

The granting of covered warrant offering certificate by the State Securities Commission only means that the application for registration of the covered warrant offering by the issuer has fully satisfied the conditions and procedures as prescribed by relevant laws, does not imply a guarantee about the contents of the Prospectus, does not imply the investment in covered warrant is guaranteed or fully paid, nor the issuers objectives, investment strategy, and business plan.

Investors are recommended to carefully read and understand the contents of the Prospectus, especially the risk warning on pages 1 to 3 in this Prospectus and pay attention to taxes, fees, charges and service prices arising from trading covered warrant.

The price of covered warrant may change depending on the market situation, investors may suffer a loss of invested capital and may lose all invested capital.

The information on the issuer's performance and the previously issued covered warrant (if any) is for reference only and does not mean that the investment will be profitable for investors.

## PROSPECTUS

### PHU HUNG SECURITIES CORPORATION

(License for establishment and operation of a securities company No.: 122/GP-UBCK issued by the State Securities Commission on January 20, 2016. The most recently adjusted license No. 110/GPĐK-UBCK dated November 10, 2022)

### OFFERING COVERED WARRANT

(Certificate offering number *0.7*/GCN-UBCK issued by the Chairman of the State Securities Commission on *16/01/2023*)

*This prospectus and additional documentation will be available at:*

**PHU HUNG SECURITIES CORPORATION**



Address: 21<sup>st</sup> Floor, Phu My Hung Tower, 08 Hoang Van Thai, Tan Phu Ward, District 7, Ho Chi Minh City, Vietnam  
Phone: (84 28) 5413 54 79  
Website: [www.phs.vn](http://www.phs.vn)

*from the date of being approved by the State Securities Commission for issuance.*

#### RESPONSIBLE FOR DISCLOSING INFORMATION:

Full name: Mr. Chen Chia Ken

Position: General Director

Phone: (+84 28) 5413 5479

Fax: (+84 28) 5413 5472

Ho Chi Minh City, January 2023

**PROSPECTUS  
OFFERING COVERED WARRANT**



**PHU HUNG SECURITIES CORPORATION**

(License for establishment and operation of a securities company No.: 122/GP-UBCK issued by the State Securities Commission on January 20, 2016, the most recent adjusted license No. 110/GPĐK-UBCK dated November 10, 2022)

**OFFERING COVERED WARRANT**

|                                                      |                                                                                                                                 |
|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| <b>Covered warrant name:</b>                         | <b>Warrant HPG.01.PHS.C.EU.Cash</b>                                                                                             |
| <b>Name (code) of the underlying securities:</b>     | HPG                                                                                                                             |
| <b>Issuer of underlying securities:</b>              | Hoa Phat Group JSC.                                                                                                             |
| <b>Covered warrant type:</b>                         | Call                                                                                                                            |
| <b>Execution type:</b>                               | Europe                                                                                                                          |
| <b>Method of exercising covered warrants:</b>        | Cash payment                                                                                                                    |
| <b>Duration:</b>                                     | 06 months                                                                                                                       |
| <b>Expected offering date:</b>                       | Expected in January 2023                                                                                                        |
| <b>Expected last trading date:</b>                   | Expected in July 2023                                                                                                           |
| <b>Expected expiry date:</b>                         | Expected in July 2023                                                                                                           |
| <b>Conversion rate:</b>                              | 1:1 (01 covered warrant exchanged for 01 share)                                                                                 |
| <b>Expected exercise price:</b>                      | In the range from 20% lower to 20% higher than the reference price of the underlying securities on the date of the announcement |
| <b>Value of payment collateral:</b>                  | 50% of covered warrant value allowed to be offered                                                                              |
| <b>Expected offering price:</b>                      | In the range price from 1,000 (one thousand) VND/covered warrant to 5,000 (five thousand) VND/covered warrant                   |
| <b>Total number covered warrant of the offering:</b> | 3,000,000 (three million) covered warrant                                                                                       |
| <b>Expected total offering value:</b>                | From 3,000,000,000 (three billion) VND to 15,000,000,000 (fifteen billion) VND                                                  |

**CUSTODIAN BANK**



**VIETNAM JOINT STOCK COMMERCIAL BANK FOR INDUSTRY  
AND TRADE**

Address: 108 Tran Hung Dao, Cua Nam Ward, Hoan Kiem District, Hanoi City  
Phone: 024 3942 0402

**AUDITING ORGANIZATION**



**KPMG VIETNAM CO., LTD**

Address: 46<sup>th</sup> Floor Keangnam Tower, Hanoi Landmark Tower, 72 Floor Building, Lot E6, Pham Hung Street, Cau Giay New Residence, Me Tri Ward, Nam Tu Liem District, Hanoi City, Vietnam

Phone: +84 28 3821 9266

Fax: +84 28 3821 9267



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## PROSPECTUS CONTENT

### I. RISK FACTORS

Investors need to read this Prospectus and accompanying documents to understand the contents of covered warrant (hereinafter referred to as warrant), the risks associated with investing in warrant and at the same time evaluate the suitability of the investment in warrant products with their investment objectives and financial situation. Investors are recommended to consult financial advisors, brokers, or analysts to understand how to invest in warrant products.

Warrants are derivative products, complicated and not suitable for inexperienced investors. We do not encourage investors to participate in investment without fully understanding the product and not ready to accept the investment risks outlined below.

We do not commit to investigating and researching the underlying securities issuer. Warrant holders should not interpret the warrant issue as a recommendation by us regarding the underlying securities. In addition, owners should note that the companies or organizations that have the underlying securities or other related entities were not involved in the preparation of this Prospectus.

#### 1. Risks associated with covered warrant issuer

- Risk from the issuer's transaction: The issuer can always redeem the warrant on the market and the warrant can be held, canceled or resold. The issuer may carry out hedging transactions that may affect the underlying securities price, thereby indirectly affecting the warrant price.
- Liquidation risk: Investors should note that in the process of issuing warrants, although strict solvency standards must always be complied with by the issuer, there is always an organizational risk. The issuer is insolvent and cannot exercise the rights to investors. In case the issuer is insolvent or has insufficient assets to pay for the exercise of the warrant, the settlement of interests for the warrant holder shall comply with relevant laws.
- Risk of delisting warrants: In case the issuer is suspended, postponed, consolidated, merged, dissolved, go bankrupt or has its establishment and operation license revoked, the warrant will be delisted. Therefore a risk that the warrants will be canceled before the expiration date.
- Risks from exercising the autonomy of the issuer: Warrant holders should note that we have autonomy in our business activities by the provisions of this Prospectus which may affect warrant prices. In the event of an acquisition or change of business structure related to the interests of the warrant holder, we reserve the right to choose the activities related to the warrant as we deem appropriate. The issuer is committed to making prudent decisions. If the parties involved in the obligations to the issuer are unable to meet their obligations, this may affect the warrant-related performance.
- Risk of conflict of interest: The issuer engages in many different activities that may cause conflicts of interest with the warrant holders. The issuer can always issue and list other warrants that have the potential to affect the warrant's price.

#### 2. Risks associated with covered warrant products

- General investment risk: Owners should have knowledge of warrant pricing methods and should only trade after careful consideration. Warrants are the right product for investors who are well aware of the risks and associated pricing mechanisms. An investment in warrants is not equivalent to an investment in the underlying asset. Although the return of an investment in a warrant is closely related to the change in the price of the underlying asset, the change in the



warrant's price to the change in the underlying asset's price may not be equivalent. The high leverage of warrants means that the holder has a higher investment risk than an investment of the same value in the underlying asset.

- **Maturity risk of warrants:** Because warrants have maturity, the warrant's price may decrease as the expiration date approaches, and this discount can be quite large. If the investor holds the warrant to maturity and the settlement price is less than or equal to the strike price, the price of the warrant will be zero, then the investor will incur a loss equal to the amount paid out to buy warrants. Therefore, before deciding to invest in warrants, investors need to carefully study the price movement of the underlying securities during the warrant's validity period.
- **Price risk:** The risk caused by changes in the warrant's price. The price change of warrants depends on many factors such as the price of the underlying securities, the volatility of the underlying securities' price, the validity period of the warrant, the interest rate, and the dividend of the underlying securities. In which, the most important factor is the price of the underlying securities. In addition, the price of warrants depends on the supply and demand of the warrant market. Although the issuer usually issues the warrant volume according to the volume registered with the State Securities Commission, the issuer can still increase the volume of warrant supply through additional issuance. Additional issue provided that the warrant issue limit does not exceed the maximum issue limit prescribed by the State Securities Commission. Additional issues may affect the warrant's price.
- **Risk from leverage:** Investing in warrants only involves changes in the price of the underlying securities and not directly investing in the underlying securities, so investors benefit from the warrants leverage when it is possible to receive the full change in the price of the underlying securities while paying a fraction but not all, of the underlying securities' price. In addition, the rate of change in the price of warrants in the market can be greater than the rate of change in the price of the underlying securities, so an investor can gain or lose more than a direct investment in the underlying securities.
- **Liquidity risk:** The risk that occurs when an investor cannot sell a warrant at the desired price because the market is illiquid for that warrant. The liquidity of warrants depends on market supply and demand and the market-making efficiency of the issuer. Although the issuer is committed to market-making and providing liquidity to the warrants market, the issuer is not committed to a vibrant warrant market.
- **Investors holding warrants do not have the same rights as shareholders owning the underlying securities, including but not limited to the right to attend the General Meeting of Shareholders, receive dividends, the right to purchase additional shares, or other rights arising from the underlying securities.**

### **3. Risks associated with the underlying securities**

- Certain events (including the issuance of bonus shares or money distribution by the Company, split or consolidation of the underlying securities structuring event affecting the Company) may lead to adjusting the terms and conditions of the warrant. However, we are under no obligation to adjust the terms and conditions of warrants for any events relating to the underlying securities. Any adjustment or non-adjustment decisions will have an impact on the value of the warrant. The adjustment of warranty is in accordance with the law. In addition, several events occurred (including the underlying securities being delisted or suspended from trading) resulting in warrants being delisted or trading suspended by the law.

#### 4. Other risks

- Economic risks: the development of Vietnam's stock market depends on many factors, which are closely related to the economic development of Vietnam. The development of Vietnam's economy will be the driving force to encourage domestic enterprises to expand production, seek business opportunities and attract foreign investment capital. This will bring a positive response to the development of Vietnam's stock market. On the contrary, when the economy slows down, it will negatively affect the growth rate of enterprises and indirectly affect the development of the stock market, including the development of warrants.
- Political risk: is the risk due to fluctuations in political events, changes in laws and government policies that affect the interests of investors.
- Legal risk: occurs when warrant issuer and/or the underlying securities is in compliance with the law due to a change in regulations, failure to comply with regulations or when a dispute arises, lawsuits, etc. from related parties in the course of day-to-day operations leading to bad fluctuations in warrant prices.
- Tax risk: when investors hold warrant to the expiration date and exercise the right, the personal income tax that the investor has to bear will be higher than the personal income tax paid by the investor when trading in securities stock before the maturity date as prescribed by law.

## II. PERSONS TAKE MAIN RESPONSIBILITY FOR CONTENTS OF THE PROSPECTUS

### 1. Issuing organization – Phu Hung Securities Corporation

|                            |                                        |
|----------------------------|----------------------------------------|
| Mr. Albert Kwang-Chin Ting | Position: Chairman of the Board        |
| Mr. Chen Chia Ken          | Position: General Director             |
| Ms. Do Thi Ai Vy           | Position: Chief Accountant             |
| Mr. Liew Sep Siang         | Position: Head of Inspection Committee |

We guarantee that the information and data contained in this Prospectus are accurate and truthful and we undertake to be responsible for the truthfulness and accuracy of this information and data by the fact that we reasonably know or have investigated, and collected.

We may update or amend this Prospectus during the warrant issuance process to ensure compliance with applicable regulations. Any additional updates will be disclosed at the Stock Exchange.

### 2. Underwriters, Consulting Organizations

There is no organization underwriting or consulting



### III. THE CONCEPT

**Covered warrant** means a type of securities with securities assets issued by a securities company, entitling its holders to buy (call warrant) or to sell (put warrant) underlying securities from/to the warrant issuer at a predetermined price at or before a predetermined date or to receive the difference between the exercised price and the price of underlying securities at the date of exercise.

**Underlying securities** are securities used as the warrant's underlying asset.

**Issuers of underlying securities** is an organization that issues securities as the underlying asset of the warrant.

**Issuer of covered warrant** is a securities company that issues warrants.

**Custodian bank** means a bank that deposits and supervises assets deposited by the warrant issuer to secure payment for the issued warrants and is not a related person of the issuer and complies with the provisions of the securities law.

**A warrant holder** is an investor who owns the warrant and is also a partially secured creditor of the issuer and is not the warrant issuer.

**European-style covered warrant** allows the holder to exercise the right only at the expiration date.

**Strike price** is the price at which the holder of a call warrant has the right to purchase the underlying securities from the issuer, or is used by the issuer to determine the payment to the warrant holder.

**Conversion rate** indicates the number of warrants required to convert into one unit of the underlying securities.

**Expiration date** is the last day on which the warrant holder can exercise the warrant.

**Outstanding warrants** are warrants that have not expired and are held by the warrant holder.

**Uncirculated warrants** are warrants that have been issued but not yet owned by an investor. Uncirculated warrants are deposited into the issuer's account.

**In-the-money (ITMs) warrants** are call warrants with an exercise price lower than the underlying securities price.

**Out-of-the-money (OTMs) warrants** are call warrants with an exercise price higher than the underlying securities price.

