



**ANNUAL
REPORT
2018**

**DIFFERENTIATION
AND INNOVATION FOR
SUSTAINABLE DEVELOPMENT**



The **ART** of Quartz



ART + RESEARCH + TECHNOLOGY

VICOSTONE
The Art of Quartz





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FORWARD-LOOKING STATEMENTS

VICOSTONE's Annual Report 2018 is prepared in accordance with the guidelines in Appendix 04, Circular No. 155/2015/TT-BTC issued on 6 October 2015 by the Ministry of Finance regarding the disclosure of information on securities market.

The analyses and forecasts in this Annual Report reflects the Company's assessments at the time of drafting and may differ from actual events due to unforeseen events outside of our control. Thus, the analyses, assessments and views stated in this Report are subject to change without prior notice. Vicostone will expend its utmost effort, but undertakes no obligations to update, amend or supplement the Report, as well as to inform any organization or individual recipients of this Report of any change or inaccuracy regarding the stated assessment, views or recommendations.

VICOSTONE's 2018 Annual Report includes information and data obtained from construction-material and engineered-stone industry surveys, publicly made available by third-parties such as: Houzz (a leading website and online- community on architecture, interior design and decoration, and home renovation), Freedonia (a US-based market research company), etc. The reports issued by these organizations comprise research data, assessments or concepts developed independently based on multiple sources, including: manufacturers' financial statements; countries' statistical reports; press releases; industry magazines; and interviews with construction materials manufacturers (including engineered-stone and competing-products industries), distributors, trade associations, etc. These information are considered highly reliable; however, Vicostone cannot attest to the accuracy, veracity or completeness of information as provided by third-parties as it has neither verified nor sufficient resource to cross-check the data.

Forward-looking information in this report includes but is not limited to the following:

- Overview of the market and demand for quartz-based stones;
- VICOSTONE® products' ability to meet customer requirements;
- Investment in the research and development of production technology;
- Financial indicators forecast for 2019;
- Development orientations for the period of 2019 - 2024.

Any optimistic forecast of the market or the Company's performance contained in this Annual Report should not be considered as the Company's guarantee of its future business performance. Actual performance in 2019 may differ from forecast due to the adverse impacts of risks and uncertainties of which the Company cannot foresee control.

With the above disclaimer, Vicostone recommends investors to consider the information and forecasts in this Annual Report as reference for their investment decisions. They should not be taken as a proposal, suggestion or solicitation of an offer to purchase interests in the Company.

Investors are solely and wholly responsible for their investment decisions.

MESSAGE FROM THE CHAIRMAN

Dear valued Shareholders, Investors, and Customers,

2018 marked the end of the 2014-2018 period with impressive results. The compound annual growth rate (CAGR) for revenue and pre-tax profit in this period reached nearly 30% and 80%, respectively. Annual cash dividend payout ratio was high, from 20-40%. This is a high rate of return compared to the average for the construction material sector and also for Vietnam's stock market in the context of complex economic fluctuations.

Looking back on this lustrum, Vicostone's Board of Directors (BOD) greatly values the dedication of its Management team and employees to the sustainable development of the company, to the benefits of employees and shareholders. Vicostone's culture has been well shaped towards accountability and responsibility, dedication, creativity and readiness to tackle challenges. Thanks to this, the target CAGR of 20% set by the Annual General Shareholder's Meeting for the 5-year term of 2014-2019 has been achieved with exceptional results. The successes during this period can be attributed to 3 core factors. **First**, Vicostone has maintained its leadership and unique advantage in the market through sound investments in technology. Advanced technologies have been holistically applied in both governance and business operations. Bold investments in technology and scientific research have brought about clear outcomes and laid the foundations for long-term, sustainable development. **Second**, Vicostone has focused on human resources development, providing employees with personal and career development opportunities. The Company have continuously recruited high-quality human resources, successfully groomed the next generation of managers in the 30-45 age-group, a leadership which possesses faculties that meet the requirements of international business, with strong integration capability and which are highly adaptive. **Third**, Vicostone has implemented the strategy of increasing the rate of localization of input materials, allowing for greater proactivity to respond to uncertain factors in the market.

With the successes and lessons learnt during this past lustrum, the next lustrum from 2019 to 2024, Differentiation and Technological Innovation for Sustainable Development will remain among the Company's core strategic orientations to improve competitiveness and business performance. Technology is the optimal tool to turn Vicostone's intelligence, desire, and passion into highly value-added, innovative and customer-centric products and services for clients and society.

The great support of our valued shareholders, investors, customers, partners, media and press agencies, and employees of Vicostone has motivated our continuous innovation, improvement and pioneering role in creating the best services and products for society while ensuring sustainable business development.

I would like to express my sincerest and deepest gratitude to You. May we wish for a peaceful world where all enjoy good health, happiness and one where we share more.

Yours sincerely,



CHAIRMAN
HO XUAN NANG

The **ART** of Quartz

=

ART + RESEARCH + TECHNOLOGY

VISION



To become among the Top three brands in quartz-surfaces through constant development, innovations and application of new technologies and materials to create artistic, unique and inspiring quartz surfaces for everyone.

MISSION



To realize all commitments, pioneer innovations to offer unique and artistic quartz products, be the trendsetter through leading quality, satisfy all customers' demands and inspire creativity in their lives.

STRATEGIC ORIENTATION



Position industrial manufacturing as our core business with eco-friendly materials and hi-tech products as our spearhead portfolios, increase our market share in the supply chain of hi-tech manufacturing products.

CORE VALUES



Reliability

Vicostone has established a proven culture of **“Do what we say”** and **“Realize all commitments”** based on:

- High quality human resource equipped with the knowledge, talent, responsibility, passion and creativity, dare to think and dare to do attitude.
- Satisfaction and trust of each employee, customer, shareholder as Vicostone's ultimate goal.
- Effective application and update of the latest technologies, advancements in production and corporate governance.
- Strong financial capability and advanced management technologies for good business performance and sustainable development.
- Corporate social responsibility.

Pioneer

In new technologies, materials, setter of new market trends; green and sustainable development.

Inspiration

Vicostone's products are the quintessence of nature and inspire customers to confidently pursue and create personalized living space.

COMPREHENSIVE QUALITY MANAGEMENT EXCELLENCE

- The quality of our products is guided by customers. Our customers purchase products and services which meet their needs and expectations at cost appropriate to usage.
- Comprehensive quality excellence can be best achieved through prevention rather than repair.
- Products and services are delivered through employees' efficiency. Each employee is another employee's "customer"; each step is the "customer" of the previous step. All of these will affect customers satisfaction; Each employee is responsible for helping others improve their job quality.

