

**REPORT****ANNUAL GENERAL MEETING OF SHAREHOLDERS FY 2022
HO CHI MINH CITY SECURITIES CORPORATION****Subject: Report of the Board of Supervisors in 2022**

In 2022, the Board of Supervisors (“BOS”) fulfilled its duties as stated in HSC’s Charter and regulations on the organization and operation of the BOS, assisting the Board of Management (“BOM”) in executing business plans and other matters that were approved by shareholders at the 2021 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 audits and supervision tasks and makes necessary and important recommendations to enhance HSC’s risk management and corporate governance. In 2022, the BOS carried out the following activities:

- Supervising activities of the Board of Directors (“BOD”) and the implementation of resolutions approved at the 2021 AGM;
- Supervising HSC’s business activities and financial performances in 2022; and
- Supervising internal audit activities in 2022.

1. Supervision of activities of the BOD and the execution of resolutions approved at the 2021 AGM

In 2022, the BOD held thirty three (33) meetings, of which twenty four (24) meetings were in-person and virtual meetings and the remaining nine (9) meetings were in the form of written opinions. In these meetings, the BOS reviewed the Company’s performance and market conditions and, along with the BOD and BOM, contributed opinions and initiatives to help the Company achieve the business plan approved by the 2021 AGM.

The reports reviewed and key issues discussed in the BOD’s meetings include the followings:

- 2021 annual business performance report in 2022 quarterly business performance reports;
- Approving of the agenda and proposals to be submitted to the 2021 AGM;
- Reviewing and agreeing to submit the drafts of the Company's Charter, Internal Regulations on Corporate Governance, Regulations on Organization and Operation of the BOD and BOS for approvals of the 2021 AGM;
- Approving the Risk Management Policy, Regulations on Operations of the Investment Committee, Credit Committee and Asset-Liability Committee and Regulation on Information Disclosure;
- Reviewing and approving the business plan in 2022, the capital need and use-of-capital plan of each business in the upcoming years and the proposal on bank borrowings.
- Approving covered warrant issuances in 2022;
- Carrying out necessary procedures to register new charter capital and record results of new share issuance in the charter capital increase in 2021;
- Approving of the intention, documents and detailed plan on issuing shares to existing shareholders, paying the second dividend of 2021 in form of new shares, and issuing stock options to employees; and
- Approving the first interim cash dividend in 2022.

All contributions and recommendations of the BOS 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 2022 business activities and financial performances

In 2022, together with members of the Audit Sub-committee (BAC), the BOS participated in the 2021 year-end and 2022 interim meetings with HSC's external auditor, PwC Vietnam Limited (PwC), 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 the following services to HSC:

- 2022 interim and annual statutory audits with a service fee of VND 1,056,000,000 (one billion fifty six million dong) (inclusive of VAT); and
- Statutory audits on capital increase and the use of capital raised from the issuance of shares to the public in accordance with the certificate on public offering registration No. 186/GCN-UBCK dated 22 September 2021 with a service fee of VND 401,500,000 (Four hundred and one million five hundred thousand dong) (inclusive of VAT).

Apart from the services, PwC did not provide any other advisory services to HSC in 2022.

In addition, the BOS also reviewed and analyzed HSC's quarterly and YE2022 financial statements and capital adequacy ratio review report. 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 777% as at the end of 2022 (31/12/2021: 566%), 3.3 times higher than the 180% requirement of the State Securities Commission of Vietnam.

Summary of HSC's financial performance in 2022

- Revenue: HSC recorded a total revenue of VND 2,854 billion, a 15% decline YoY and achieving 79% of approved guidance of VND 3,592 billion.
- Profit after tax: HSC delivered a net profit after tax of VND 852 billion, a 26% decrease YoY and achieving 71% of approved guidance of VND 1,201 billion.