**At-the-money (ATMs) warrants** are call warrants with an exercise price equal to the underlying securities price.

**Open warrant position** includes all outstanding warrants that have not yet been exercised.

**Theoretical hedging position** is the position calculated based on the hedging plan stated in the Prospectus by the issuer.

**Actual hedging position** is a position calculated based on the actual position in the issuer's hedging account.

**Delta** is the change in the warrant price for a very small change in the underlying securities' price.

Formula:

$$\text{Delta} = \frac{\text{Degree of Change in warrant price}}{\text{Degree of change in the underlying securities price}}$$

**Warrant settlement price when exercise** is the average closing price of the underlying securities in the five (05) trading days immediately preceding the expiration date, excluding the expiration date.

*The words or groups of acronyms in this Prospectus have the following content:*

**SSC:** State Securities Commission

**VSD:** Vietnam Securities Depository Center

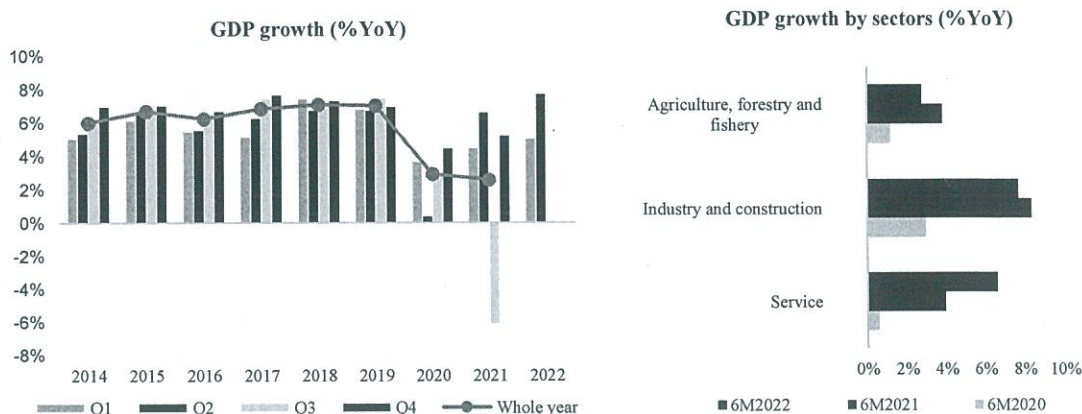
**PHS or The Company:** Phu Hung Securities Corporation

#### IV. INVESTMENT OPPORTUNITIES

##### 1. Overview of Vietnam's economy

Global economic growth prospect is forecasted to slow down in 2022 under the negative impacts of COVID -19 pandemic after 2 years and also the conflict between Russia and Ukraine, causing prices of essential goods in the global market escalating, especially crude oil and natural gas, which may lead to a food and energy security crisis, putting great pressure on global inflation.

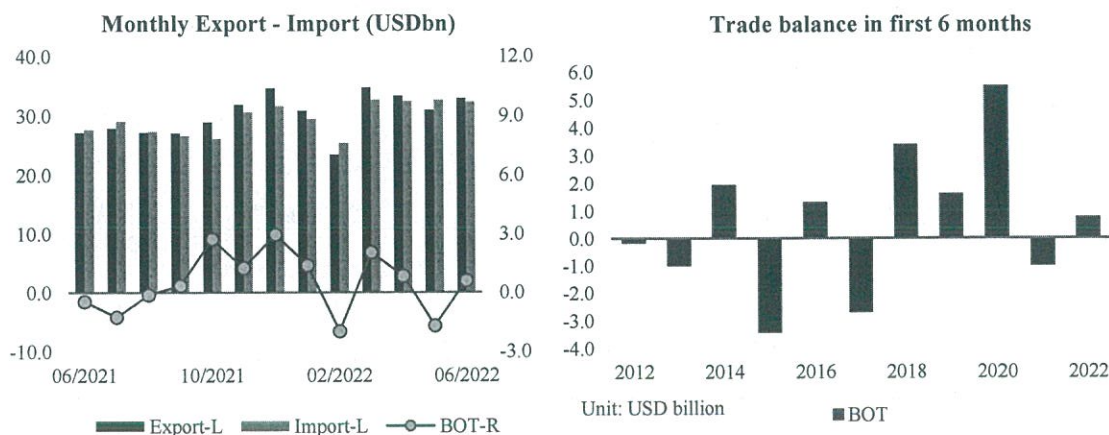
However, with the country's economic recovery and development after the pandemic, Vietnam's economy has prospered in the first 6 months of 2022 and recorded high growth in all sectors. As for 2Q2022, GDP is estimated to increase by 7.72%YoY, highest level in the period of 2011-2022 thanks to strong recovery of services sector when less impacted by COVID-19. Therefore, GDP of 6M2022 has advanced 6.42%YoY, higher than 2.04% of 6M2020 and 5.74% of 6M2021. In the overall growth rate of the economy, the agriculture, forestry, and fishery sector increased by 2.78% (contributing 5.07%); the industry and construction sector increased by 7.70% (contributing 48.33%); and the service sector increased by 6.60% (contributing 46.60%).



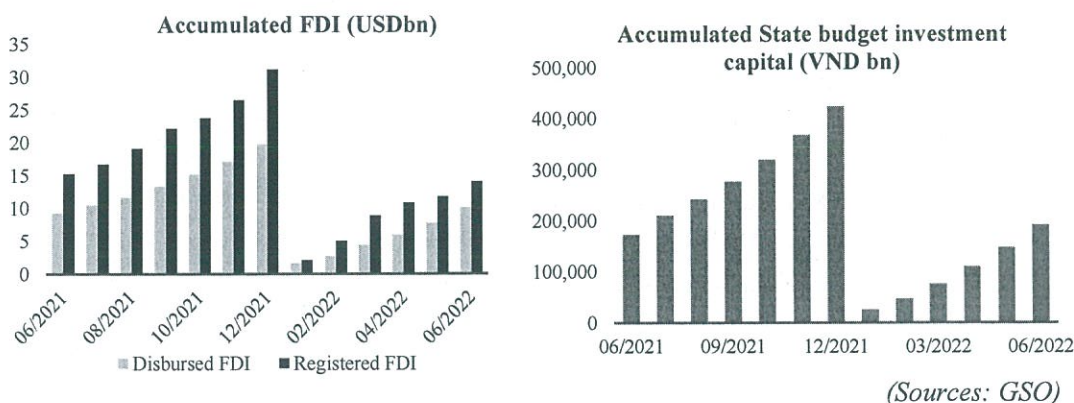
(Sources: GSO)

Imports and export have been continually expanding. In the first six months, the total trade turnover reached a high growth of 16.4%YoY, equivalent to USD 371.1 billion. And the trade balance recorded a surplus of USD 0.7 billion.



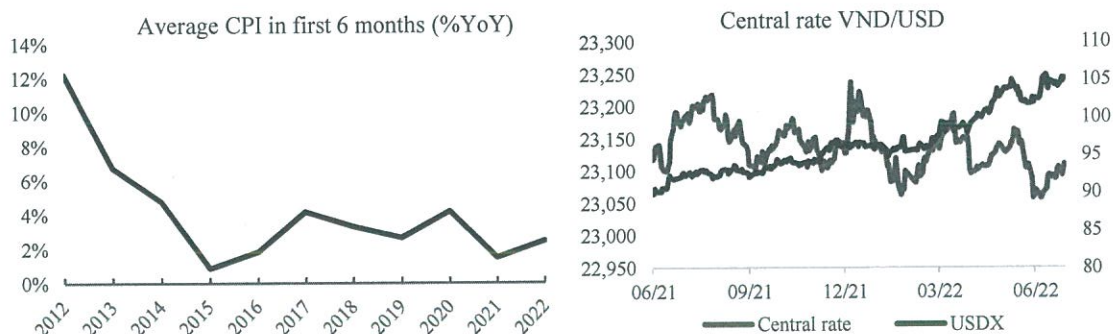


Although the global economy is facing many challenges, FDI disbursement in Vietnam in 6M2022 has been still very positive, estimated at USD 10.1 billion (+8.9%YoY), the highest level of first 6 months in the past 5 years, and being an important driver for economic growth. Besides, investment capital from the State budget estimated VND 191 trillion in 6M2022, up 9.5%YoY and achieved 35% of the year plan.



The continuous increase in domestic gasoline prices, in line with the increase of world oil price and input materials price, have put great pressure on inflation. However, thanks to taxes exemption on the oil products have been decreasing in price, the CPI of Vietnam is still controlled. the average CPI in the first 6M2022 increased by 2.44%YoY, higher than 1.47% in the same period in 2021 but still lower than 2018-2020 period.

Despite the strengthen of the US dollar after FED announced its interest rate hike plan, VND still remain its stability in 6M2022. The stability of the VND is thanks to the flexible actions of the State Bank of Vietnam in the money market and VND also has accomplished good performance in previous period.



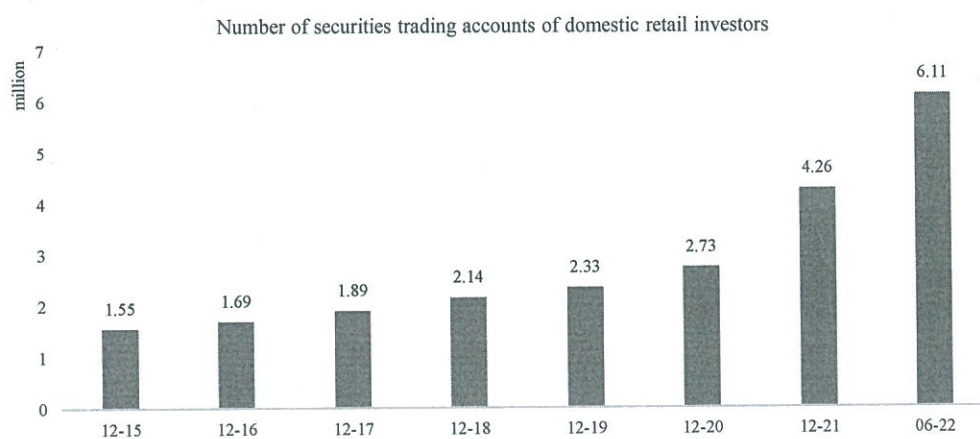
(Sources: GSO, SBV)

With a strong fundamentals and being top countries in terms of COVID-19 vaccines coverage in the world, Vietnam's economy is ongoing solid recovery and will "normalize" in 2022 with an expectation of GDP growth even higher than the government target of 6 - 6.5%, inflation control under 4% and macroeconomic maintain the stability. The growth drivers of the economy are still (1) robust recovery of manufacturing and services in "new normal"; (2) continuous expansion of import and export thanks to FTAs; (3) accelerating FDI attraction and public investment to support economic recovery.

## 2. Vietnam financial market and investment opportunities

Vietnam's stock market continues to remark with continuing booming of new retail investors (F0). In the first 6 months of 2022, domestic individuals opened nearly 1.85 million new securities trading accounts, nearly 3 times higher than the same period last year and 21% higher than the 1.5 million newly opened accounts in the year 2021.

With Vietnam population of 98.5 million at the end of 2021 according to GSO, current number of trading securities accounts of domestic retail investors is equal to 6.2% of population, expected an early completion of the target of 8% population by 2030.

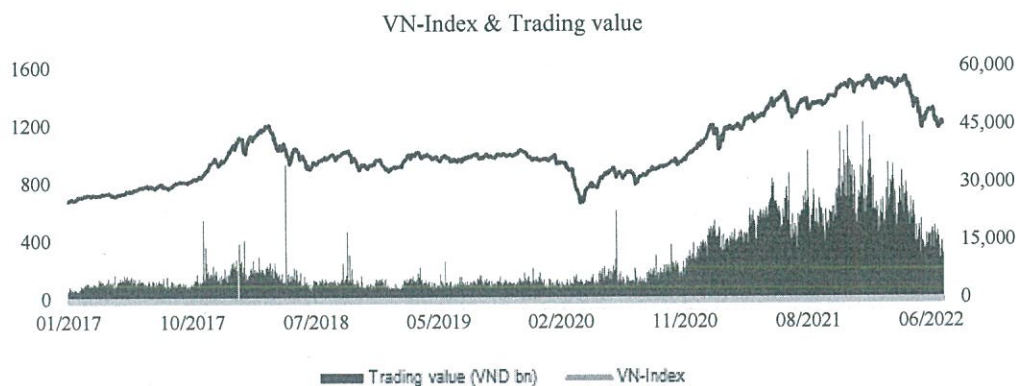


(Sources: Vietnam Securities Depository)

However, in contrast to the positive domestic macroeconomics and constantly increasing of new retail investors, Vietnam's stock market has been heavily affected by the volatility of global stock market. As of June 30, 2022, VN INDEX closed at 1,197.60 points, down 20% compared to the end of 2021 and the market P/E dropped to less than 13 times. Although the liquidity on HOSE decreased in the second quarter, but for 6M2022, trading values still reached nearly VND 22 trillion per session, equivalent to the average of 2021 thanks to the booming of retail investors and also the return of foreign inflows when the market moved to attractive valuation territory.



After a strong net sell of nearly USD 2.5 billion in 2021, foreign investors had net buy again of nearly VND 2 trillion in 6M2022.



(Sources: FiinPro, PHS)

We expect the stock market will be more stable in the second half of 2022 thanks to the solid economic growth outlook with favorable domestic macro condition. In addition, the global economy may avoid a recession as commodity prices have signal of cooling down and inflation is gradually under control.

Besides, with the robust earnings growth of listed companies from 15% to 20% in 2022, P/E forward of VN-Index back to an attractive level of around 11 times, the lowest in a decade.