- Comprehensive quality excellence requires continuous improvement in every process. Every employee is encouraged to evaluate their current performance and to find ways to improve.
- Employees are the brains and take necessary actions to make continuous improvements;
- Optimal enterprise resource planning, modern technology-based enterprise governance are critical to sustainable development and professionalism.



VICOSTONE'S HIGHLIGHTS IN THE 2014-2018 PERIOD

Finance

30%

Compound annual growth rate (CAGR)
in total revenue in the five-year period.

80%

Pre-tax profit CAGR in the five-year
period.

VND 2,731 billion

Owner's equity as of 31 December 2019,
3.48 times higher than 2014. Average
growth rate during the 2014 - 2018 was
37.89% (after paying VND 1,068 billion for
cash dividend).

VND 4,404 billion

Total assets as of 31 December 2018,
1.66 times higher than 2014. Average
growth rate during 2014-2018 was
13.7%.

20% to 40%

Annual cash dividend payout ratio in
the 2014-2018 period.

22.97% to 58.38%

Return on average equity (ROAE) in the
2014-2018 period.

Technology

- Upon completion of the stage of mastering new technology from 2009 to 2013, the period from 2014 to 2018 is a technology-driven breakthrough period;
- Launch of many unique, market-leading products such as Vale ntino - BQ8660, Arabescato - BQ8912 and White Fusion - BQ8825...;
- Improving eco-friendly, bioresin engineered-stones production technology;
- Research usage of waste-sludge from the engineered-stone production process as input for new eco-friendly materials such as: dry mortar stone adhesive and low-temperature geopolymetric setting (LGTS) brick;
- Successfully localizing the majority of inputs: cristobalite instead of imported quartz;
- Developing know-how to produce UV-resistant polyester resin;
- Improving research and development (R&D) through the establishment of two research institutes under Phenikaa Group.

Positioning

- Aug 12, 2014 marked a significant milestone in the Company's restructuring: Vicostone officially became a subsidiary of A&A Green Phoenix Group JSC (Phenikaa);
- Development and implementation of marketing and branding strategies for Vicostone for the five-year period (2017 - 2022) on a global scale, with many positive results.

Production- Quality - Safety System

The application of the World Class Manufacturing (WCM) production system has brought about significant progress to Vicostone's manufacturing and quality assurance.

- Labor productivity rose from USD 152.3/person/hour to USD 202.5/person/hour;
- Customer satisfaction with services and logistics reached 94.2% (2018);
- Maintenance downtime decreased from 80÷120 hours (2014) to 6÷10 hours (2018);
- Professional maintenance activities controlled unexpected issues in service delivery;
- Product quality has been constantly improved, aiming for no defective and faulty products. Scrap rate dropped from 4.09% (2014) to 2.17% (2018);
- Zero occupational-accident for five consecutive years.

REMARKABLE ACHIEVEMENTS IN THE 2014 – 2018 PERIOD

2018

- VICOSTONE® recognized as “National Brand 2018”, reinforcing Vicostone’s position and reputation in the domestic and international markets;
- “Vietnam National Quality 2018 Award”, affirmed that VICOSTONE® products strictly adhere to standards, measurement and quality requirements, and are highly reputable in the domestic and international markets;
- One of the three Vietnamese Enterprises named in Asia’s 200 Best Under A Billion by Forbes Asia Magazine;
- Top 10 Mid-cap Enterprises with the Best Annual Report (ranked the fourth) and Top 5 Mid-cap Enterprises with the Best Corporate Governance recognized by Ho Chi Minh Stock Exchange, Hanoi Stock Exchange, Vietnam Investment Review and Dragon Capital;
- Top 100 Sustainable Companies in Vietnam 2018, certified by Vietnam Business Council for Sustainable Development under the Vietnam Chamber of Commerce and Industry (VCCI);
- “Vietnam’s 50 Best-performing Companies 2018” (ranked the fourth) certified by Nhip Cau Dau Tu Magazine and Thien Viet Securities JSC;
- Top 50 Best Listed Companies in 2018, certified by Forbes Vietnam;
- Top 500 Largest Enterprises in Vietnam, recognized by Vietnam Report and Vietnamnet Newspaper;
- Top 10 Key Industrial Products of Hanoi for VICOSTONE® premium quartz products according to Decision No.6530/QD-UBND of the People’s Committee of Hanoi.



VICOSTONE® was recognized as “National Brand 2018”

2017

- First Class Labor Medal awarded according to Decision No. 2533/QD-CTN on Dec 7, 2017 by the President of the Socialist Republic of Vietnam;
- Top 10 Prestigious Building Materials Companies in 2017, certified by Vietnam Report;
- Top 30 Best Annual Reports 2017, recognized by Ho Chi Minh Stock Exchange, Hanoi Stock Exchange, Investment Newspaper and Dragon Capital;
- Vietnam’s 50 Best-performing Companies, certified by Nhip Cau Dau Tu Magazine and Thien Viet Securities JSC;
- Top 100 Sustainable Companies in Vietnam 2017, recognized by Vietnam Business Council for Sustainable Development;
- Top 50 Best Growth Companies 2017, certified by Vietnam Report and Vietnamnet Newspaper;
- Become outstanding Brand - Trademark in Construction industry, voted by the Construction Newspapers.



Vicostone was honorably awarded the First Class Labor Medal by the President of the Socialist Republic of Vietnam

2016

- Emulation Flag “The leading entity in the emulation movement 2016” awarded according to Decision No. 1682/QD-HQHN on Nov 30, 2015 by the Ministry of Construction;
- Commendation Certificate from the President of the People’s Committee of Hanoi for “Compliance with the tax policy and the tax law 2015” according to Decision No. 1474/QD-UBND awarded by the People’s Committee of Hanoi;
- Top 10 Best Annual Reports 2016, certified by Ho Chi Minh Stock Exchange, Hanoi Stock Exchange, Investment Newspaper and Dragon Capital;
- Top 30 Most Transparent Enterprises of HNX in the period of 2015 – 2016, certified by Hanoi Stock Exchange (HNX);
- Vietnam’s 30 Most Popular Products 2016, certified by the Hanoi’s Steering Board of the “Vietnamese people using Vietnamese goods” campaign.
- Top 100 Sustainable Companies in Vietnam, recognized by Vietnam Business Council for Sustainable Development;
- Top 50 Best Listed Companies, certified by Forbes Vietnam;
- Vietnam’s 50 Best-performing Companies in, certified by Nhip Cau Dau Tu Magazine.

