends HSC to further digitalize its services and operational processes in order to achieve target market share and business goals.

Key financial indicators

No.	Indicators	2021	2020
1	Capital safety ratio	707%	658%
2	Liquidity ratio		
a	Current ratio (times)	1.4	1.5
b	Total debt to Total assets ratio (times)	0.7	0.6
3	Capital structure ratios		
a	Shareholder's capital to Total resources (times)	0.3	0.4
4	Profitability ratios		
a	ROAE (Net profit after tax/ Owner's equity)	23.8%	12.1%
b	ROAA (Net profit after tax/ Total assets)	6.2%	5.3%



3. Supervision of internal audit activities in 2021

For the internal audit activities, the BoS proposed HSC to update and rebuild the regulation framework and operational process of the internal audit to be aligned with the company's operations, new applicable laws of Vietnam as well as global internal audit practices. The BoS acknowledged the Internal Audit Sub-committee under the BoD approved the framework and the process, which was implemented since the beginning of 2022.

In 2021, HSC's Internal Audit department completed and issued the following audit reports

No.	Internal Audit Review
1	Review the anti-money laundering activities (annual audit)
2	Review the operational model of the Finance and Accounting department and the Treasury Management department (FTOM)
3	Monitor the progress of implementing audit recommendations stated in the previously issued internal audit reports

In 2021, the Internal Audit department conducted the first audit of the FTOM departments after it recognized that the operations of the departments needed to be upgraded, that there were certain risks which might impact the ability of the departments to achieve their goals and that the efficiency of the departments' processes needed to be evaluated against those of industry best practices. The objective of the audit was to provide the BoD, the BoS and the Executive Management Team an independent assessment of risk management and control measures in the financial operating model including governance structure, cost control, cash flow and capital management, financial planning, budgeting and forecasting, and financial management reporting. The Internal Audit department continued to coordinate with the external co-auditor, KPMG Vietnam Limited ("KPMG"), to conduct specialized audits in which the department needed to have opinions of external experts on. In the year, KPMG only provided the internal audit service to HSC at the total service fee of VND1,081,176,250 (one billion eighty one million one hundred and seventy six thousand two hundred and fifty dong) (VAT included).

The BoS did not identify any material audit findings during the audits of the FTOM departments. However, the BoS recognized that the FTOM departments lacked sufficient resources to carry out their operations and functions efficiently. Besides, the BoS recommended that HSC should review the organization of the Finance and Accounting department and enhance the treasury management and the governance, risk management and control processes of the FTOM model to ensure that it is consistent with and integrated to HSC's Total Operating Model (TOM) so that the company could grow and enhance shareholder value sustainably.

Based on the assessment and recommendations of the BoS, in 2021, the Chief Executive Officer ("CEO") decided to redesign the organization and redefine the roles and responsibilities of not only the Finance and Accounting department and the Treasury Management department but also other business functions of the company. Besides, the CEO also decided to rebuild the financial operation model of HSC after receiving approval from the BoD. The BoS acknowledged that those initiatives had been being carried out since 3Q 2021.

4. Remuneration of the BoS in 2021

Total remuneration of the BoS in 2021 was VND1,280,000,000 (one billion two hundred and eighty million dong) (inclusive of personal income tax).

5. Plan of the BoS in 2022

In 2022, the BoS will continue to accompany and supervise the Internal Audit department in completing the audit projects in the approved 2022 audit plan as below:

No.	Internal Audit Review
1	Anti-money laundering activities (annual audit)
2	The project in which the Internal Audit department advises the Executive Management Team on its action plan with the FTOM department
3	The project in which the Internal Audit department provides assurance services to HSC's high-risk operations

**FOR AND ON BEHALF OF
THE BOARD OF SUPERVISORS
HEAD**



PHAM NGHIEM XUAN BAC

To:

- *As mentioned above*
- *BoD's office for record*