The Vietnam stock market is also in front of great opportunity to be emerging market upgrade by FTSE in upcoming years and may be in watchlist of MSCI in 2023. This will lead the higher expectation from return of foreign investment in the second half year of 2022 and 2023.

In the long term, Vietnam stock market is highly prospective with income per capita on rising track and more and more people join the market as efficient accumulated assets and long-term investment channel, boost it grow sustainably.

### 3. Investment opportunity to covered warrant

Warrant is a derivative product, issued by a securities company, listed and traded on the Ho Chi Minh City Stock Exchange (HSX). Since the first trading day on June 28, 2019, the warrant product has achieved many successes after more than 3 years of operation, attracting the attention of market members and investors. By the end of 6M2022, there were more than 12 billion volumes of warrants traded in the market, equivalent to VND 27,527 billion in value.

The outstanding advantages of this product is high leverage; unlimited profit but fixed maximum loss by the initial amount spent for buying warrants; low investment cost; easy trading and payment, etc.

However, warrants also have specific risk factors, then investors need to learn about the product carefully to evaluate returns and risks of this product before making investment decision.

## V. INFORMATION ABOUT ISSUER OF COVERED WARRANT

### 1. General information about issuer of covered warrant

#### 1.1 General introduction of the issuer

- ❖ Full name: PHU HUNG SECURITIES CORPORATION
- ❖ Short name: PHS
- ❖ License for establishment and operation:

Establishment and operation license No. 122/GP-UBCK issued by the State Securities Commission on January 20, 2016.

Adjustment license 48/GPĐC-UBCK dated June 24, 2021 to change the location of the head office 21<sup>st</sup> Floor, Phu My Hung Tower, 08 Hoang Van Thai, Tan Phu Ward, District 7, Ho Chi Minh City, Vietnam. Adjustment license number 110/GPĐC-UBCK dated November 10, 2022 recorded charter capital of 1,500,098,190,000 VND.

Certificate No. 57/GCN-UBCK dated December 30, 2021 for registration of distribution of public fund certificates.

- ❖ Charter capital: 1,500,098,190,000 VND
- ❖ Head office: 21<sup>st</sup> Floor, Phu My Hung Tower, 08 Hoang Van Thai, Tan Phu Ward, District 7, Ho Chi Minh City, Vietnam
- ❖ Phone number (84 28) 5413 5479
- ❖ Fax number : (84 28) 5413 5472
- ❖ Website: [www.phs.vn](http://www.phs.vn)
- ❖ Email: [support@phs.vn](mailto:support@phs.vn)
- ❖ Stock code: PHS
- ❖ Logos: 
- ❖ The Company's lines of business include:
  - Securities brokerage;
  - Securities dealing;
  - Securities investment consultancy, financial consulting and other financial services;
  - Securities underwriting;
  - Derivative securities trading including dealing, brokerage and investment consultancy;
  - Provide clearing and settlement services for derivative securities transactions.

In addition to the securities trading professionals specified above, the Company may provide the services of securities depository, financial consultancy, management of securities trading



accounts in trust for investors and other financial services in accordance with regulations of the Ministry of Finance. The Company may conduct business activities in other fields permitted by law and approved by the General Meeting of Shareholders.

## 1.2 The process of formation and development

Key milestones of the Company:

### ❖ 2006 – 2010

- **November 15, 2006:** Au Lac Securities Joint Stock Company was established under Business Registration Certificate No. 4103005552 issued by the Department of Planning and Investment of Ho Chi Minh City. Initial charter capital is 22,680,000,000 VND
- **December 1, 2006:** SSC granted the license to conduct securities business with the following business lines: Securities brokerage, securities dealing, securities investment and financial consulting, and securities depository.
- **December 14, 2006:** Became a trading member of the Ho Chi Minh City Stock Exchange
- **December 18, 2006:** Became a trading member of Hanoi Stock Exchange
- **December 29, 2006:** Increase charter capital to 50,000,000,000 VND
- **September 5, 2008:** Increase charter capital to 100,000,000,000 VND
- **November 10, 2008:** Moved Head Office to 5th Floor, Lawrence S. Ting Building, No. 801 Nguyen Van Linh, Tan Phu Ward, District 7, Ho Chi Minh City
- **January 23, 2009:** Changed name from Au Lac Securities Joint Stock Company to Phu Hung Securities Corporation (PHS)
- **April 28, 2009:** Increase charter capital to 135,000,000,000 VND
- **January 12, 2010:** Increase charter capital to 300,000,000,000 VND

### ❖ 2012 – 2015

- **November 13, 2012:** Increase charter capital to 347,450,000,000 VND
- **March 18, 2014:** Became a Bond member of Hanoi Stock Exchange
- **November 19, 2015:** SSC issued Decision No. 1129/QĐ-UBCK on the Consolidate between Phu Hung Securities Corporation and An Thanh Securities Joint Stock Company

**PROSPECTUS**  
**OFFERING COVERED WARRANT**

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❖ **2016 - 2021**

- **January 20, 2016:** Received establishment and operation license of Phu Hung Securities Corporation after Consolidation No. 122/GP-UBCK. Charter capital is 202,585,070,000 VND
- **June 22, 2016:** Moved Head Office to 3rd Floor, CR3-03A, 109 Ton Dat Tien, Tan Phu Ward, District 7, Ho Chi Minh City, Vietnam
- **July 25, 2016:** Increase charter capital to 320,000,000,000 VND
- **January 23, 2017:** SSC approved to perform securities underwriting operations
- **January 11, 2018:** Increase charter capital to 500,000,000,000 VND
- **April 27, 2018:** The Hanoi Stock Exchange recognized the government bond trading membership
- **December 26, 2018:** Increase charter capital to 700,000,000,000 VND
- **July 19, 2019:** The Hanoi Stock Exchange approved the registration of PHS's stock trading on Upcom market.
- **July 31, 2019:** PHS stock was trading on Upcom market
- **March 4, 2020:** Increase charter capital to 900,000,000,000 VND
- **June 16, 2020:** SSC granted the License for Derivatives trading. SSC granted the Certificate of eligibility to provide clearing and settlement services for derivatives transactions as direct clearing
- **June 24, 2021:** Moved Head Office to 21<sup>st</sup> Floor, Phu My Hung Tower, 08 Hoang Van Thai, Tan Phu Ward, District 7, Ho Chi Minh City, Vietnam
- **September 28, 2021:** Increase charter capital to 1,400,000,000,000 VND
- **December 31, 2021:** SSC granted the Certificate of Registration of Public Fund Certificate Distribution No. 57/GCN-UBCK on December 31, 2021
- **April 13, 2022:** PHS obtained the Enterprise Registration Certificate No. 0313642887 firstly granted on January 20, 2016, 13<sup>th</sup> amended on 13 April 2022
- **August 29, 2022:** Increase charter capital to 1,500,098,190,000 VND



❖ **Other events**

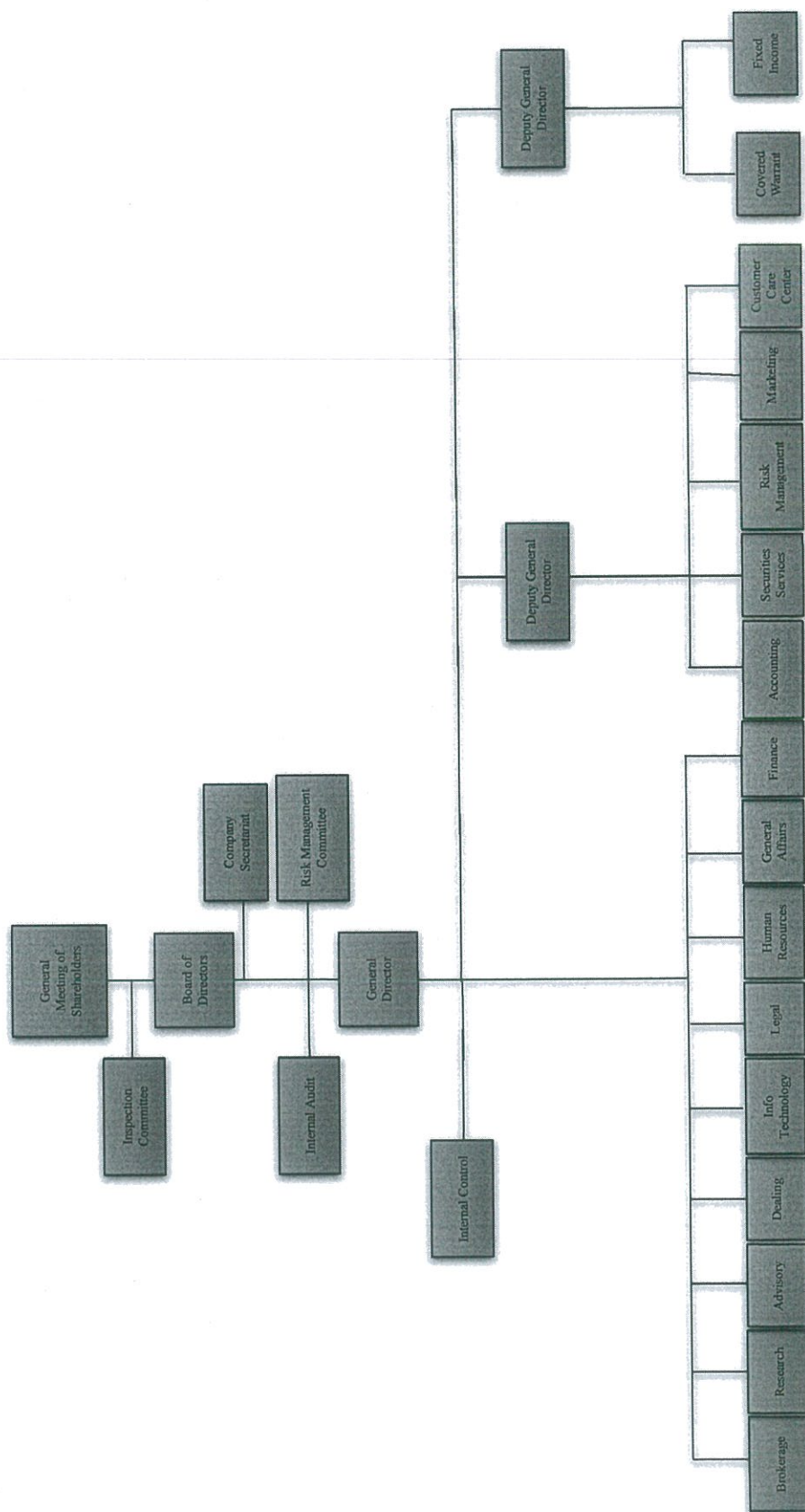
- **December 16, 2016:** PHS was awarded a certificate of merit by SSC for 10 years of operation for the company's collectives and individuals.
- **December 2016:** PHS was presented with Traditional flags, certificates of merit and letters of thanks by the authorities for its 10 years of operation for the company's collectives and individuals.

**1.3 Company organizational structure**

PHS is organized, managed and operates according to the model as shown in the diagram below, including the General Meeting of Shareholders, the Board of Directors, the Board of Management and the Inspection Committee.

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PHU HUNG SECURITIES CORPORATION  
ORGANIZATION CHART





### **General Meeting of Shareholders**

The General Meeting of Shareholders is the highest authority of PHS according to the Enterprise Law and the Company's Charter. The General Meeting of Shareholders has the right to elect, remove and dismiss members of the Board of Directors and the Inspection Committee; has the right to vote on many important issues related to the existence and development of PHS as stipulated in the Charter.

### **Board of Directors**

The Board of Directors is the management agency of the Company and has full authority on behalf of PHS to decide to exercise the rights and obligations of PHS which are not under the authority of the General Meeting of Shareholders. The Board of Directors is responsible before the General Meeting of Shareholders for the Company's operations, ensuring compliance with the provisions of the law, the Charter and internal regulations of the Company, equal treatment for all shareholders and respect for persons with interests related to the company.

|                            |                                              |
|----------------------------|----------------------------------------------|
| Mr. Albert Kwang-Chin Ting | Chairman of the board                        |
| Mr. Nguyen Doan Hung       | Member of Board of Directors                 |
| Mr. Chen Chia Ken          | Member of Board of Directors                 |
| Mr. Wu, Jin-Jeng           | Member of Board of Directors                 |
| Mrs. Liu, Hsiu-Mei         | Independent member of the Board of Directors |

### **Inspection Committee**

The Inspection Committee is elected by the General Meeting of Shareholders, supervises the Board of Directors, and the Board of Management in the management and administration of all business activities in the company.

|                      |                                |
|----------------------|--------------------------------|
| Mr. Liew Sep Siang   | Head of Inspection Committee   |
| Mr. Chiu, Hsien-Chih | Member of Inspection Committee |
| Mrs. Kuo, Ping-Min   | Member of Inspection Committee |

### **Internal Audit**

Internal Audit is appointed by the Board of Directors to perform its functions on the principle of independence, honesty, objectivity and confidentiality, compliance with legal provisions and the Company's Charter, resolutions of the General Meeting of Shareholders, resolutions of the Board of Directors, the effectiveness of internal control, regulations, business processes, and risk management processes of the Company.

### **Secretariat**

Secretariat is appointed by the Board of Directors to perform the supporting role and organize the meetings of the General Meeting of Shareholders, the Board of Directors and the Inspection Committee.

### **Risk Management Committee**

The Risk Management Committee is appointed by the Board of Directors to develop regulations, policies, and strategies for risk management; risk assessment standards; overall risk level of the Company and each division within the Company.