2015

- Emulation Flag from the Government according to Decision No. 165/QD-TTg on Jan 26, 2016 awarded by the Prime Minister of the Socialist Republic of Vietnam;
- Excellent Emulation Flag in the Construction from the Ministry of Construction in the period of 2010 – 2015 according to Decision No. 1303/QD-BXD on Nov 3, 2015 awarded by the Ministry of Construction;
- Commendation Certificate from the President of the People’s Committee of Hanoi for “Compliance with the tax policy and the tax law 2015” according to Decision No. 1682/QD-HQHN on Nov 30, 2015 awarded by the People’s Committee of Hanoi;
- Top 30 first Vietnamese Enterprises named in ASEAN Stars, certified by Hanoi Stock Exchange;
- Top 30 Most Transparent Enterprises of HNX in the period of 2014 – 2015, certified by Hanoi Stock Exchange (HNX);
- Top 30 Best Annual Reports 2015, recognized by Ho Chi Minh Stock Exchange, Hanoi Stock Exchange, Investment Newspaper and Dragon Capital;
- Top 50 Best Listed Companies 2015, certified by Forbes Vietnam.

2014

- Emulation Flag from the Prime Minister for “The leading entity in the emulation movement 2014” according to Decision No. 39/QD-TTg on Jan 13, 2015 awarded by the Prime Minister;
- Emulation Flag from Vietnam General Confederation of Labor according to Decision No. 116/QD-TLD on Jan 13, 2015 awarded by Vietnam General Confederation of Labor;
- Commendation Certificate from the Ministry of Construction according to Decision No. 641/QD-BXD on Jun 2, 2015 awarded by the Ministry of Construction;
- The Ministry of Construction and Vietnam National Union of Building Workers’ Certificate for “Entities providing good living and working environment for employees in the construction industry 2014” according to Decision No. 104/QD-BXD on Jan 26, 2015;
- Certificate of Key Industrial Products of Hanoi for Vicostone’s premium quartz-based engineered compound stone products, granted by the People’s Committee of Hanoi;
- Top 30 Best Annual Reports 2014, certified by Ho Chi Minh Stock Exchange, Hanoi Stock Exchange, Investment Newspaper and Dragon Capital.

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OVERVIEW OF VICOSTONE

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GENERAL INFORMATION

Vicostone is one of the leading quartz-based engineered stone manufacturers in the world. Vicostone's system of distributors has been present in all continents. In addition, VICOSTONE® brand has been registered for protection in 60 countries.

Company's name

VICOSTONE JOINT STOCK COMPANY

International name

VICOSTONE JOINT STOCK COMPANY

Abbreviated name

VICOSTONE

The Certificate of Business Registration No.:

0500469512 issued for the first time on 02 June 2005 by the Hanoi Department of Planning and Investment

Registered for the 18th amendment on 16 April 2018.

Charter capital

VND 1,600,000,000,000

One thousand six hundred billion Vietnamese dong

Address

Hoa Lac Hi-Tech Park, Thach Hoa Commune, Thach That District, Hanoi, Vietnam

Website

<http://vicostone.com>

Tel

+84 24 3368 5826

Fax

+84 24 3368 6652

Email

quanhecodong@vicostone.com

Stock name

SHARE OF VICOSTONE JOINT STOCK COMPANY

Par value

10,000 VND/share

Share code

VCS

Number of listed shares

160,000,000 shares

in Hanoi Stock Exchange (HNX)

Number of voting shares in circulation

156,800,000 shares

Number of treasury shares

3,200,000 shares



Responsible for information disclosure

Full name	Mr. PHAM ANH TUAN
Position	General Director
Tel	+84 24 3368 5826
Fax	+84 24 3368 6652
Mob	+84 977 150 881

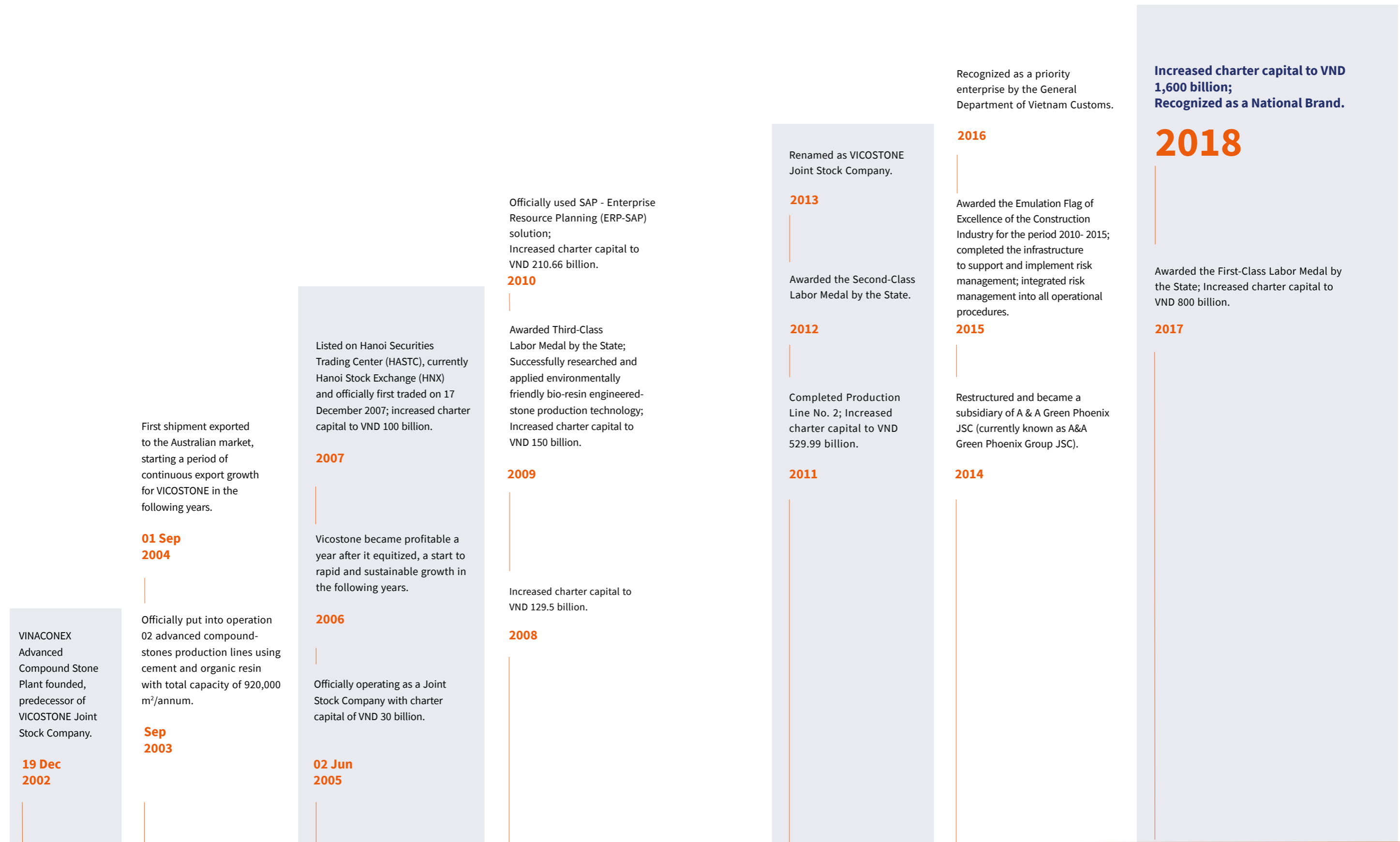
Independent auditing unit

ERNST & YOUNG VIETNAM LTD. CO.

