


REPORT**ANNUAL GENERAL MEETING OF SHAREHOLDERS FY 2023
HO CHI MINH CITY SECURITIES CORPORATION****Subject: Report of the Board of Supervisors in 2023**

In 2023, the Board of Supervisors (“BOS”) fulfilled its duties as stated in the charter and regulations of Ho Chi Minh City Securities Corporation (“HSC” of the “Company”) 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 2022 Annual General Meeting of Shareholders (“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 2023, 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 2022 AGM

In 2023, the BOD held twenty three (23) meetings, of which fifteen (15) meetings were in-person and virtual meetings and the remaining eight (8) meetings were in the form of collecting 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 2022 AGM.

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

- 2022 annual business performance report and 2023 quarterly business performance reports;
- Approved the agenda and contents of the 2022 AGM;
- Approved the payment of the second cash dividend of 2022;
- Approved bank credit limits in 2023;
- Approved issuances of covered warrant issuances in 2023;
- Approved all issues related to the offering new shares to existing shareholders under the certificate of registration of public offering of shares No. 411/GCN-UBCK issued by the Chairman of the State Securities Commission on 07 December 7 2023;
- Approved the statute, list of employees, dossier and the implementation of 2022 employee stock ownership plan (ESOP); and
- Approved contracts related to the Voluntary Supplementary Pension Program of HSC between the Company and Dragon Capital VietFund Management JSC.

The BOS closely coordinated with the BOD and received sufficient information on matters related to business performance and corporate governance discussed in all meetings of the BOD. Through meetings with the BOD, the BOS contributed its opinions frankly and constructively in order to help the BOD to make the most optimal decisions. Besides, the BOS also reviewed the appropriateness of

decisions of the BOD to ensure that the decisions were made in compliance with applicable legal regulations and the Company's charter and in the best interests of all stakeholders. 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 2023 business activities and financial performances

In 2023, together with members of the Audit Sub-committee, the BOS participated in the 2022 year-end and 2023 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 issued by the auditor. 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:

- Review interim financial statements and interim capital adequacy ratio review report	VND518,400,000
- Audit the annual financial statements and the year-end interim capital adequacy ratio review report	VND414,720,000
- Issue the draft of audit opinion on the financial statements	VND103,680,000
- Out-of-pocket costs:	VND86,346,431

The total service fee is VND1,123,146,431 (One billion one hundred twenty-three million one hundred and forty-six thousand four hundred and thirty-one dong) (including 8% value added tax).

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 annual financial statements and capital adequacy ratio review report. As regards 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 1,063% as at the end of 2023 (31/12/2022: 648%), 5.9 times higher than the 180% requirement of the State Securities Commission of Vietnam.

Summary of HSC's financial performance in 2023

- Revenue: HSC recorded a total revenue of VND2,255 billion, a 21% decline YoY and achieving 96% of approved guidance of VND2,338 billion.
- Profit after tax: HSC delivered a net profit after tax of VND674 billion, a 21% decrease YoY and achieving 94% of approved guidance of VND721 billion.

The BOS noted that the decline in HSC's 2023 business results was due to the following main reasons:

- Trading activity and liquidity of the stock market declined as the average daily trading value in 2023 of VND17,595 billion was lower than that in 2022 of VND20,164 billion, or a decrease of 13% YoY. That negatively impacted HSC's businesses:
 - Revenue from securities brokerage services declined by 24% YoY
 - Margin loan interest income decreased by 16% YoY
- Revenue of proprietary investments decreased by 24% YoY as the stock market conditions were unfavorable for HSC's proprietary investment activities.
- Revenue of the financial advisory services decreased by 59% YoY as several advisory transactions had not been completed by the end of 2023.

The BOS also noted that the stock market rebounded positively in 4Q 2023 and HSC had right business strategies to capture opportunities and thus delivered strong business results:

- Revenue in 4Q 2023 increased by 2% YoY
- Profit after tax in 4Q 2023 went up by 43% YoY.

The BOS expects that the Vietnamese economy will further recover and the stock market will have more favorable conditions in 2024. The BOS also believes in the BoM's capabilities in delivering strong business results that meet expectations of the BOD and shareholders of HSC.

The BOS has been informed that on 08/12/2023, HSC received the certificate of registration of public offering of shares No. 411/GCN-UBCK issued by the Chairman of the State Securities Commission on 07 December 2023 and is in progress distributing newly issued shares to existing shareholders. Accordingly, HSC will issue 297,187,766 shares for a total proceeds of VND2,800 billion, which will be used to finance for the margin lending and proprietary investment businesses. The BOS noted that the additional capital will help HSC enhance its financial capacity to capitalise on market opportunities.

Summary of results of each major business in 2023

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

- Revenue of securities brokerage services was VND672 billion, a decline of VND420 billion or -24% YoY and accounting for 30% of HSC's total revenue.
 - In which: brokerage fees from the underlying stock market was VND619 billion (-24% YoY) and brokerage fees from the derivatives market was VND53 billion (-21% YoY).
- The margin lending business posted a total revenue of VND1,066 billion, a decrease of VND207 billion or -16% YoY and accounting for 47% of HSC's total revenue.
 - The average lending rate increased slightly by an absolute amount of 6% to 11.8% p.a. from the level of 10.7% p.a. in 2022. The rate adjustment was aligned with HSC's business strategy in 2022.
 - HSC's margin loan balance as at the end of December 2023 was VND9,056 billion, a decrease of VND2,817 billion or -24% YoY.
 - The BOS noted that the decline in HSC's margin loan balance was chiefly due to the decrease of the stock market liquidity in 2023. The BOS also noted that the stock market's liquidity increased remarkably in 4Q 2023 by 26% YoY and demand for margin loan of investors improved in the quarter.
- The proprietary investment business delivered a total revenue of VND473 billion, which translates to an average return of 13% and a decrease of VND150 billion or -24% YoY, contributing 21% of HSC's total revenue.
- The financial advisory services delivered a revenue of VND22 billion, which was VND32 billion or 59% decline YoY.
 - There was no advisory transaction completed in the 1H 2023
 - Most of the advisory transactions were completed in 4Q 2023.