## **1.4 Management structure of the company**

### **General Director**

The General Director must develop working regulations for the Board of Directors to approve, working regulations must have at least the basic contents specified in the PHS charter. The General Director must establish and maintain a risk management implementation system including processes, apparatus, and personnel to ensure the prevention of risks including risks that may affect the interests of PHS and customers, establish and maintain an internal control system including independent and specialized processes, apparatus, personnel, and internal procedures applicable to all positions, units, and divisions, and activities of the Company to ensure the objectives as prescribed by law.

### **Deputy General Director**

The Deputy General Director is appointed by the Board of Directors on the basis of the General Director's proposal, the Deputy General Director is the person who supports the General Director according to the tasks assigned by the General Director.

### **Internal Control**

Internal control implements inspection and supervise the compliance with legal regulations, the company's charter, decisions of the General Meeting of Shareholders, decisions of the Board of Directors, regulations, professional processes, and risk management processes of the Company, relevant division and securities practitioners in the Company.

### **Brokerage Division**

Manage brokerage activities of the whole Company as follows:

- Receive customer service proposals from branches/trading offices, give comments and submit them to competent authorities for approval;
- Closely follow the business situation, management activities of branches/trading offices and report to competent authorities;
- Make periodical and extraordinary reports on business activities of branches/trading offices;
- Build brokerage management policy;
- Coordinate with relevant division to develop policies for customers;
- Switch brokers for customers;
- Calculate commissions for brokers;
- Organize periodic/extraordinary meetings with Branch Director to report business situations.



### **Advisory Division**

Carry out consulting service activities according to the assigned annual plan, including building business processes for corporate financial advice, searching, signing and implementing consulting contracts.

Make documents related to changes in business activities of PHS including: issuance, capital injection, etc. in accordance with relevant laws.

### **Research Division**

Provide stock and market analysis to PHS customers to fulfill the objective of supporting investors and brokerage departments.

### **Dealing Division**

Carry out investment activities, buying and selling securities in company accounts for the purpose of making profits for the Company. Accordingly to:

- Determine the investment objective of the portfolio;
- Establish implementation procedures related to portfolio selection criteria; indicators for evaluating results and estimating investment risks;
- Conduct investment activities as the approved process.

### **Information Technology (IT) Division**

Responsible for all information technology activities of the Company including software management, network system management to ensure continuous and smooth business operations of PHS.

### **Legal Division**

Examine and control legal risks related to the Company, including:

- Update all relevant regulations in the securities sector for the division to comply with;
- Check all legal risks in commercial service contracts with partners and customers;
- Participate in protecting the legitimate rights and interests of the Company in litigation cases at competent state agencies.

### **Human Resources Division**

Manage all activities related to planning, recruitment, training, budget, implementation of human rights and development strategy at PHS, including: recruitment, training, retraining, building compensation regulations, human resource development strategy.

### **General Affairs Division**

Manage all administrative and office activities of PHS, including developing and implementing fixed-asset plans, purchasing assets as approved, managing PHS's assets.

### **Finance Division**

Analyze, evaluate and develop a financial plan and ensure the financial needs of PHS, including developing quarterly and annual financial plans and submitting them to the General Director and Board of Directors for approval, mobilizing capital to meet capital requirements of PHS.

### **Accounting Division**

Monitor, record and report on financial statements of PHS, including:

- Collect accounting information and data according to accounting subjects and contents, according to accounting standards and regimes;

**PROSPECTUS**  
**OFFERING COVERED WARRANT**

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- Check and supervise financial receivables and expenditures; inspect the management and use of assets and sources of assets formed;
- Make periodical financial settlement reports in accordance with the law, monthly, quarterly, 6-monthly and annual reports;
- Analysis of accounting information and data; advise and propose solutions to serve the requirements of management and economic and financial decisions;
- Provide accounting information and data in accordance with the law.

**Securities Services Division**

Manage all depository and trading activities of customers' securities, bonds, payment and clearing activities, and supporting branches in daily operations.

**Marketing Division**

Build the image and promote the company's brand and its products to the right customers.

- Building and developing the image of Phu Hung Securities;
- Research and develop communication channels, customer access channels to support business activities, support market expansion;
- Develop and implement marketing strategies according to specific KPIs;
- Advise Board of Management on marketing strategies, products and customers;
- Establish relationship with media & handle corporate communication crisis;
- Manage the work of employees under the management of the division.

**Customer Care Center**

Bridge between the customer and the Business, maintain current and develop future customers

- Be responsible for receiving and handling all customer complaints
- Coordinate with divisions to implement development strategies and promote the company's image
- Implement customer care campaigns
- Improvement Customer Satisfaction

**Risk Management Division**

Develop, implement and monitor the implementation of the Risk Management Process:

- Monitor and receive comments from divisions and identify risks arising in daily operations;
- Contact relevant divisions to find out details about risks, assess impacts, come up with plans to limit risks and submit plans to the Risk Management Committee;
- Review and propose to adjust, update and change relevant policies, processes and regulations in accordance with the actual operation situation and legal regulations.

**Covered Warrants Division**

Offer covered warrants, do market-making and hedging activities for covered warrants issued by the company.

Enhance company profit yield through issuing covered warrant, manage risk associated with issued covered warrant.

**Fixed Income Division**

Construct fixed income portfolios for dealing investment.



Provide advice of issuing debt instruments to customers.  
Provide brokerage service of fixed income instruments to customers.

**Subsidiaries, affiliated companies: None**

### 1.5 Major Shareholders and related persons

Major shareholders (owning 5% or more) have 3 shareholders at 31/08/2022.

#### ❖ Ownership rate of major shareholders

| No. | Name of organization /individual      | ID/Passport/Registration Number | Date       | Address                                                                                                                  | Number of shares | Ownership rate (%) | Shares are restricted from being transferred |
|-----|---------------------------------------|---------------------------------|------------|--------------------------------------------------------------------------------------------------------------------------|------------------|--------------------|----------------------------------------------|
| 1   | An Thinh Development Limited          | CB8860                          | 19/11/2018 | Coastal Building, Wickhams Cay II, Road Town, Tortola, British Virgin Islands                                            | 17,447,400       | 11.63              |                                              |
| 2   | New Beam International Inc            | CB5917                          | 12/04/2018 | Ground Floor, Coastal Building Wickhams Cay II, P O Box 3169, Road Town, Tortola, British Virgin Islands                 | 26,176,745       | 17.45              | 23,560,000                                   |
| 3   | Phu Hung Far East Holding Corporation | CA5901                          | 22/08/2012 | Portcullis Trustnet (BVI) Limited, Portcullis TrustNet Chambers P.O.Box 3444, Road Town, Tortola, British Virgin Islands | 69,004,600       | 46                 | 23,000,000                                   |

❖ **Information about the Board of Management**

| No. | Board of management   | Position                | Level    | Number of shares |
|-----|-----------------------|-------------------------|----------|------------------|
| 1   | Mr. Chen Chia Ken     | General Director        | Master   | 0                |
| 2   | Ms. Pham Thi Thu Nhan | Deputy General Director | Master   | 0                |
| 3   | Mr. Li Hsin Hsien     | Deputy General Director | Master   | 0                |
| 4   | Ms. Do Thi Ai Vy      | Chief Accountant        | Bachelor | 0                |

- ***Mr. Chen Chia Ken – Member of the Board of Directors cum General Director cum the 2<sup>nd</sup> legal representative***

Qualification: Master of Business Administration

Working process

| Time                    | Title                                  | Work unit                                   |
|-------------------------|----------------------------------------|---------------------------------------------|
| 1999 - 2005             | Senior specialist                      | Taiwan International Securities Corporation |
| 2005 - 2009             | Chief Representative of Chengdu Office | Taiwan International Securities Corporation |
| 2009 - 2011             | Sales Vice President                   | Taiwan International Securities Corporation |
| 2011 - 2012             | Senior Vice President                  | Capital Securities Corporation              |
| 04/12/2012 – 27/03/2013 | Acting General Director                | Phu Hung Securities Corporation             |
| 28/03/2013 - present    | General Director                       | Phu Hung Securities Corporation             |
| 06/04/2016 - present    | Member of Board of Directors           | Phu Hung Securities Corporation             |
| 17/04/2019 - present    | Second legal representative            | Phu Hung Securities Corporation             |

Position at PHS: Member of the Board of Directors cum General Director cum the 2<sup>nd</sup> legal representative

Current position in another organization: None

Total number of shares held: Personal ownership: None

Representative ownership: None

Related people holding shares: None

Debts to the Company: None

Related interest to the Company: None



Remuneration and other benefits received from the Company: Remuneration of members of the Board of Directors and salary of the General Director

- **Ms. Pham Thi Thu Nhan – Deputy General Director**

Qualification: Master of Business Administration

Working process

| Time              | Title                                                 | Work unit                        |
|-------------------|-------------------------------------------------------|----------------------------------|
| 04/2008 – 08/2009 | Trading Service Manager                               | Phu Hung Securities Corporation  |
| 09/2009 – 10/2011 | Director of Customer Service and Business Development | Hong Bang Securities Corporation |
| 11/2011 – 07/2015 | Director of Risk Management Division                  | Phu Hung Securities Corporation  |
| 07/2015 – Present | Deputy General Director                               | Phu Hung Securities Corporation  |

Position at PHS: Deputy General Director

Current position in another organization: None

Total number of shares held: Personal ownership: None

Representative ownership: None

Related people holding shares: None

Debts to the Company: None

Related interest to the Company: None

Remuneration and other benefits received from the Company: Salary and benefits of the Deputy General Director according to the Company's policy

- **Mr. Li Hsin Hsien – Deputy General Director**

Qualification: Master of Business Administration

Working process

| Time              | Title                   | Work unit                                 |
|-------------------|-------------------------|-------------------------------------------|
| 11/2014 – 03/2019 | Vice President          | Taiwan Cooperative Securities Corporation |
| 03/2019 – 03/2020 | Vice President          | JihSun Futures Corporation                |
| 04/2020 – 06/2021 | CFO                     | YiYuanDianLi Corporation                  |
| 12/2021 – Present | Deputy General Director | Phu Hung Securities Corporation           |

Position at PHS: Deputy General Director

Current position in another organization: None

Total number of shares held: Personal ownership: None

Representative ownership: None

Related people holding shares: None

Debts to the Company: None

Related interest to the Company: None

Remuneration and other benefits received from the Company: Salary and benefits of the Deputy

General Director according to the Company's policy

- ***Ms. Do Thi Ai Vy – Chief Accountant***

Qualification: Bachelor of Accounting

Working process

| Time              | Title                            | Work unit                       |
|-------------------|----------------------------------|---------------------------------|
| 05/2009 – 09/2012 | General Accounting               | Phu Hung Insurance Corporation  |
| 09/2012 – 11/2017 | Supervisor – Accounting Division | Phu Hung Securities Corporation |
| 12/2017 – Present | Chief Accountant                 | Phu Hung Securities Corporation |

Position at PHS: Chief Accountant

Current position in another organization: None

Total number of shares held: Personal ownership: None

Representative ownership: None

Related people holding shares: None

Debts to the Company: None

Related interest to the Company: None

Remuneration and other benefits received from the Company: Salary and benefits of Chief Accountant according to Company policy



❖ **Information about Risk management personnel related to covered warrant issuance activities**

- Ms. Nguyen Thi Thao Vy – Acting Senior Officer
- Qualification: Bachelor of Financial Investment & Banking
- Professional certificates: CFA level II
- Working experience:

|                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 06/2020 – 07/2022 | <p>Senior Officer of Research Division, Phu Hung Fund Management Joint Stock Company</p> <ul style="list-style-type: none"> <li>- Perform independent research reports on macroeconomic, stock market, industries, equities, special topics etc. for providing to the company's clients.</li> <li>- Support Group and Company to perform data update, internal research reports on specific request.</li> <li>- Other assigned tasks.</li> </ul>           |
| 08/2022 – 09/2022 | <p>Senior Officer of Research Division, Phu Hung Securities Corporation</p> <ul style="list-style-type: none"> <li>- Perform independent research reports on macroeconomic, stock market, industries, equities, special topics etc. for providing to the company's clients.</li> <li>- Support Group and Company to perform data update, internal research reports on specific request.</li> <li>- Other assigned tasks.</li> </ul>                        |
| 10/2022 – Present | <p>Acting Senior Officer of Risk Management Division, Phu Hung Securities Corporation</p> <ul style="list-style-type: none"> <li>- Identify, analyze and measure risks. Control and prevent risks in covered warrant issuance activities.</li> <li>- Develop policies, standards, measurement tools for managing risks in covered warrant activities. Ensure risk policies are always implemented properly, effectively and high independently.</li> </ul> |

**1.6 Size of personnel**

- ❖ Number of officers and employees as of June 30, 2022: 343 people.
- ❖ Total cost for employees (salary) of 6M2022: 45,343,613,427 VND.