Address: 8th Floor, Cornerstone Building, 16 Phan Chu Trinh, Hoan Kiem, Hanoi
Tel: +84 24 3831 5100

To audit Vicostone's separated financial statements and consolidated financial statements for 2012, 2013, 2014, 2015, 2016, 2017 and 2018.

HISTORY & MILESTONES



PRODUCTS, MANUFACTURING TECHNOLOGY AND MARKETS

I. Products

VICOSTONE® quartz-based products are manufactured with state-of-the-art technology – Compaction by Vibrocompresion under Vacuum, in which the main material includes more than 90% natural quartz binded by polymer resin and pigments. This innovative technology with groundbreaking improvements and Vicostone's own know-how helps create products that resemble natural stones, in terms of pattern and color, but possess more superior physico-mechanical properties than natural stones and compound materials produced with other technologies. This harmonious combination between the raw materials and the unique know-how results in distinctive products that other competitors cannot imitate.

VICOSTONE® products are applied to indoor interior surfaces, such as: kitchen counters, vanity tables, bathtubs, sinks, walls, bar counters, floors and many other applications.

As Vicostone is always the pioneer in creating trends with creative, unique and inspiring product lines, each product design from VICOSTONE® can be likened to a work of fine art crafted by the intelligence, the research talent as well as the creativity of Vicostone's engineers. Following are some of VICOSTONE® products that put its name on the global map:

- Arabescato - BQ8912;
- Venatino - BQ8660;
- White Fusion - BQ8825;
- Misterio - BQ8815;
- Nero Marquina - BQ8740.

II. Manufacturing Technology

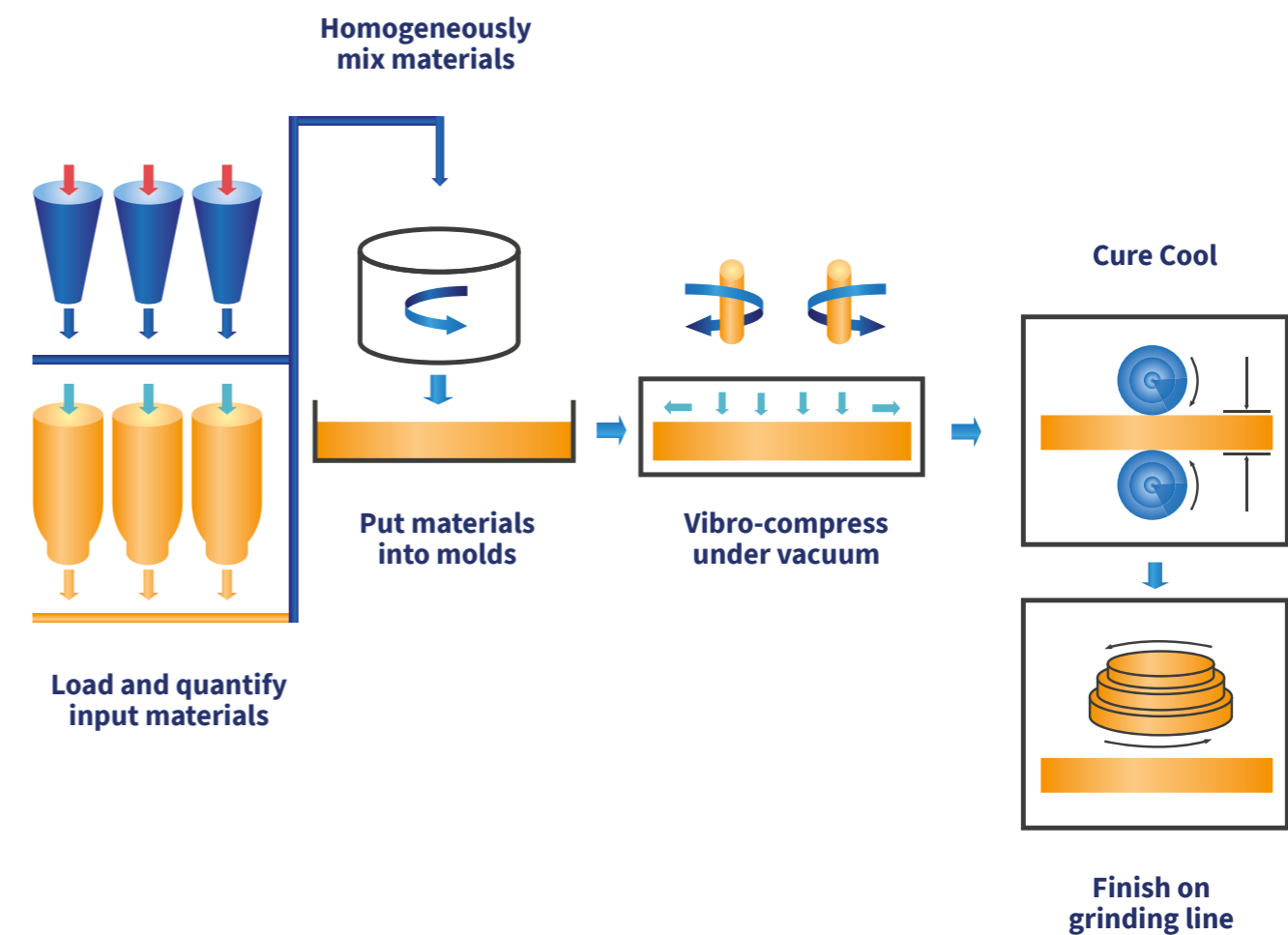
VICOSTONE® products are manufactured with “*Compaction by Vibrocompresion under Vacuum*” technology using equipment and machinery transferred from Breton S.p.A (Italy) and groundbreaking innovations by Vicostone's engineer team. With innovative and highly automated technology, groundbreaking advancements and pure, safe and eco-friendly raw materials, VICOSTONE® products have many outstanding advantages over other natural and engineered stone products manufactured with other technologies.

Vicostone's engineered quartz slab manufacturing technology is completely environmentally friendly. Closed-loop wastewater treatment system emits no pollution into the environment. Water sludge is reused to produce other eco-friendly construction materials such as unbaked brick, cement based tile adhesive and block brick.