The BOS acknowledged that HSC's total operating expenses in 2023 was 27% lower than the budgeted level and that is reasonable given the decline in revenue. The increase in administration expenses in 2023 of 5% YoY is considered appropriate.



Summary of client development activities in 2023

The BOS acknowledged that in 2023, the BoM of HSC successfully implemented digitalization plan with an aim of enhancing client service quality further as well as carried out various client development activities as below:

- Built an information technology system using Lotus System technology: digitizing the entire operation of the Company and providing solutions to diversify products and services offered to clients.
- Organized Connecting-to-Customers (C2C) events to connect clients with listed companies on a monthly basis: these events offer clients good opportunities to connect with and gain insightful information from senior analysts of HSC and senior management team of listed companies.
- Organized the Emerging Vietnam conference in June 2023: this conference brought together 40 leading listed companies in Vietnam and 500 investors from across the world.

The BOS noted that on 21 December 2023, the BoM of HSC decided to officially launch the H.iPartner Client Development Partnership Program for the Retail Client division. The BOS expects this program will bring new opportunities and then outstanding business results to HSC in 2024.

Report on compliance of current laws and regulations

The BOS noted that in 2023, HSC strengthened its risk management and control measures through:

- Closely supervised operations of each department, promulgated processes and policies in accordance with applicable laws and aligned with the development orientation and risk appetite of the Company.
- Standardized and promulgated professional processes and policies in accordance with current regulations and based on the current operations of the Company.

The BOS acknowledged that the aforementioned activities helped improve business management capabilities of the BoM. The activities also help HSC mitigate operational risks to the lowest level.

In addition, the BOS also noted that HSC was honored with prestigious awards for its success in business and efforts in human resources development:

No.	Accolade	Awarded by
1	Vietnam's 50 best-performing companies 2023	Nhip Cau Dau Tu Magazine
2	50 Best Listed Companies in Vietnam 2023	Forbes Vietnam
3	Best Investment Bank in Vietnam 2023	Alpha Southeast Asia
4	2023 Vietnam Best Workplaces – Medium-sized businesses	Anphabe
5	Best Companies to Work for in Asia 2023	HR Asia

The BOS acknowledged HSC's efforts in sustaining its position as amongst the leading and most-trusted financial institutions in the Vietnamese stock market. The BOS also acknowledged the continued efforts of the BoM in developing a professional working environment and in engaging, attracting and retaining talents. That is the pivotal factor for HSC's sustainable development strategy

Summary of key financial indicators

STT	Indications	Y2023	Y2022
1	Capital safety ratio	1,063%	648%
2	Liquidity ratio		
a	Current ratio (times)	1.8	2.0
b	Total debt to Total assets ratio (times)	0.5	0.5
3	Capital structure ratios		
a	Shareholder's capital to Total resources (times)	0.5	0.5

STT	Indications	Y2023	Y2022
4	Profitability ratios		
a	ROAE (Net profit after tax/ Owner's equity)	8.3%	11.2%
b	ROAA (Net profit after tax/ Total assets)	4.0%	4.3%

3. Supervision of internal audit activities in 2023

In 2023, the BOS worked closely with the Internal Audit department and the Audit Sub-committee to supervise internal audits of business processes. As regards internal audit works in last year, the BOS acknowledged that the Internal Audit department achieved a "proactive stance" in its operations:

- Supported the BOD and the BoM
- Assessed risks systematically
- Developed an internal audit strategy that is aligned with HSC's overall business objectives and strategies
- Provided consultation on critical issues to the BoM
- Coordinated closely with the external co-auditor KPMG to carry out audit projects effectively.

In 2023, in accordance with the audit plan approved by the BOD, the Internal Audit department conducted various thematic audits to provide independent assessments of the effectiveness of the design and operation of risk management measures at some operational processes of HSC. In addition, the Internal Audit department also actively advised other departments on implementing recommendations of the Internal Audit department from previous audits. Audit activities and results in 2023 were reported in detail to the Audit Sub-committee.

The audit conclusion was that the Internal Audit department did not identify any limitations or weaknesses at the operational processes audited in 2023.

From 2024, the BOS recommends that the Internal Audit department needs to enhance its "strategic stance" to deliver more value to the Company. Accordingly, the BOS suggests that internal audit works focus on the followings:

- Become a business partner of the BoM
- Suggest solutions to optimize operational processes to mitigate risks and save costs
- Propose the application of SMART Goal model to developing action plan of the BoM.

Besides, the BOS also noted that KPMG remains the co-auditor selected to provide sensible recommendations that are aligned with long-term development plan of HSC.

4. Remuneration of the BOS in 2023

Total remuneration of the BOS in 2023 was VND1,146,666,667 (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 2024

In 2024, 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	Monitor activities of the BOD in 2024 and the implementation of the resolutions of the General Meeting of Shareholders in 2023



No.	The BOS's Plan
2	Monitor HSC's business and financial position in 2024
3	Monitor information disclosure activities of HSC in 2024
4	Review HSC's 2023 audited financial statements and 2024 interim financial statements reviewed by external auditor
5	Monitor activities of the Internal Audit department in 2024
6	Review business performance of HSC in 2023 to report to shareholders at the 2023 Annual General Meeting of Shareholders.

**ON BEHALF OF
THE BOARD OF SUPERVISORS
HEAD OF BOS**



PHAM NGHIEM XUAN BAC

To:

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