The Supervisory Board noted that HSC's business performance in 2022 was encouraging given the substantial fluctuations and decline of the stock market:

- Trading activity and liquidity of the stock market in 2022 declined significantly as the average daily trading value of the three exchanges decreased by 24% YoY to VND 20,164 billion (2021: VND 26,654 billion).
- Investors' sentiment turned cautious amid regulatory inspections in the stock market as well as in other markets including the real estate.
- Global macro challenges and concerns over rising inflation and interest rate also dampened investors' sentiment in 2022.

The BOS is of the view that HSC has a solid financial position and sound financial performance. The Board highly appreciated the business direction and decisions of the BOM in 2022. Particularly, HSC did not have any business activities related to corporate bonds and therefore did not encounter any financial impacts from the turmoil of the corporate bond market in 2022. HSC's BOM made significant efforts and was able to protect the capital and interests of the Company and its shareholders.

Summary of results of each major business in 2022

The BOS acknowledged that all major businesses of HSC operated stably and did not have any material risks. Specifically:

- Revenue of brokerage fees was VND882 billion, a decline of VND 759 billion or -37% YoY and accounting for 31% of HSC's total revenue.
 - In which: brokerage fees from the underlying stock market was VND 814 billion (-39% YoY) and brokerage fees from the derivatives market was VND 67 billion (+13% YoY).
- The margin lending business posted a total revenue of VND1,273 billion, an increase of VND 95 billion or +8% YoY and accounting for 45% of HSC's total revenue.
 - The average lending rate increased slightly by an absolute amount of 6% to 10.7% p.a. from the level of 10.1% p.a. in 2021 but was equal to the rate in 2020. The rate adjustment was aligned with HSC's strategy in 2022.
 - HSC's margin loan balance as at the end of December 2022 was VND 7,379 billion, a decrease of VND 6,311 billion or -46% YoY.
 - The BOS concluded that the margin lending business was effective in 2022 in spite of remarkable turbulences in the stock market. The Board also acknowledged that the decrease in margin loan balance was aligned with the prudent margin lending policies of the BOM.
- The proprietary investment business recorded a total revenue of VND 623 billion, which translates to an average return of 27% and a decrease of VND 99 billion or -14% YoY, contributing 22% of HSC's total revenue.
- The corporate finance business delivered a revenue of VND 54 billion, which was VND 7 billion or 16% increase YoY.
 - The revenue in 2022 was primarily contributed by successfully concluded deals in the real estate, banking and other financial services industries.

The BOS noted that HSC's total operating expenses in 2022 was 8% lower than the budgeted level and that is reasonable given the decline in revenue.

The BOS highly appreciated the efforts the BOM made in the time of challenging business environment in 2022 with increasing competition for market share amongst securities companies and the substantial decline and volatility of the Vietnamese stock market. Furthermore, HSC's margin lending risk management is considered effective given the level of stock price and market liquidity decreases. The BOS noted that the BOM had right strategies by which HSC did not chase market share and not loosen lending conditions but only provided margin loans to stocks of companies that meet rigorous criteria such as healthy financial position, large market capitalization and high liquidity. With this strategy, HSC has been able to avoid the risk of bad debts in times of market turbulences such as in 2022.

Summary of client development activities in 2022

The Supervisory Board noted that in 2022, HSC's BOM proactively promoted various client-focused activities across major businesses as follows:

- Continued to upgrade the digital trading platform myhsc with new features added from 15 August 2022 to enhance client experience.
- The Retail Client division has successfully segmented its client base and that is the starting point for the division to promote client development activities:
 - Implemented new client policies, which are more appropriate right in the year.

- Launched a dedicated channel to provide consultation and market information to clients.
 - Organizing C2C (corporates to clients) events to connect clients with listed companies on a monthly basis.
 - Developed the Digital MKT channel to reach target clients more effectively.
- Institutional clients:
- Organized the Emerging Vietnam conference in June 2022.
 - Hosted quarterly/ annual online earnings calls for various listed companies.