As composite materials, VICOSTONE® products are unbaked compound with the following striking characteristics:

- Saving energy, i.e. heat energy, as the materials are not baked at high temperature like other engineered compound materials produced using other technologies;
- Producing zero emission from the curing process, unlike other baked compound materials;
- Optimizing electricity savings as circulated heat transfer oil is applied to the curing system which is accurately monitored through advanced control system;
- Completely safe for consumers as the input materials are thoroughly inspected and comply strictly with safety standards.

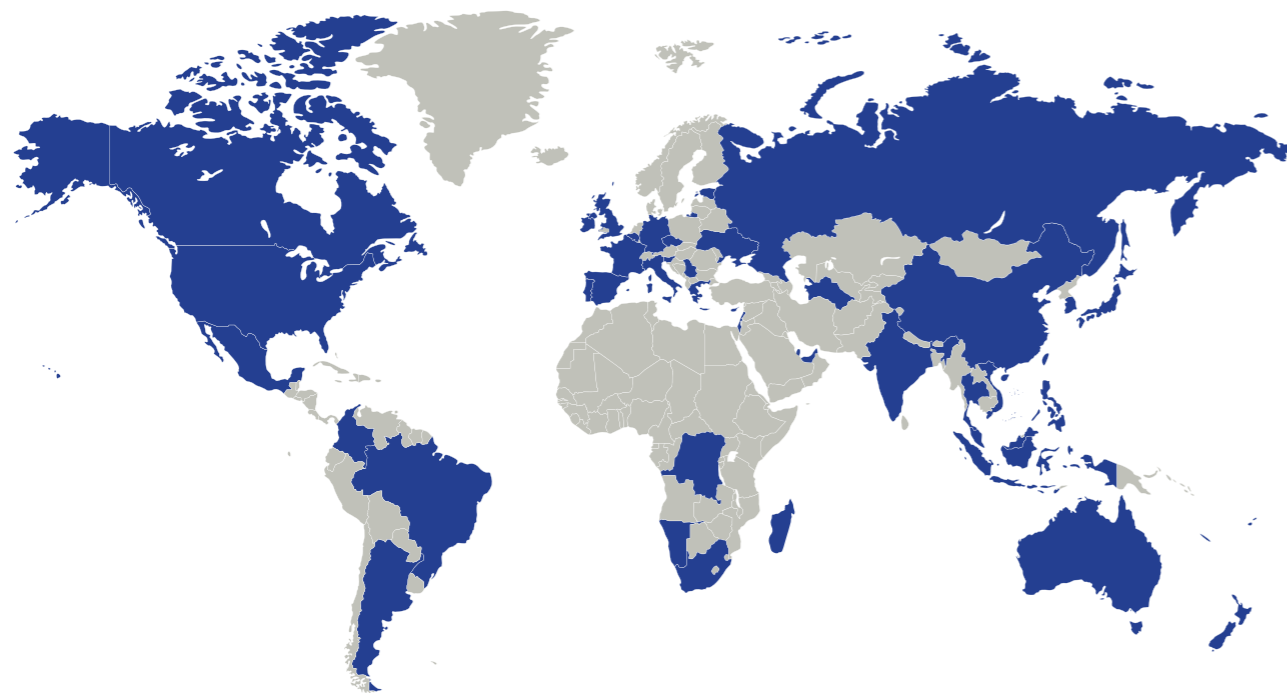
1. Technology process:



III. Markets

Since its establishment as a young company in 2002, Vicostone has been relentlessly making efforts to conquer many challenges, so as to become one of the largest Quartz Surfaces manufacturers in the world. Vicostone's quartz products have so far been exported to more than 40 countries in five continents and constantly loved and trusted by many customers.

To date, Vicostone's revenue mainly comes from export activities, focusing primarily on markets in North America, Australia and Europe, which are very demanding with strict product requirements. Revenue from these markets amounted up to 98.8% of the Company's total export revenue in 2018.



■ Export markets of VICOSTONE® quartz products

CHINA	ESTONIA	INDIA	LEBANON	NEW CALEDONIA	RUSSIA	SOUTH KOREA	TURKMENISTAN
COLOMBIA	FIJI	INDONESIA	LIECHTENSTEIN	NEW ZEALAND	SERBIA	SPAIN	UKRAINE
CONGO	FRANCE	IRELAND	MALAYSIA	PHILIPPINES	SINGAPORE	SRI LANKA	UNITED ARAB EMIRATES (UAE)
CYPRUS	GERMANY	ISRAEL	MEXICO	PORTUGAL	SLOVENIA	TAIWAN	UNITED STATES
CZECH REPUBLIC	GREECE	ITALY	NAMIBIA	QATAR	SOUTH AFRICA	THAILAND	VIETNAM
ENGLAND	HONG KONG	JAPAN					

Vicostone's distributors in the export markets are mainly large companies with good financial capacity and high reputation in building materials and interior decoration markets. Vicostone's quick delivery, ability to develop high-quality, unique and distinctive products and, above all, high sense of responsibility have been greatly appreciated and trusted by our customers and partners. For these reasons, Vicostone's distribution system has been constantly improved and expanded in terms of both quality and quantity.