### 1.7 Network of activities

#### ❖ In Ho Chi Minh City:

##### **Phu My Hung Trading Office**

Ground floor, CR2-08, 107 Ton Dat Tien,  
Tan Phu Ward, District 7, Ho Chi Minh City  
Phone : (84-28) 5 413 5478  
Fax : (84-28) 5 413 5473

##### **Tan Binh Branch**

Park Legend Building, 251 Hoang Van Thu,  
Ward 2, Tan Binh District, Ho Chi Minh City  
Phone : (84-28) 3 813 2401  
Fax : (84-28) 3 813 2415

##### **District 3 Branch**

2nd floor, Phuong Nam Building  
157 Vo Thi Sau, Ward 6, District 3, Ho Chi Minh City  
Phone : (84-28) 3 820 8068  
Fax : (84-28) 3 820 8206

##### **District 1 Branch**

Room 1003A, 10th Floor,  
81-83-83B-85 Ham Nghi, Nguyen Thai Binh Ward, District  
1, Ho Chi Minh City  
Phone : (84-28) 3 535 6060  
Fax : (84-28) 3 535 2912

#### ❖ Other provinces/cities:

##### **Hai Phong Branch**

2nd floor, Building number 18 Tran Hung Dao,  
Hong Bang District, Hai Phong  
Phone : (84-225) 384 1810  
Fax : (84-225) 384 1801

##### **Hanoi branch**

5th Floor, Vinafor Building, No. 127 Lo Duc,  
Dong Mac Ward, Hai Ba Trung District, Hanoi  
Phone : (84-24) 3 933 4566  
Fax : (84-24) 3 933 4820

##### **Thanh Xuan Branch**

5th Floor, UDIC Complex Building, N04 Hoang Dao Thuy,  
Trung Hoa Ward, Cau Giay District, Hanoi  
Phone : (84-24) 6 250 9999  
Fax : (84-24) 6 250 6666





## 2. Information about the performance of the issuer

### 2.1 Business operation situation

In recent years, the operating profit of the Company has changed in a positive direction. Operating profit will peak in 2021 at about VND 176.4 billion. PHS's profit after tax in 2021 achieved a positive result with about VND 140.9 billion, an increase of 166.71% compared to 2020.

In 2021, PHS does not change the number of branches and transaction offices, keeping a total of 7 branches and trading offices but improves the quality of human resources through recruitment as well as training. Business results of branches and trading offices have brought high efficiency, gradually affirming sustainable development.

### Main business activities

#### a. Securities brokerage activities

2021 is an unforgettable year for Vietnam in general and Vietnam's stock market in particular. Outbreaks of the Covid-19 disease have led to long periods of social distancing in many cities across the country. In that complicated context, at first, stock investors thought this would be an unsuccessful investment year. However, the actual results were quite surprising as the Vietnamese stock market witnessed the setting of new highs of the VN-Index as well as records in terms of market liquidity or the number of new opening stock accounts.

With appropriate agility and orientation, PHS has prepared to cope with the complicated situation that continuously occurred in advance. PHS has implemented an online working system to speed up the working process and reduce paperwork. At the same time, PHS operates an eKYC online securities trading system, investors enable to open accounts remotely and participate in market transactions without going to PHS offices. The futures contract trading system has also been operating, assisting investors to diversify trading methods when market has mixed fluctuations. In the whole year of 2021, PHS's transaction value grew by 264% - higher than the growth of the whole market - so the Company's market share increased by 5% compared to 2020. PHS's brokerage revenue reached more than 225 billion VND, 241.82% higher than 2020 and more than 5 times higher than 5 years ago. This is the record of brokerage revenue that the company has achieved over years. In 2021, the company's stock brokerage market share achieved 79% of the target.

To complement brokerage part, the company has maintained an appropriate interest rate to meet the borrowing needs of customers and improve the operational efficiency of margin lending services. This is shown by margin loans and the impressive jump in margin interest income. PHS's loan interest revenue in 2021 reached more than 229 billion VND, 103.07% higher than in 2020. At the end of 2021, the value of the Company's loans reached 3,538 billion VND, doubled compared to 1,526 billion VND by the end of 2020.

PHS's pre-tax profit in 2021 is about 176 billion VND and after-tax profit is about 140 billion VND, 168.47% and 166.71% higher respectively compared to 2020. This is also a record profit in the history of PHS's business establishment and development.

Unit: Million VND

|                                             | 2017   | 2018    | 2019    | 2020    | 2021    | %<br>difference<br>between<br>2021 and<br>2020 |
|---------------------------------------------|--------|---------|---------|---------|---------|------------------------------------------------|
| <b>Securities<br/>brokerage revenue</b>     | 41,793 | 51,453  | 50,211  | 65,884  | 225,207 | 241.82%                                        |
| <b>Interest from<br/>lending activities</b> | 74,501 | 108,987 | 129,349 | 113,157 | 229,792 | 103.07%                                        |
| <b>EBT</b>                                  | 17,326 | 37,450  | 57,805  | 65,715  | 176,427 | 168.47%                                        |
| <b>EAT</b>                                  | 17,326 | 37,450  | 47,522  | 52,843  | 140,935 | 166.71%                                        |

**b. Dealing activities**

In 2021, the stock market has grown strongly, although this is a year when many sectors are affected by the Covid-19 pandemic. With effective tracking of market movements and strict risk control procedures, the Dealing Division achieved a profit margin of 33.30% in 2021. Besides, along with the adjustment of development strategy, Dealing Division receives more professional support from Research Division as the company grows. With comprehensive and timely observation of fundamental and technical analysis, we believe that Dealing Division will find more valuable investment opportunities and higher returns on investment in the future.

**c. Consulting and analytical activities**

In order to contribute to the exchange of experiences on the Stock Market of Vietnam and abroad, to help foreign investors understand more about the Vietnamese stock market, Phu Hung Securities Corporation provides a system trading, consulting services and a full range of research reports, including daily reports, weekly reports, monthly reports, individual stock analysis reports, industry reports and macroeconomic analysis reports in three languages: Vietnamese, English and Chinese. Foreign investors will no longer face language barriers and have more opportunities to participate in Vietnam's economic development. In addition, consulting services related to listing, issuance, mergers and acquisitions as well as underwriting consulting services can meet the diverse needs of institutional customers.

**d. Situation of disputes/suits**

The Company has no disputes or litigation affecting the ordinary course of business up to the present time.



## 2.2 Report on business results for the last 2 years and accumulated to the latest quarter

Unit: Million VND

| Targets                             | 2020      | 2021      | % difference<br>compared to<br>2020 | Accumulated<br>to Q3/2022 |
|-------------------------------------|-----------|-----------|-------------------------------------|---------------------------|
| The total value of assets           | 2,135,100 | 4,766,911 | 123.26%                             | 4,418,346                 |
| Net Revenue                         | 216,258   | 509,368   | 135.54%                             | 427,050                   |
| Profits from business<br>activities | 66,090    | 176,367   | 166.86%                             | 42,371                    |
| Other profits                       | (375)     | 60        | (116.00%)                           | 252                       |
| Profit before tax                   | 65,715    | 176,427   | 168.47%                             | 42,623                    |
| Profit after tax                    | 52,843    | 140,935   | 166.71%                             | 33,851                    |

Source: Audited Financial Statements for 2020, 2021; The interim financial statement for the quarter ended 30 September 2022

### 3. Financial situation

PHS makes timely and full payments of due debts.

PHS makes payables according to the law.

Short-term loan at 30/09/2022: 2,251,660,000,000 VND.

#### Current debt situation:

Total receivables at 30/09/2022: 146,129,322,458 VND.

Total liabilities at 30/09/2022: 593,354,306,914 VND.

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**The main financial indicators:**

| Indicators                                             | 2020                  | 2021                   | Accumulate to Q3/2022  |
|--------------------------------------------------------|-----------------------|------------------------|------------------------|
| 1. Safety ratio                                        |                       |                        |                        |
| Available capital value                                | 948,638,181,012       | 1,540,387,311,085      | 1,499,227,562,240      |
| Total risk                                             | 109,875,760,921       | 251,451,558,428        | 258,165,389,776        |
| <i>Market risk</i>                                     | <i>13,885,574,546</i> | <i>1,968,048,031</i>   | <i>1,164,184,446</i>   |
| <i>Payment risk</i>                                    | <i>45,990,186,375</i> | <i>69,483,510,397</i>  | <i>77,001,205,330</i>  |
| <i>Operational risk</i>                                | <i>50,000,000,000</i> | <i>180,000,000,000</i> | <i>180,000,000,000</i> |
| Available capital ratio                                | 863%                  | 613%                   | 581%                   |
| 2. Solvency ratio                                      |                       |                        |                        |
| Short-term payment ratio:                              |                       |                        |                        |
| Working assets/short-term debt                         | 1.82                  | 1.49                   | 1.53                   |
| Quick ratio                                            |                       |                        |                        |
| <u>Working assets - Inventories</u><br>Short-term debt | 1.82                  | 1.48                   | 1.52                   |
| 3. Capital Structure                                   |                       |                        |                        |
| Debt/Total Asset                                       | 0.53                  | 0.66                   | 0.64                   |
| Debt/Equity                                            | 1.15                  | 1.97                   | 1.81                   |
| 4. Profitability ratio                                 |                       |                        |                        |
| EAT/Net income                                         | 0.24                  | 0.28                   | 0.08                   |
| EAT/Equity                                             | 0.05                  | 0.09                   | 0.02                   |
| EAT/Total Asset                                        | 0.02                  | 0.03                   | 0.01                   |
| Operating income/Net income                            | 0.31                  | 0.35                   | 0.10                   |
| Earnings per share (EPS)                               | 603                   | 1,317                  | 226                    |



## VI. INFORMATION ABOUT COVERED WARRANT

### 1. General information about Covered warrant

|                                                       |                                                                                                                                     |
|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| Warrant name:                                         | Warrant HPG.01.PHS.C.EU.Cash                                                                                                        |
| Name (code) of the underlying securities:             | HPG                                                                                                                                 |
| Issuer of underlying securities:                      | Hoa Phat Group JSC.                                                                                                                 |
| Warrant type:                                         | Call                                                                                                                                |
| Execution type:                                       | European                                                                                                                            |
| Method of exercising warrants:                        | Cash payment                                                                                                                        |
| Term:                                                 | 06 months                                                                                                                           |
| Expected offering date:                               | Expected in 01/2023                                                                                                                 |
| Expected last trading date:                           | Expected in 07/2023                                                                                                                 |
| Expected expiry date:                                 | Expected in 07/2023                                                                                                                 |
| Conversion ratio:                                     | 1:1 (01 warrant exchanged for 01 share)                                                                                             |
| Expected exercise price:                              | In the price range from 20% lower to 20% higher than the reference price of the underlying security on the date of the announcement |
| Estimated value of collateral for payment:            | 50% of warrant value allowed to be offered                                                                                          |
| Expected offering price:                              | In the price range from 1,000 (one thousand) VND/warrant to 5,000 (five thousand) VND/warrant                                       |
| Total number of offers:                               | 3,000,000 (three million) warrants                                                                                                  |
| Total expected offering value:                        | From 3,000,000,000 (three billion) VND to 15,000,000,000 (fifteen billion) VND                                                      |
| Information about previous warrants of the same type: | This is the first offering                                                                                                          |

❖ **Method of calculating the offering price**

The warrant offer price is calculated according to the Black-Scholes formula as follows:

$$C = \frac{N(d_1)S - N(d_2)Xe^{-r_c T}}{k}$$

With:

$$d_1 = \frac{\ln\left(\frac{S}{X}\right) + \left(r_c + \frac{\sigma^2}{2}\right)T}{\sigma\sqrt{T}}$$

$$d_2 = d_1 - \sigma\sqrt{T}$$

In there:

- C: The theoretical price of call warrant;
- $N(d_1)$ ,  $N(d_2)$ : Cumulative normal probability distribution;
- X: Exercise price of call warrant;
- S: Current price of the underlying securities;
- T: Residual period until maturity (in years);
- $r_c$  : Risk-free interest rate;
- $\sigma$ : Expected price volatility of warrant;
- k: Conversion ratio of call warrant.

❖ **Details of parameters applied to the formula:**

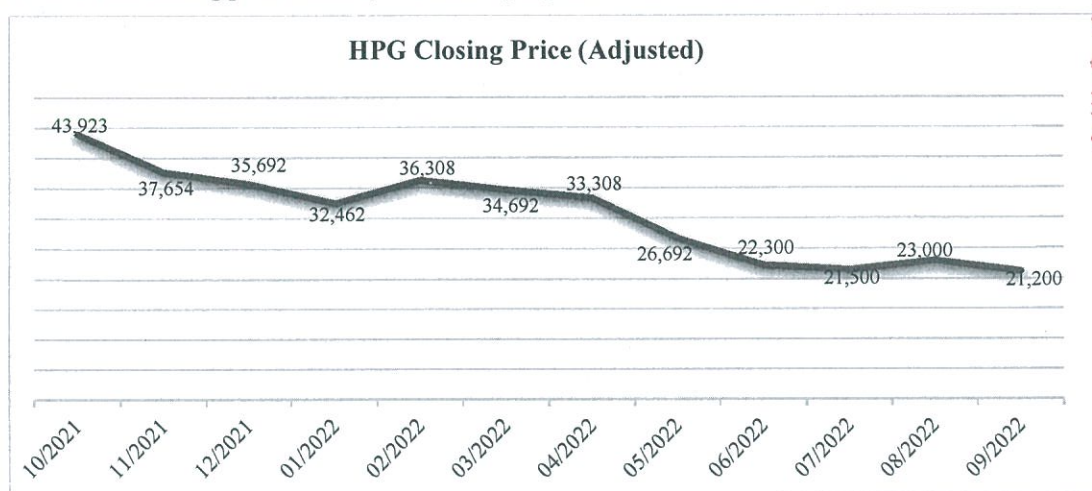
|                                                                                      |                                                                                                                 |
|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| Underlying stock (S)                                                                 | HPG stock price at the time of valuation                                                                        |
| Exercise price (X)                                                                   | Within a range of +/- 20% compared to the reference price of the underlying securities at the announcement date |
| Risk-free rate (determined by PHS) ( $r_c$ )                                         | 4% - 9%                                                                                                         |
| Expected pricing volatility of the underlying stock (determined by PHS) ( $\sigma$ ) | 20% - 80%                                                                                                       |
| Remaining time to maturity (T)                                                       | 0.5 (year)                                                                                                      |
| Conversion ratio (k)                                                                 | 1:1 (1 warrant for 1 share)                                                                                     |