The BOS acknowledged the efforts and success of the BOM in seeking new clients as well as maintaining the current client base in spite of the unfavorable market conditions in 2022.

Report on compliance of current laws and regulations

The BOS was informed that on 13 December 2022, HSC received the decision No. 441/QĐ-XPVPHC dated 01 December 2022 of the State Securities Commission on sanctioning HSC's administrative violation of untimely disclosure of information.

The BOS noted that HSC's BOM immediately carried out the following actions:

- On 13 December 2022, HSC paid a fine of VND 60,000,000 (Sixty million VND) to the Hanoi State Treasury to comply with the sanctioning decision.
- Amended the regulations on information disclosure (Information Disclosure) and submitted the amended regulations for approval of the BOD for approval on 27 October 2022.

The BOS recommends the BOM to continue to update the process/instructions on information disclosure in accordance with the regulations approved by the BOD to ensure that all information disclosure activities comply with relevant laws and/or regulations as guided by HSC's strong culture of compliance.

Summary of key financial indicators

STT	Chỉ tiêu	Năm 2022	Năm 2021
1	Capital safety ratio	777%	520%
2	Liquidity ratio		
a	Current ratio (times)	2,0	1,4
b	Total debt to Total assets ratio (times)	0,5	0,7
3	Capital structure ratios		
a	Shareholder's capital to Total resources (times)	0,5	0,3
4	Profitability ratios		
a	ROAE (Net profit after tax/ Owner's equity)	11,2%	23,8%
b	ROAA (Net profit after tax/ Total assets)	4,3%	6,2%

3. Supervision of internal audit activities in 2021

As regards Internal Audit (Internal Audit) activities, the BOS sets requirements for the audit plan for the period from 2023 to 2025 and submitted the plan for consideration and approval of BOD. Accordingly, the audit plan for the next three (3) years will focus primarily on five areas:

- Operational policies and procedures that are designed and operated in accordance with changes in laws and regulations
- Cybersecurity and data privacy

- Corporate governance and digitization of the company-wide reporting system
- Financial, liquidity and insolvency risks
- Business continuity, crisis risk management and crisis response

The BOS noted that the medium-term audit plan has been approved by the Audit Sub-Committee under the BOD and will be carried out right in 2023.

The BOS noted that in 2022, the Internal Audit department conducted relevant inspection activities to assess the compliance and risk management of various activities of the Company. In addition, the Internal Audit department also actively advised many departments in the Company on the implementation of the recommendations of the Internal Audit department in previous audits. All audit activities and audit results in 2022 were reported in detail to the Audit Sub-Committee. Accordingly, the conclusion of the Internal Audit department is:

- The Company's internal control system has been established and operated effectively and is capable of preventing, detecting and handling the Company's risks.
- The Company's current risk management and governance processes are rigorously designed and highly effective.

The BOS recommends that the Internal Audit department should continually innovate its approach in conducting approved audit plans. Particularly, the Internal Audit department should expand its view and scope beyond each audit project to identify emerging trends in the business processes as well as opportunities to enhance the processes of HSC.

4. Remuneration of the BOS in 2022

Total remuneration of the BOS in 2022 was VND 1,146,666,667 (One billion one hundred and forty six million six hundred and sixty six thousand six hundred and sixty seven VND) (inclusive of personal income tax).

5. Plan of the BOS in 2023

In 2023, the BOS will continue to exercise its rights and duties as assigned by the General Meeting of Shareholders in an honest, prudent and most effective manner for the best interest of the Company as follows:

No.	The BOS's Plan
1	Monitoring the activities of the BOD in 2023 and the implementation of the resolutions of the General Meeting of Shareholders in 2022
2	Monitoring HSC's business and financial position in 2023
3	Monitoring activities of Internal Audit department in 2023

ON BEHALF OF
THE BOARD OF SUPERVISORS
HEAD OF BOS

PHAM NGHIEM XUAN BAC

To:

- As above-mentioned
- BOD's office for record