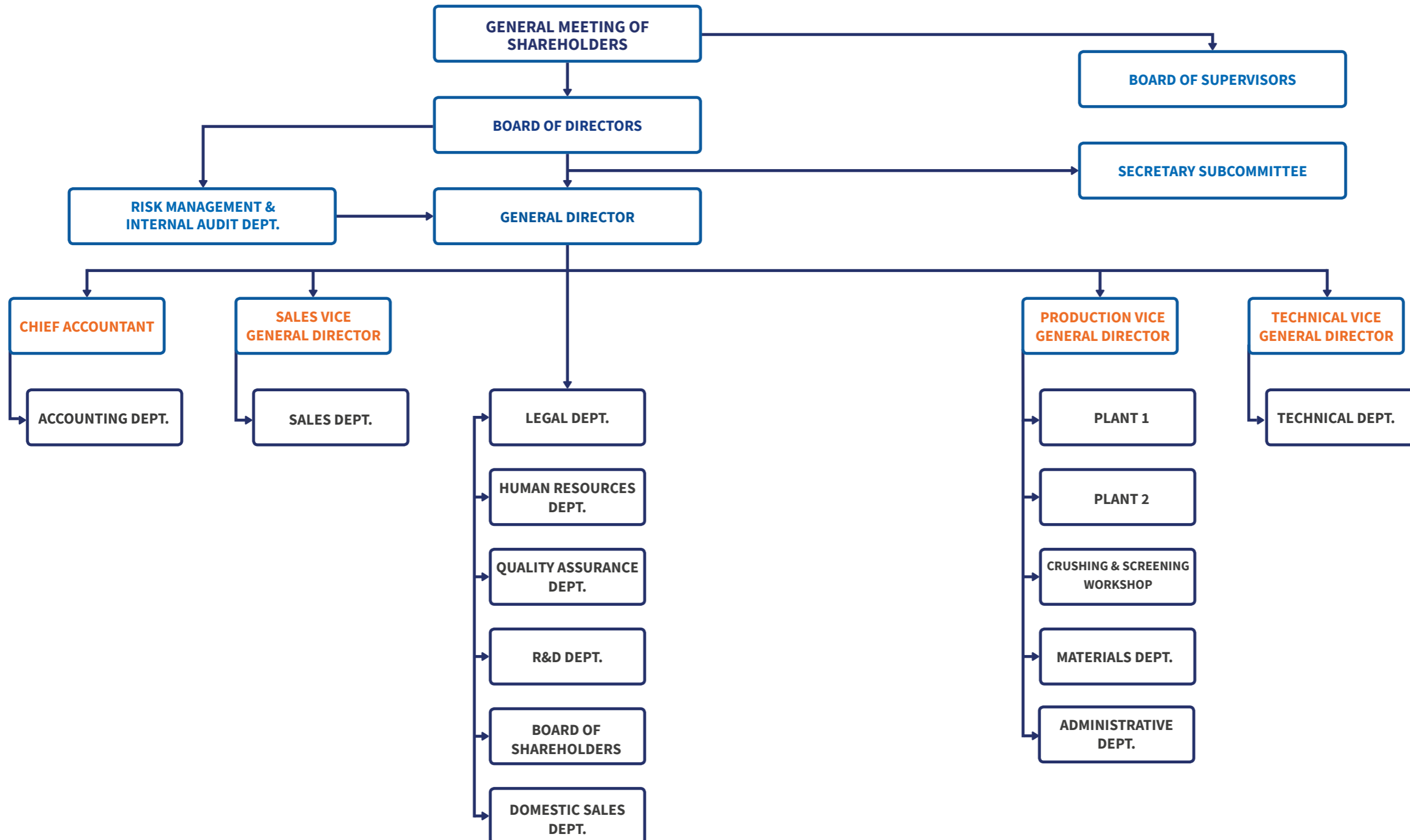
Among Vicostone's markets, North America (including the United States and Canada) is a prominent market. The Company has successfully established its direct distribution system under the VICOSTONE® brand name in this area. In 2011, STYLEQUAZA LLC, DBA (VICOSTONE USA) – the Company's direct distributor in North America was established. Until now, VICOSTONE USA' distribution system has been expanded with four distribution centers, including a headquarter in Dallas (Texas) and three branches in Houston (Texas), Chicago (Illinois) and Atlanta (Georgia). Furthermore, the direct distribution system under the VICOSTONE® brand has been expanded to Canadian market

with one branch in Toronto, Ontario (in operation since March 2016), another branch in Montreal, Quebec (in operation since July 2017), and one branch in British Columbia (in operation since July 2018), making the total number of branches in North America to seven. 2018 was a year of many fluctuations for the US market in the context of the US-China trade war as well as the antidumping and countervailing duty investigations on Chinese engineered stone products. This creates big challenges for Chinese engineered stone manufacturers, while creates opportunities for manufacturers from other countries including Vicostone. By establishing the direct distribution system in the US, Vicostone will have more advantages in taking the lead.

After years of expanding in the global market, Vicostone started to intensively invest Vietnam market in the late 2017 with the aim of providing customers in Vietnam with well-designed and high-quality products of international standards. After a year of business expansion, brand promotion, and huge marketing investments, Vicostone has successfully raised brand awareness and created trust, thus becoming a great choice for the domestic customers.

GOVERNANCE MODEL, HUMAN RESOURCES AND ORGANIZATIONAL STRUCTURE

I. Organizational structure



II. Labor force structure

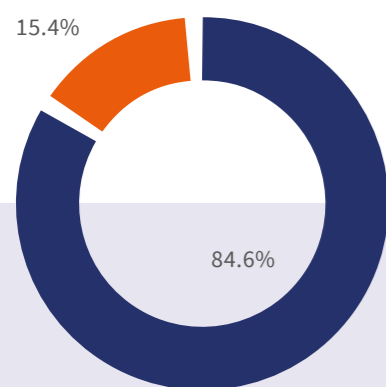
Vicostone's total number of employees was 682 as of 31 December 2018. The rate of young employees under 35 accounts for 59%. Vicostone's labor force is mainly male employees (84.6%), and has been trained (94%). Production workers account for 64.2% of the total labor force a reasonable ratio to the Company's production and business lines (building materials).

With 29.6% employees of university degree or higher and 51.03% employees of intermediate, elementary and technical degree, Vicostone's quality of input labor force has a good background which is convenient to allocate and train to meet its requirements and strategic objectives.

1. Labor force structure by qualifications

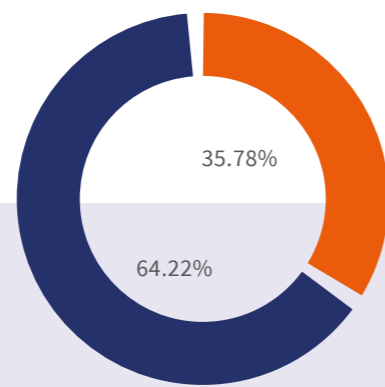
No	Qualifications	2016		2017		2018	
		Number (person)	Rate (%)	Number (person)	Rate (%)	Number (person)	Rate (%)
1	Post-graduate	08	1.30	10	1.56	10	1.47
2	University	157	25.57	175	27.34	192	28.15
3	College	80	13.03	77	12.03	93	13.64
4	Intermediate, elementary, technical workers	357	58.14	351	54.84	348	51.03
5	Common workers	12	1.95	27	4.22	39	5.72
	TOTAL	614	100	640	100	682	100