## 2. Information about underlying securities

- The underlying securities is stock: Hoa Phat Group Joint Stock Company
- Capitalization: 123,273 billion VND (at 30/09/2022)
- Liquidity, price fluctuations during the year (01/10/2021 – 30/09/2022):
  - Average trading volume for the year: 27,292,396 shares
  - Highest trading price of the year: 44,615 VND
  - Lowest trading price of the year: 20,800 VND
- Price/earnings ratio (P/E) at the time of statistics 30/09/2022: 7.964
- Hoa Phat is a company operating mainly in the fields of:
  - Construction steel, Steel pipe, Galvanized steel sheet;
  - Metal production, Refrigeration, Furniture;
  - Real estate;
  - Agriculture.
- On 15/11/2007, Hoa Phat officially listed shares on Vietnam stock market with the stock code is HPG

*Month-end closing price chart of the underlying stock within the last 12 months.*



*Source: HPG, Bloomberg, PHS calculated*

**Business performance of the underlying securities issuer**

| <b>Targets</b>             | <b>2020</b>         | <b>2021</b>         | <b>% up and down</b> | <b>The most recent quarter (Q3/2022), (unaudited)</b> |
|----------------------------|---------------------|---------------------|----------------------|-------------------------------------------------------|
| Total value of assets      | 131,511,434,388,837 | 178,236,422,358,249 | 35.53%               | 183,805,111,144,198                                   |
| Equity                     | 59,219,786,306,111  | 90,780,625,511,439  | 53.29%               | 98,075,482,927,856                                    |
| Net Revenue                | 90,118,503,426,717  | 149,679,789,979,345 | 66.09%               | 34,103,341,328,754                                    |
| Taxes and payables         | 1,850,802,734,794   | 2,535,822,782,892   | 37.01%               | 485,752,083,843                                       |
| Profit before tax          | 15,356,966,791,701  | 37,056,777,714,190  | 141.30%              | (1,299,955,296,196)                                   |
| Profit after tax           | 13,506,164,056,907  | 34,520,954,931,298  | 155.59%              | (1,785,707,380,039)                                   |
| After-tax return on equity | 22.81%              | 38.03%              | 66.73%               | (1.82%)                                               |

*Source: HPG Consolidated Financial Statements, PHS calculated*

**Financial indicators of the underlying securities issuer in the last 2 years:**

| <b>Targets</b>                                                    | <b>2020</b> | <b>2021</b> | <b>Note</b> |
|-------------------------------------------------------------------|-------------|-------------|-------------|
| 1. Indicators of solvency                                         |             |             |             |
| - Short-term ratio: Current assets/short-term liabilities         | 1.09        | 1.28        |             |
| - Quick ratio: (Working assets - Inventories)/Current liabilities | 0.59        | 0.71        |             |
| 2. Capital structure indicators                                   |             |             |             |
| - Debt/Total Assets Ratio                                         | 0.55        | 0.49        |             |
| - Debt/Equity Ratio                                               | 1.22        | 0.96        |             |
| 3. Profitability indicators                                       |             |             |             |
| - Profit after tax/Net revenue                                    | 14.99%      | 23.06%      |             |
| - Profit after tax/Equity ratio                                   | 22.81%      | 38.03%      |             |
| - Profit after tax/Total assets                                   | 10.27%      | 19.37%      |             |
| - Profit from operating activities/Net revenue                    | 16.97%      | 24.73%      |             |
| - Earnings per share (EPS)                                        | 2,728       | 7,166       |             |

*Source: HPG Consolidated Financial Statements, PHS calculated*



### 3. Warrant distribution time

Expectedly within fifteen (15) days from the date of receiving the Certificate of issuing warrant from SSC and complete the initial security asset according to the issuance.

Investors include domestic and foreign investors. The specific distribution time will be according to the issuance notice of PHS.

### 4. Register to buy warrants

#### *Notice of issuing warrants*

Within three (03) working days from the receiving date of the warrant offering certificate, PHS shall publish the Prospectus and the Notice of Issuance on the website of Stock Exchange and PHS in accordance with regulations on information disclosure on the stock market.

#### *Where to register to buy warrants*

Investors register to buy warrant at PHS official channels.

#### *Purchase methods*

##### *a. Make payments*

##### ❖ Method 1: Transfer money directly to PHS's account

- Account number: Beneficiary account for each warrant code in the Prospectus or Notice of warrant issuance
- Account holder: Phu Hung Securities Corporation
- Bank: Vietinbank
- Transfer content: <Securities account number> <Full name of customer> Buy <Name of warrant> Quantity <Amount of warrant> Price <Price of warrant>

Note: Please transfer 1 money order corresponding to 1 transaction registered to buy warrant

Example: 022C123456 Nguyen Van A Buy CWPHSXXX Quantity 1000 Price 1000

##### ❖ Method 2: In Registration form of warrant purchase, part III.2, customers designate and authorize PHS to deduct/transfer money on your underlying securities trading account opened at PHS to register to buy warrants.

Note:

- Customer must ensure that the underlying securities trading account on the normal sub-account has enough money balance at the time PHS makes the deduction/transfer if the customer chooses the method of deduction/transfer money from the securities trading account.
- All proceeds from the offering must be transferred to an escrow account to receive money to buy warrants.
- The warrant payment must be credited to the PHS's account from the date of receiving subscriptions to 4:00 pm on the last working day of receiving subscriptions. Payment orders credited to the instruction account will be invalid after the payment period.
- In case, the actual amount paid to the indicated account is different from the amount stated in warrant purchase registration form, the number of warrants will be distributed

PHU HUNG SECURITIES

based on the smaller value between the payment amount and the registered value of buying warrants.

*b. Instructions for submitting the registration form*

- ❖ Method 1: Go directly to Branches/Trading offices (details at <https://www.phs.vn/navi?language=1>) or contact your Account Management Officer.
  - ❖ Method 2: Submit Registration form of warrant purchase by email, which is registered with PHS to the address [registration@phs.vn](mailto:registration@phs.vn) with the following content:
    - Title of email: < Securities account > register to buy warrant <Warrant code>
    - Content of email:

*Dear PHS,*

*Securities account number: 022xxxxxx register to buy warrant as below:*

*1. <Warrant name 1> – < Quantity > – <Value>*

*2. < Warrant name 2> – < Quantity > – <Value>*

*The above registration information is verified as accurate and I accept all responsibility for it.*
- Attachment:
- Registration form of warrant purchase
  - Photocopy or scan of the payment/transfer slip to buy warrant
- For further information, please do not hesitate to contact our Customer Care Center at:
- Phone: (+84 28) 5411 8855
  - Email: [support@phs.vn](mailto:support@phs.vn)

***Invalid warrant purchase orders***

- The order to register to buy warrants is smaller than the minimum order;
- The Investor has transferred the subscription money but did not send the Covered Warrant Registration form to PHS;
- The payment order has incorrect information about money transfer;
- The payment order is credited to PHS account after the payment deadline;
- The certificate of registration to buy warrants has incorrect information content.

***Principles of distribution of warrants***

In case the total number of warrants subscribed by all investors is greater than the number offered for the offering, warrants will be distributed proportionally. The number of warrants received by the investor will be calculated = the number of warrants that the investor subscribes \* (total number of offers/total number of valid subscriptions for all investors).



***Principle of warrant distribution price***

The warrant distribution price will be the price announced by PHS in Issuance Notice after PHS is granted the warrant offering certificate.

***Rounding Principle:*** The number of warrants allocated to investors will be rounded to the nearest hundred with the rule of rounding down. The unit fraction will be canceled.

***Confirmation of warrant distribution results:*** PHS will notify the customer within 3 working days from the date of receipt of the warrant distribution report from the SSC via email/telephone.

The official warrant distribution results will be distributed directly by VSD into the investor's securities account registered in the Covered Warrant Registration form.

***Minimum number of warrants to order:*** 1,000 warrants, multiples of 100 or as otherwise specified by PHS from time to time.

***Time limit and method of returning money***

In case, investors register to buy warrants unsuccessfully, are overpaid, are wrongly paid or distributed proportionally, within 03 working days from the date of receiving warrant distribution report from the SSC, PHS will return money to the investor by transfer to the investor's securities account at PHS.

**5. Exercising warrants**

**a. In case of payment in cash**

For exercising warrants due to maturity, the payment in cash to investors will be made as follows:

Cash payment process: applied according to the regulations of Stock Exchange, VietNam Securities Depository ("VSD") and the Company's regulations.

**Payment Process**

1. PHS sends a complete and valid warrant exercise notice file to VSD at least seven (07) working days before the last registration date, including the following information:
  - Information about the last registration date: The last registration date is the 2<sup>nd</sup> working day after the last trading day at the Stock Exchange. In case of exercising warrants after maturity, the last registration date is the warrant expiration date.
  - Payment date information: The payment date is the 5th working day from the last registration date
2. PHS sends a written notice of the warrant settlement price to VSD at the latest on the last registration date.
3. The payment to the warrant holder is only applicable in case the warrant is profitable.
4. Within one (01) working day from the date of receiving the complete and valid dossier of the issuer, VSD prepares and sends to the HSX and its member notice of closing the list of holders to exercise the warrant.



5. No later than 9:00 a.m, on the last day of registration, VSD prepares and transfers the list of depository warrant holders in the form of electronic documents to depository members and direct account opening organizations.

6. Depository members, direct account opening organizations are responsible for comparing information on securities owners in the List provided by VSD with information provided by depository members or direct account opening organizations, are managing and sending to VSD the confirmation notice in the form of an electronic document no later than 11:00 am on the following working day from the last registration date to confirm approval or reject of the information in the List.

In case of rejection due to errors or erroneous data, depository members or organization that opens a direct account must send additional documents to VSD clearly stating incorrect or misleading information for coordination with VSD to adjust. As soon as the adjustment is made, VSD will provide the corrected list in the form of an electronic document to depository member, organization that opens direct account.

7. On the second working day after the last registration date, VSD sends PHS a summary list of warrant holders.

8. PHS shall send the Notice of Confirmation of the General List of Warrant Holders to VSD no later than the third working day after the last registration date. In case of not accepting the information on the list, PHS must send a written notice to VSD clearly stating the reason.

9. Within one (01) working day after receiving the Notice of Confirmation from PHS, VSD shall send a written notice to depository member, the relevant organization that opens a direct account to confirm the allocation of money due to the exercise of the warrant.

10. At least two (02) working days before the date of payment, PHS shall transfer the full payment amount to the depository warrant holder into the money account as notified by VSD. In case of late payment, at least one (01) working day before the payment date, PHS must notify VSD in writing clearly stating the reason for the delay in money transfer. Based on the official dispatch of PHS, VSD will notify the relevant depository member and direct account opening organization.

11. Payments to depository warrant holders are allocated by VSD to the account of depository member, the organization that opens the relevant direct account within the working day immediately before the settlement date. Depository member is responsible for allocating funds to depository warrant holders on the settlement day.

12. In case PHS notices that the warrant is not profitable and does not have to be paid to the warrant holder, within one (01) working day after the date of receipt of the PHS's document, VSD shall send a notice to the Stock Exchange and its members about the cancellation of the closing of the warrant exercise list.

- The payment amount for a warrant unit is the amount per warrant unit in the event that the Settlement Price is greater than the Strike Price, calculated from the difference between the Settlement Price and the Strike Price, equal to  $[(\text{Settlement Price} - \text{Strike Price})]$

Price)/Conversion Rate].

- The net payment amount is the payment amount less the cost of exercising the right (if any).
- In case the investor does not place an order to exercise the warrant, the warrant will earn interest automatically according to the cash payment method on the maturity date.

**b. In case of transfer of underlying securities**

Not available

**c. Actions in case of insolvency of the issuer**

In case PHS becomes insolvent, the warrant holder is entitled to priority payment from the following sources:

- Hedging asset (which is the underlying securities of the warrant, and the warrants on the same underlying asset issued by other organizations (if any) under the hedging plan mentioned in Section VII of this prospectus) and other assets contained in dealing account.
- Assets on escrow account for warrants issues at a custodian bank. According to current regulations, PHS must maintain payment securities in cash at the depository bank for the duration of the warrant's validity, the value being 50% of the issued warrant value, excluding the number of warrants that have been delisted. This asset may not be used as a pledge, mortgage, and securities for loans or other financial obligations of PHS or any other third party.
- In case there are not enough assets to pay the obligations related to the warrant, the holder of the warrant will be considered a partially secured creditor of PHS and take all benefits equivalent to a secured creditor, partially protected by law.

**6. Right of warrant holders**

- Right of the holder of a call warrant: the holder of a call warrant is entitled to receive the difference when the price (index) of the underlying securities is higher than the strike price (the exercise index) at the time of exercise;
- In case there are not enough assets to pay for exercise of warrants, the settlement of interests for warrant holders shall comply with relevant laws applicable to partially secured creditors;
- In case, warrants are delisted due to suspension or holdover of operations by the issuer; consolidation, merger, dissolution, bankruptcy or revocation of establishment and operation license; when it is discovered that the warrant offering registration dossier contains false information or omits important contents that may affect investment decisions and cause damage to investors; due to the delisting of the underlying securities; or the stock index cannot be determined because of force majeure reasons which are clearly stated in the set of principles on index determination; or because the Stock Exchange considers it necessary to protect the interests of investors, the applicable settlement price is the average of the closing price of the warrants in five (5) consecutive trading days before the date of delisting of the securities rights in force.
- Within 24 hours from the date of issuance of the decision to delist the warrants, PHS will



**PROSPECTUS**  
**OFFERING COVERED WARRANT**

disclose information about the method of determining the settlement price for the warrants to the warrant holders from the effective date of the delisting.

- From the date of announcement of delisting of warrants to the day immediately preceding the effective date of delisting, PHS shall buy back warrants through market-making activities. The redemption price is the announced payment price according to the regulations of the Stock Exchange.
- Calculate the payment price of warrants for warrant holders from the effective date of delisting as follows: Using the Black Scholes formula

$$C = \frac{N(d_1)S - N(d_2)Xe^{-r_c T}}{k}$$

Which:

$$d_1 = \frac{\ln\left(\frac{S}{X}\right) + \left(r_c + \frac{\sigma^2}{2}\right)T}{\sigma\sqrt{T}}$$

$$d_2 = d_1 - \sigma\sqrt{T}$$

In there:

- C: the settlement price of the warrant at the date of delisting of the warrant;
  - N(d<sub>1</sub>), N(d<sub>2</sub>): cumulative normal distribution probability;
  - X: exercise price of warrants;
  - S: price of the underlying securities on the trading day preceding the date of delisting of warrants;
  - T: remaining time to maturity: is the number of days from the calculation date to the warrant expiration date;
  - r<sub>c</sub>: risk-free rate;
  - σ: the expected price volatility of the underlying securities (PHS uses the price volatility of the underlying securities in the past to forecast the future volatility of the underlying securities).
- Black Scholes model delta value of call warrants

$$\text{Delta}_{\text{CALL}} = N(d_1)$$

In there:

- Delta<sub>CALL</sub>: delta value of the call warrant;
- N(d<sub>1</sub>): cumulative normal distribution probability, with d<sub>1</sub> determined by the Black Scholes valuation formula.

## 7. Adjustment of warrants

**The issuer must adjust the warrant in the following cases:** The price of the underlying securities is adjusted because the issuer of the underlying securities pays cash dividends, issues stocks to pay dividends, issues shares to increase share capital from equity sources, and issuing new shares, etc.



**The method of adjusting the strike price and the warrant conversion ratio when the underlying securities have corporate events is as follows:**

- ✓ Time of adjustment: Ex-right date of the underlying asset
- ✓  $\text{New strike price} = \text{Old strike price} \times (\text{Adjusted reference price of the underlying asset at the ex-rights date} / \text{Unadjusted reference price of the underlying asset at the ex-rights date})$
- ✓  $\text{New Conversion Rate} = \text{Old Conversion Rate} \times (\text{Adjusted reference price of the underlying asset at the ex-rights date} / \text{Unadjusted reference price of the underlying asset at the ex-rights date})$
- ✓ The strike rate or the adjusted strike price should be rounded to 4 decimal places

**8. Taxes, fees, charges and service prices arising from the trading or exercise of warrants,**

**a. Fees, charges and service prices arising from covered warrants trading**

Fee for call warrants: is the warrant offering price multiplied (x) by the Number of warrants registered for purchase:

- Brokerage fee applied at PHS;
- Trading fee at Stock Exchange: According to the regulation of Stock Exchange;
- Fees for depository, exercise, and transfer: Applied according to regulations of VSD.

**b. Tax**

According to Instructional Letter No. 1468/BTC-CST dated February 5, 2018 of the Ministry of Finance on tax policy for warrants, investors will have to pay tax when trading warrants as the following:

**i. Regarding Personal Income Tax ("PIT"):**

- *Before the expiration date, the investor transfers the warrants*

Tax is determined by the transfer price of warrants multiplied (x) by the tax rate of 0.1%

In which: The transfer price of warrants each time is the matching price of warrant orders on the Stock Exchange multiplied (x) by Number of warrants

- *Before the expiration date, warrants are delisted*

Income from the transfer of warrants is determined by the transfer price of warrants each time multiplied by (x) with the tax rate of 0.1%.

The transfer price of warrants is calculated as follows:

- + The redemption price is based on the market price of the issuer through market making multiplied by (x) the number of warrants (before the effective date of delisting); or
- + Warrant settlement price announced by the issuer multiplied by (x) the number of warrants (after the effective date of delisting)

- *At the time the investor exercises the right*

At the time of exercising the right to transfer in cash, the investor's income is subject to the tax rate of 0.1% on the transfer price of the warrant each time.

In which, the transfer price of warrants each time is equal to the settlement price of the underlying securities multiplied by (x) (the number of warrants divided (:) by the conversion rate)

**ii. Regarding Corporate Income Tax ("CIT"):**

- *For domestic enterprises:*

Enterprises that have income from warrants must declare and pay CIT at the tax rate of 20% according to regulations.

The increase/decrease difference due to revaluation of warrants and underlying assets at the end of the fiscal year, the enterprise does not include in income/expenses when determining the leased income of CIT.

- *For foreign organizations doing business in Vietnam not under the Investment Law, Enterprise Law (foreign contractors):*

Income from the transfer of warrants is subject to the tax rate of 0.1% on the securities transfer price each time. In which the method of calculating the transfer price of warrants each time is similar to the calculation of PIT mentioned in this article.

**iii. Regarding Value Added Tax ("VAT"):**

Activities related to the offering, listing, trading, market-making, securities trading, clearing and settlement of warrants are not subject to VAT.

**9. Market-making activities**

To ensure liquidity for warrants in circulation, issuer is obliged to create a market for the warrants it issues, specifically:

**a. The obligation to quote a market-making price**

The issuer must participate in placing a market-making order within (05) minutes since one of the following events occurs:

- There are only orders to buy or sell warrants;
- There is no order to buy and sell warrants;
- The rate of the price difference in the market exceeds 5%. The spread is the percentage of (lowest ask price - highest bid price)/highest bid price.

When participating in placing orders, market-making organizations must comply with:

- Minimum order volume is 100 warrants;
- Order price must not exceed 5% price difference;
- No buy orders and warrant sale orders, the market-making organization must quote two-way prices (place both buy and sell orders);
- The minimum duration of an order on the trading system is one (01) minute.



**b. Exemption from the obligation to quote a market-making price**

In the following cases, the issuer is not required to perform market-making activities:

- The periodical order matching session determines the opening price, the first five (05) minutes after the end of the periodic order matching session determines the opening price and the periodical order matching phase determines the closing price;
- The underlying asset of the warrant is suspended from trading;
- When the theoretical price of warrants calculated according to the formula stated in the prospectus of the issuer is less than or equal to 10 VND;
- The number of warrants on the market-making account does not meet the minimum number of 100 warrants, the issuer is exempt from placing sell orders;
- When no warrants have been circulated (in case the issuer has not sold any warrants to investors), the issuer is exempt from placing buy orders;
- In case of delisting of warrants, the issuer is exempt from placing sell orders;
- The warrant price rises to the ceiling (excess buying limit), the issuer is exempt from placing sell orders or the warrant price drops to the floor (sold excess), the issuer is exempted from placing buy orders;
- The price of the underlying securities increased to the ceiling (overbought ceiling), the issuer was exempted from placing sell orders for call warrants;
- The price of the underlying securities fell to the floor (excess selling at the floor), the issuer was exempted from placing buy orders for call warrants;
- The warrants are in a profitable position of 30% or more (ie the buy warrants have the underlying securities price 30% higher than the exercise price), the issuer is exempt from placing sell orders;
- In the fourteen (14) days before the warrant expires;
- When force majeure events such as natural disasters, fires, war, etc.;
- Other cases were applied by the Stock Exchange after obtaining the approval of SSC.

## VII. RISK MANAGEMENT OF COVERED WARRANT

### 1. Risk management process

#### Step 1: Identify risks that may arise from warrant trading activities

Common risks for PHS when issuing warrant:

- **Payment risk:** The risk that PHS cannot fulfill its committed obligations to the investor, such as PHS being insolvent when the investor exercises their rights
- **Market risk:** The risk from changes in the price of warrant and the price of the underlying asset
- **Legal risk:** The risk that PHS violates or fails to comply with the provisions and rules of the applicable law, resulting in fines, warnings, suspension of operations or withdrawal of professional licenses, business registration, merger, etc.
- **Operational risk:**
  - Risks due to technical reasons (hackers crashing information technology systems);
  - Risks caused by employees not meeting the requirements on qualifications, practice certificates, and professional ethics (defraud, errors made intentionally or negligently);
  - Risk of capital assets, external reasons (natural disaster, war, etc.)
- **Other risks:** based on the operation of PHS for each period.

#### Step 2: Analyze and Assess Risk:

##### ❖ Payment Risk:

- Occurs when PHS is unable to fulfill its payment obligations as committed to investors, the immediate consequences will be to affect PHS's reputation, causing investors to lose confidence in the next warrant issuance and affect the reputation of PHS affect other PHS business activities.
- In addition, when it is not possible to make payments to investors within three (03) months, PHS has to pay overdue interest at the base interest rate announced by the State Bank from the due date of payment to investors. This will affect PHS's business operations, financial position as well as required legal proceedings.

##### ❖ Market Risk:

- For the price change of warrant: The price change of warrant depends on many factors such as the price, the price volatility of the underlying securities; validity period of warrant, the risk-free rate, the rights events of the underlying securities. The price of warrant will directly affect the revenue from selling warrants to investors of PHS. Warrant price volatility also affects PHS's market-making and hedging activities in circulation.
- For the price change of the underlying securities: The change in the price of the underlying securities depends on the business prospect and financial situation of the issuer of the underlying securities, supply-demand and market conditions, corporate events, liquidity and other factors. The volatility price of the underlying securities directly affects the hedging position of PHS.

##### ❖ Legal Risk:

- Legal risks occur when PHS does not comply with current laws and regulations or does not



timely and fully update changes in laws and regulations on securities business in general as well as for the issue of warrant in particular. This risk may cause PHS to fail to meet regulations on warrant issuance limits, market-making obligations, hedging, reporting and disclosure of information, etc.

❖ **Operational Risk:**

- Technological risks may occur when there are objects that intend to destroy PHS's information technology system, there is a power failure, hardware or software system failure leading to data loss, suspending the operation of the system, affecting the performance of transactions, market-making and hedging activities, payment or other businesses of PHS.
- Risks related to the profession, professional ethics of PHS employees maybe lead to incorrect implementation of business processes at PHS.

❖ **Methodology for risk identification, risk assessment and risk limits:**

- Risks are identified and assessed by quantitative and/or qualitative methodology, detailed as follows:
  - Generally, risks are ranked in the following four categories: High; Significant; Moderate and Low;
  - The risk rank is determined by combining degree of materiality and likelihood:

**Based on the degree of materiality:**

| Descriptor           | Description                                                                                                   | Detailed                        |
|----------------------|---------------------------------------------------------------------------------------------------------------|---------------------------------|
| <b>Insignificant</b> | Low financial loss, no disruption to capability, no impact on community standing                              | < 1% company's equity loss      |
| <b>Minor</b>         | Medium financial loss, minor disruption to capability, minor impact on community standing                     | 1% - < 2% company's equity loss |
| <b>Moderate</b>      | High financial loss, some ongoing disruption to capability, modest impact on community standing               | 2% - < 3% company's equity loss |
| <b>Major</b>         | High financial loss, ongoing disruption to capability, major impact on community standing                     | 3% - < 4% company's equity loss |
| <b>Catastrophic</b>  | Mission-critical financial loss, permanent disruption to capability, and ruinous impact on community standing | From 4% company's equity loss   |

**Likelihood**

| Descriptor            | Description                                 | Probability                                                  |
|-----------------------|---------------------------------------------|--------------------------------------------------------------|
| <b>Almost certain</b> | Is expected to occur in most circumstances  | The event is expected to occur once a day or more frequently |
| <b>Likely</b>         | Probably occur in most circumstances        | The event is expected to occur once every two weeks          |
| <b>Possible</b>       | Might occur at some time                    | The event is expected to occur once every month              |
| <b>Unlikely</b>       | Could occur at some time                    | The event is expected to occur once every quarter            |
| <b>Rare</b>           | May occur only in exceptional circumstances | The event is expected to occur once every year               |

**Risk analysis Matrix – Level of Risk**

| Likelihood |                | Insignificant | Minor       | Moderate    | Major       | Catastrophic |
|------------|----------------|---------------|-------------|-------------|-------------|--------------|
|            | Almost certain | Moderate      | Significant | Significant | High        | High         |
|            | Likely         | Moderate      | Moderate    | Significant | Significant | High         |
|            | Possible       | Low           | Moderate    | Moderate    | Significant | High         |
|            | Unlikely       | Low           | Low         | Moderate    | Moderate    | Significant  |
|            | Rare           | Low           | Low         | Low         | Moderate    | Significant  |

**Step 3: Control Risk**

❖ **Payment Risk:**

- PHS must use the hedging assets and other assets on the dealing account, the assets on the custodian account at depository bank, the payment guarantee and other assets (if any) to ensure the payment obligations committed to customer. In case there are not enough assets to pay for the implementation of warrant, the settlement of interests for warrant owners will be carried out in accordance with relevant laws for partially secured creditors.



❖ **Market risk:** Some measures can apply to mitigate as follows:

- Establish criteria for choosing underlying stock to issue warrant;
- Focus on building and developing research division on the basis of past fluctuations, experience and other deep analyses to support prediction for market's fluctuation to support for Covered Warrant Division to be proactive in making hedging risk solutions for warrant that are issued by PHS.