2. Labor force structure by genders (2018)



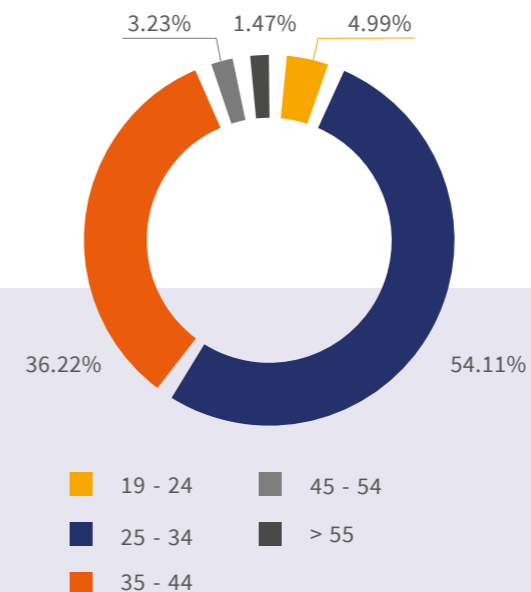
Male
Female

3. Labor force structure by job characteristics (2018)

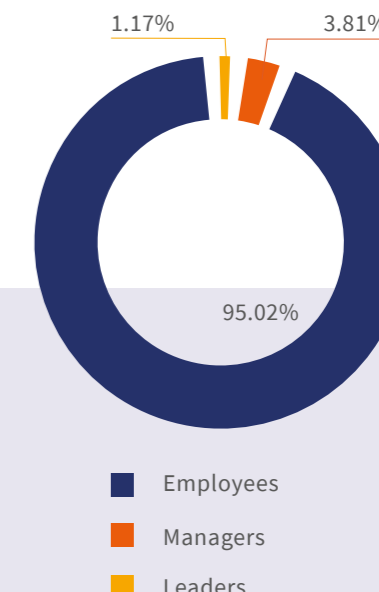


Production workers
Support staff

4. Labor force structure by age (2018)



5. Labor force structure by management level (2018)



III. Governance model

1. Board of Directors consist of 5 members:

Mr. Ho Xuan Nang	Chairman
Mr. Pham Anh Tuan	Member
Mr. Nguyen Quoc Truong	Member
Ms. Nguyen Dieu Thuy Ngoc	Member
Ms. Nghiem Thi Ngoc Diep	Member

In which Mr. Ho Xuan Nang, Mr. Nguyen Quoc Truong and Ms. Nguyen Dieu Thuy Ngoc are non-executive members; Ms. Nghiem Thi Ngoc Diep is independent member.



Mr. Ho Xuan Nang
Chairman of Board of Directors
Date of birth: 04/11/1964

Professional qualifications:

- Doctorate of Technique
- Master of Business Administration

Positions assigned in other companies:

- Chairman of Board of Directors – General Director of A&A Green Phoenix Group JSC
- Chairman of Board of Directors of Style Stone JSC
- Chairman of Board of Directors of Ha Noi - VPM Project Management Consultant JSC
- Chairman of Board of Directors of Phenikaa University
- Director of Phenikaa Research and Technology Institute

Working experiences:

- From 12/06/2014 – present: Chairman of Vicostone JSC;
- From 18/04/2013 - 15/12/2016: General Director of Vicostone JSC;
- From 18/04/2013 - 12/06/2014: Vice Chairman of Vicostone JSC;
- From 04/2012 - 04/2013: Chairman of Vinaconex Advanced Compound Stone JSC;
- From 03/2007 - 03/2012: Chairman – General Director of Vinaconex Advanced Compound Stone JSC;
- From 06/2005 - 03/2007: Director of Vinaconex Advanced Compound Stone JSC;
- From 07/2004 - 05/2005: Director of Vinaconex Advanced Compound Stone Plant;
- From 01/1999 - 07/2004: Vice Chief of Staff of Vinaconex Corporation;
- From 03/1996 - 01/1999: Quality Director; Production Director of the Ford Vietnam Plant – Hai Duong;
- From 1993 – 03/1996: Institute of Agricultural Electromechanics.
- From 1986 - 1993: Post-graduate student and lecturer of Hanoi University of Technology.



Mr. Pham Anh Tuan
Member of Board of Directors
Date of birth: 12/09/1981

Professional qualifications:

- Doctorate of Polymer and Composite Materials

Positions assigned in other companies:

- Vice General Director of A&A Green Phoenix Group JSC
- Chairman of Board of Directors of Vietnam Stone Work-top Fabrication JSC

Working experiences:

- From 15/12/2016 – present: Member of Board of Directors – General Director of Vicostone JSC;
- From 14/10/2014 – 14/12/2016: Vice General Director of Vicostone JSC;
- From 03/2013 - 10/2014: Director of Production Plant No. 2 cum Director of R&D Center of Vicostone JSC;
- From 07/2009 - 03/2013: Director of R&D Center of Vinaconex Advanced Compound Stone JSC;
- From 10/2006 - 06/2009: Manager of Quality and Technology Department of Vinaconex Advanced Compound Stone JSC;
- From 07/2005 - 10/2006: Manager of Technology Department of Vinaconex Advanced Compound Stone JSC.



Mr. Nguyen Quoc Truong
Member of Board of Directors
Date of birth: 01/01/1964

Professional qualifications:

- Internal Combustion Engine Engineer

Positions assigned in other companies:

- N/A

Working experiences:

- From 04/08/2015 - present: Member of Board of Directors of Vicostone JSC;
- From 27/03/2015– 04/08/2015: Vice General Director of Vicostone JSC;
- From 12/06/2014 – 24/03/2015: Head of Board of Supervisors of Vicostone JSC;
- From 04/2013 - 06/2014: Vice General Director of Vicostone JSC;
- From 04/2012 - 04/2013: General Director of Vinaconex Advanced Compound Stone JSC;
- From 03/2009 - 03/2012: Vice General Director of Vinaconex Advanced Compound Stone JSC;
- From 03/2007 - 03/2009: Director of Cam Pha Cement Project Management Unit – Vinaconex Corporation;
- From 02/2003 - 03/2007: Vice Director of Cam Pha Cement Project Management Unit – Vinaconex Corporation.



Ms. Nguyen Dieu Thuy Ngoc
Member of Board of Directors
Date of birth: 12/03/1972

Professional qualifications:

- Bachelor of Economics

Positions assigned in other companies:

- Chief Accountant of HTC Multi-dimensional Communications Technology JSC.

Working experiences:

- From 06/2016 - present: Member of Board of Directors of Vicostone JSC;
- From 04/08/2015 - 30/06/2016: Member of Board of Supervisors of Vicostone JSC;
- From 09/1996 - 10/2014: General Accountant of Export Import and International Manpower Supply JSC.



Ms. Nghiem Thi Ngoc Diep
Member of Board of Directors
Date of birth: 14/05/1987

Professional qualifications:

- Bachelor of Foreign Language

Positions assigned in other companies:

- N/A

Working experiences:

- From 25/08/2014 – present: Member of Board of Directors of Vicostone JSC;
- From 2009 - 09/2011: Staff of Fsoft-FPT JSC.

2. Board of Supervisors



Mr. Luong Xuan Man
Head
Date of birth: 20/07/1963



Ms. Tran Thi Phuong Hoa
Member
Date of birth: 27/01/1981



Ms. Tran Lan Phuong
Member
Date of birth: 04/10/1988

Professional qualifications:

- Bachelor of Economics

Positions assigned in other companies:

- Chief Accountant - Vice General Director of A&A Green Phoenix Group JSC
- Head of Board of Supervisors of Style Stone JSC.