❖ **Legal risk:** PHS can take the following measures to control legal risks:

- Internal control system is built up and operated effectively to detect and treat fraudulent acts in operation;
- Periodically review procedures system and operating regulations of PHS to ensure compliance with the law.

❖ **Operational Risk:**

- In order to limit risks to the information technology system, PHS invests, upgrades, checks and closely monitors the hardware and software status of the core trading system and the electronic trading system, uses the server system with backup function and performs daily data backup; apply modern securities solutions; using a UPS to prevent power failure (capable of responding to the server from 30-60 minutes, the computer trading 30-60 minutes after the power failure). When the system has an error, PHS will check and contact the service provider to handle it as soon as possible.
- For the risks related to the employee's business, PHS builds strict business processes, disseminates clear and specific processes to relevant individuals and divisions. Regularly organize training courses for new employees to disseminate business processes of PHS. Apply KPI evaluation model at all positions once every six (06) months to support decision-making on issues related to salary and bonus.

**Step 4: Report Risk**

- The risks arising in the process of warrant issuance operation must be reported to the Board of Management or the Risk Management Committee in accordance with the provisions of the Risk Management policy at each period.
- The risk control reporting system is as follows:
  - Internal Control Division: makes report on compliance activities in accordance with the law and PHS in the operation of warrant issuance etc.
  - Covered Warrant Division makes liquidity report; maturity management report;
  - Other reports (if any).

**Step 5: Handle and Monitor Risk**

- Board of Management will make decisions to handle risk based on the recommendations of relevant divisions based on the risk level as prescribed in the Risk Management Policy.

- Summary of handling risk based on level risk:

| <b>Risk level</b> | <b>Required action</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| High              | Act immediately:<br>Steps must be taken to lower the risk level to as low as reasonably practicable using the hierarchy of risk controls.                                                                                                                                                                                                                                                                                                                                     |
| Significant       | Act within the day:<br>The proposed activity must ensure that:<br>(i) The risk level has been reduced to as low as reasonably practiced using the hierarchy of risk controls;<br>(ii) The risk controls must include those identified in law, Standards, Codes of Practice, etc.<br>(iii) The risk assessment has been reviewed and approved by the authorized level;<br>(iv) The authorized level must review and record the effectiveness of the implemented risk controls. |
| Moderate          | Act within the week:<br>The proposed activity must ensure that:<br>(i) The risk level has been reduced to as low as reasonably practicable using the hierarchy of risk controls;<br>(ii) The risk assessment has been reviewed and approved by the authorized level.<br>(iii) The authorized level must review and record the effectiveness of the implemented risk controls.                                                                                                 |
| Low               | Act within the month:<br>Managed by local documented routine procedures which must include application of the hierarchy of controls.                                                                                                                                                                                                                                                                                                                                          |

- Some measures are applied to minimize and monitor arising risks as follows:

- Prioritize handling of material risks;
- Building a decentralized cross-checking mechanism for key operations to prevent fraud risks during employees' operations;
- IT develops a risk control plan for the system of the online securities trading activities system and a contingency plan to prevent potential risks that have a negative impact on the ability to continue operations of PHS;
- Adjust relevant factors so that when risks occur, they will have minimum impact on business activities and hedging activities when issuing warrant;
- Develop a hedging plan in warrant issuance and market-making for the warrants that PHS is issuing;
- Develop a set of criteria for evaluating to select underlying securities for issuance,



hedging plans, and types of assets used to hedge risks for warrant issuance activities of PHS;

- Develop tools to fulfill market-making obligations for warrants issued by PHS;
- Checking to ensure the solvency of warrants at maturity;
- Make a financial plan consistent with the annual business plan;
- Once a risk has occurred, it is often not a one-time event, the risk monitoring process should be focused, every time a risk is successfully identified, analyzed and controlled, it needs to be reported and communicated to other members know and avoid recidivism.
- Periodically, Risk Management Division and Covered Warrant Division evaluate risk management activities and propose adjustment solutions in risk management activities, risk policies, report to Risk Management Committee and Board of Management according to the regulations of the Risk Management Policy.

## 2. Planned hedging risk

Risks arising during the operation of warrants must be reported to the Board of Management (“BOM”) or the Risk Management Committee. BOM will make decisions on risk treatment based on the reports and/or recommendations of Covered Warrants Division and Risk Management Division, Internal Control Division and other relevant divisions, according to the level of risk as stipulated in the Risk Management Policy attached to Decision No. 01/2022/QĐ-HĐQT dated 27 January 2022 of the PHS’s Board of Directors and relevant procedures.

***Covered Warrants Division and Risk Management Division are responsible for:***

- Monitor balances and daily movements of warrants and hedging portfolios (including underlying securities and other securities with have same underlying assets such as warrants, future contracts, etc. if any).
- Carrying out transactions of buying and selling underlying securities/other securities to hedge against the number of warrants outstanding in accordance with regulations, meet the conditions on the maximum risk limit approved by the regulatory/BOM of PHS.
- Identify risks that will occur, measure and set appropriate risk limits in warrants; establish risk analysis models for the entire portfolio of outstanding warrants and hedging assets (e.g. Value-at-Risk assessment and price sensitivity analysis of underlying assets, price volatility, etc.), monitor and evaluate risks when there are large changes in input parameters that greatly affect portfolio value.
- Report the portfolio position at the end of the day and hedging activities performed to the BOM/Direct Management and relevant divisions upon request. Covered Warrants Division will prepare market-making obligation reports, hedging reports, maturity reports of warrants, etc.
- Develop a process to control and disperse risks in warrant trading activities; periodically review the effectiveness of the risk management process.
- Ensuring a sufficient number of underlying securities to hedge the risks of outstanding

warrants according to the hedging plan.

- PHS applies delta-neutral hedging, which means that along with the issue of warrants, PHS will simultaneously carry out transactions of buying and selling underlying securities to keep PHS's total position delta neutral when the price of underlying securities changes.

**a. Hedging securities**

- The underlying stock of warrant.
- Other types of securities with the same underlying securities of warrant (if any).

**b. Hedging position**

❖ **Set up the hedging coefficient delta**

- PHS shall apply delta hedging to hedge market risk:

$$\Delta_{\text{c}} = N(d_1)$$

$$d_1 = \frac{\ln\left(\frac{S}{X}\right) + \left(r + \frac{\sigma_h^2}{2}\right)T}{\sigma_h \sqrt{T}}$$

In there:

- $\Delta_{\text{c}}$ : Delta value of call warrant;
  - $N(d_1)$  is the cumulative normal distribution probability, where  $d_1$  is determined by the Black Scholes formula as above;
  - $\sigma_h$  is the hedging volatility of warrant (in years);
  - $X$ : exercise price of warrant;
  - $S$ : Price of the underlying stock;
  - $T$ : Remaining time to maturity (in years);
  - $r$ : Risk-free rate.
- Hedging volatility is the historical volatility of underlying assets. Historical volatility is a statistical measure of the dispersion of returns for a given underlying asset over a given period of time; usually is calculated by annualizing the standard deviation from the daily return of underlying asset over a given period of time.

$$r_i = \ln\left(\frac{P_{i+1}}{P_i}\right)$$

$$m = \frac{\sum_{i=1}^n r_i}{n}$$



$$\sigma = \sqrt{\frac{\sum_{i=1}^n (r_i - m)^2}{n - 1}}$$

$$\sigma_{his} = \sigma\sqrt{t}$$

In there:

- $r_i$ : Rate of return period  $i$ ;
- $m$ : Average rate of return;
- $P_i$ : Stock price period  $i$ ;
- $n$ : Number of periods;
- $t$ : Number of trading days in the year;
- $\sigma$ : Standard deviation of underlying stock;
- $\sigma_{his}$ : Historical movement of the underlying stock price during the period.

❖ **Delta-neutral hedging strategy**

- PHS shall apply a delta-based risk hedging plan, with hedging assets is underlying stocks of warrant. Theoretical hedging position ( $P$ ) is the quantity of expected underlying assets that shall be held to hedge risks for outstanding warrants and be calculated as below:

$$P = \text{Delta} \times \text{OI} / k$$

In there:

- $P$ : Quantity of expected underlying assets that shall be held to hedge risks for warrant;
  - $\text{Delta}$ : Hedging coefficient delta, which is the change in the warrant's price for a change in the underlying securities price, calculated based on the Black Scholes formula;
  - $\text{OI}$ : Number of outstanding warrants of each issuance;
  - $k$ : Conversion rate of warrant.
- Actual hedging position ( $p$ ) is determined as the actual number of underlying assets used for hedging risks and the amount of money already paid equal to the difference between the theoretical hedging position and the actual hedging position in dealing account of PHS.
  - PHS shall always maintain the difference between theoretical and actual hedging positions of warrant not exceeding 20% at the end of trading day ( $T$ ).

$$\Delta P_T \% = (P_T - p_T) / P_T \times 100\% < 20\%$$

In there:

- $\Delta P_T \%$ : Differential between theoretical and actual hedging positions of warrant at the end of trading day ( $T$ );

- $P_T$ : Theoretical hedging position of warrant at the end of trading day (T);
- $p_T$ : Actual hedging position of warrant at the end of trading day (T).
- When the trading time is at ATC session, PHS monitors to carry out hedging activities to ensure the difference between the theoretical hedging position and the actual hedging position is below 20%.
- In case, the difference between the theoretical hedging position and the actual hedging position exceeds 20%, Covered Warrant Division will carry out buying/selling activities to adjust the outstanding warrant position and/ or adjust the number of underlying stocks respectively for each warrant; to keep balance for difference between the theoretical hedging position and the actual hedging position below 20% on the next trading day.
- If the difference between the theoretical hedging position and the actual hedging position exceeds 20% within 03 consecutive working days, Covered Warrant Division will make a report and execution plan in the 4th working day, get approved by BOM and send to HOSE within a day. Then Covered Warrant Division will handle to decrease the difference below 20%.
- If the difference between the theoretical hedging position and the actual hedging position exceeds 50% within 03 consecutive working days, PHS must pay this amount into hedging account within 03 working days from the date of the request for payment from HOSE.
- In case when market condition changes drastically, (price of underlying asset is going to be at ceiling price or at floor price), Covered Warrant Division shall monitor market condition carefully and do hedging activities such as buying/selling underlying stock or warrant depending on hedging ratio to keep different between theoretical hedging position and actual hedging position below 20% complied with regulation.
- In case, staff of Covered Warrant Division misplaces an order, the order will be reviewed, and the reverse order shall be remedied or be adjusted necessarily within the same trading day.
- If PHS wants to apply other hedging plans, PHS shall specify how to determine hedging position in the risk prevention plan.
- In case PHS uses warrant of the same underlying assets as hedging position, Covered Warrant Division shall specify a conversion formula in hedging plan and have responsibility to convert in accordance with the number of underlying assets when reporting hedging activities to HOSE on a daily basis.
- Risk Management Division supports Covered Warrant Division in inspecting and monitoring hedging activities such as:
  - Checking the difference between theoretical hedging position and actual hedging position is below 20% at the end of the trading day;
  - Monitoring volatility of underlying securities and alert to Covered Warrant Division in case underlying securities price is going to reach ceiling/floor price, specifically, the price of underlying securities increased/decreased to 6% - 6.5%.



- Covered Warrant Division will notify Finance Division the estimated monthly cash flow needed at the end of month. Also, Covered Warrant Division will review weekly and inform Finance Division if any additional cash flow is needed. Finance Division needs to prepare an appropriate fund to meet market-making and hedging activities of listing warrant and the alternatives (if any) within 03 days after receiving the request of Covered Warrant Division.

**Issuer's experience in issuing warrants**

Not available

**VIII. PARTNERS RELATED TO THE OFFERING**

**Depository bank**



**VIETNAM JOINT STOCK COMMERCIAL BANK FOR INDUSTRY  
AND TRADE**

Certificate of registration of securities depository activities: No. 77/UBCK-GCN issued by the State Securities Commission on September 24, 2010.

Certificate of securities depository member: No. 127/GCNTVLK-3 issued by VSD, first issued on December 28, 2010; with third amendment on December 16, 2021.

Address: 108 Tran Hung Dao, Cua Nam Ward, Hoan Kiem District, Hanoi.

Phone: 024 3942 0402

Website: [www.vietinbank.vn](http://www.vietinbank.vn)

**IX. CONFLICT OF INTEREST**

We engage in investing, brokerage, consulting and other activities and may contain material information about the Company and/ or the underlying securities or issue or update research reports on the Company and/or the underlying securities. Such activities, information, and/or research reports may relate to or affect the Company and/or the underlying securities and may have adverse consequences for investors or create a conflict of interest related to the issue of warrants. We are under no obligation to publish such information and may issue research reports and engage in any such activity that is not related to the issue of warrants.

**X. COMMITMENT**

PHS undertakes to take full responsibility for the accuracy and truthfulness of the information content and the attached documents in this Prospectus.

**XI. DAY, MONTH, SIGNATURE, STAMP OF REPRESENTATIVE OF THE ISSUANCE  
ORGANIZATION, DEPOSITORY BANK, ADVISORY ORGANIZATION, ISSUANCE  
GUARANTEE ORGANIZATION (IF ANY)**

**APPENDIX**

*A copy of the establishment and operation license of the issuer;*

*A copy of the Charter of the issuer;*

*Audited financial statements for the latest year of the issuer;*

*Other documents as prescribed.*

Ho Chi Minh City, date 16 month 04 year 2023

**DEPOSITORY BANK**

**THE ISSUER**

**PHU HUNG SECURITIES CORPORATION**

**On behalf of the Board of Management**

**General Director cum second legal representative**



**CHEN CHIA KEN**