Working experiences:

- From 04/08/2015 - present: Head of Board of Supervisors of Vicostone JSC;
- From 06/2009 – 04/08/2015: Chief Accountant - Vice General Director of Vicostone JSC;
- From 06/2009 – 18/07/2015: Chief Accountant of Vicostone JSC;
- From 06/2005 - 06/2009: Chief Accountant of Vinaconex Advanced Compound Stone JSC;
- From 07/2002 - 06/2005: Chief Accountant of Vinaconex 19 JSC;
- From 09/2000 - 07/2002: Chief Accountant of An Xuan Concrete & Construction Joint Venture Co., Ltd.

Professional qualifications:

- Master of Currency, Finance and International Economics;
- Master of Telecommunications;
- Master of Information Technology

Positions assigned in other companies:

- Assistant to General Director of A&A Green Phoenix Group JSC.

Working experiences:

- From 15/03/2018 - present: Member of Board of Supervisors of Vicostone JSC;
- From 12/2017 – 01/2019: Director of Communications Division of A&A Green Phoenix Group JSC;
- From 2016 – 2017: Co-founder and Director of Read Station Communications JSC;
- From 2015 – 2017: Managing Director of Vietnam Intellectual Cooperation Center (MCC);
- From 2012 – 2014: Director of international market business development of International Medical Consultants Co., Ltd. (IMC);
- From 2009 – 2011: Investment Advisory Director of Tri Tin International JSC, an exclusive consultant for Red River Holdings (an investment fund in Vietnam);
- From 2007 – 2009: Assistant to Vice General Director, in charge of investment and shareholder relations of Nam Long Investment Corporation.

Professional qualifications:

- Bachelor of Economic Law;
- Bachelor of Banking and Finance

Positions assigned in other companies:

- Director of Human Resource Division of A&A Green Phoenix Group JSC
- Member of Board of Supervisors of Vietnam Stone Work-Top Fabrication JSC
- Member of Board of Management of Ha Noi - VPM Project Management Consultant JSC

Working experiences:

- From 04/08/2015 - present: Member of Board of Supervisors of Vicostone JSC;
- From 10/2014 - 08/2015: Assistant to General Director of Vicostone JSC;
- From 03/2013 - 10/2014: Vice Chief of Staff of Vicostone JSC;
- From 11/2010 - 03/2013: Staff of Legal and Foreign Affairs Department of Vicostone JSC;
- From 03/2010 - 11/2010: Consultant staff of Applied Professional Training Corporation (Aprotrain).

3. Board of Management, Chief Accountant



Mr. Pham Anh Tuan
General Director
Date of birth: 12/09/1981



Mr. Luu Cong An
Vice General Director
Date of birth: 15/07/1965



Mr. Pham Tri Dzung
Vice General Director
Date of birth: 18/10/1971

(Read "Board of Directors")

Professional qualifications:

- Dynamical Engineer

Positions assigned in other companies:

- Director - Member of Board of Directors of Vietnam Stone Work-Top Fabrication JSC
- Vice General Director – Member of Board of Directors of A&A Green Phoenix Group JSC

Working experiences:

- From 03/2007 – present: Vice General Director of Vicostone JSC;
- From 03/2007 – 04/08/2015: Member of Board of Directors of Vicostone JSC;
- From 05/2005 - 02/2007: Vice Director of Vinaconex Advanced Compound Stone JSC;
- From 12/2004 - 04/2005: Foreman of Bretonstone Workshop of Vinaconex Advanced Compound Stone JSC;
- From 10/2004 - 11/2004: Manager of Technical Department of Vinaconex Advanced Compound Stone JSC;
- From 2000 - 10/2004: Vice Manager of Design Department of Song Cong Diesel Company.

Professional qualifications:

- Mechanical Engineer

Positions assigned in other companies:

- Vice General Director – Member of Board of Directors of A&A Green Phoenix Group JSC

Working experiences:

- From 03/2007 – present: Vice General Director of Vicostone JSC;
- From 03/2007 – 04/08/2015: Member of Board of Directors of Vicostone JSC;
- From 02/2005 - 03/2007: Vice Director of Vinaconex Advanced Compound Stone JSC;
- From 06/2004 - 02/2005: Manager of Planning and Market Department of Vinaconex Advanced Compound Stone Plant;
- From 08/2001 - 06/2004: Vice Manager of Labor Export Department of Vinaconex Trading JSC – VINATRA.

3. Board of Management, Chief Accountant:



Mr. Nguyen Chi Cong
Vice General Director
Date of birth: 16/08/1981

Professional qualifications:

- Control Engineer

Positions assigned in other companies:

- N/A

Working experiences:

- From 08/2017 - present: Vice General Director of Vicostone JSC;
- From 01/2013 - 07/2017: Director of Style Stone JSC;
- From 06/2011 - 12/2012: Manager of Production Division of Style Stone JSC;
- From 09/2009 - 05/2011: Vice Director cum Foreman of Bretonstone Workshop of Style Stone JSC;
- From 01/2009 - 08/2009: Manager of Production Division of Vinaconex Advanced Compound Stone JSC;
- From 09/2004 - 12/2008: Engineer of Vinaconex Advanced Compound Stone JSC.



Ms. Nguyen Thi Nga
Chief Accountant
Date of birth: 15/12/1984

Professional qualifications:

- Bachelor of Economics, major in Accounting

Positions assigned in other companies:

- N/A

Working experiences

- From 18/07/2015 - present: Chief Accountant of Vicostone JSC.
- From 04/08/2015 - 15/12/2016: Member of Board of Directors of VCS Advanced Quartz Stone JSC;
- From 10/2012 - 07/2015: Vice Manager of Financial and Accounting Department of Vinaconex Advanced Compound Stone JSC;
- From 11/2008 - 10/2012: Accountant of Vinaconex Advanced Compound Stone JSC.

4. Important changes in personnel of Board of Directors, Board of Supervisors, Board of Management and Chief Accountant

Board of Directors:

In 2018, there was no change in the Board of Directors' personnel and structure.

Board of Supervisors

In 2018, the Board of Supervisors' personnel and structure were changed as follows:

- Ms. Tran Thi Phuong Hoa was appointed to hold the position of Member of Board of Supervisors from 15/03/2018;

(According to the Resolution No. 01/2018 NQ/VCS-DHĐCĐ dated 15/03/2018 by the 2018 Annual General Meeting of Shareholders of Vicostone JSC)

Full name	Position	Date of appointment
Mr. Luong Xuan Man	Head	4 Aug 2015
Ms. Tran Lan Phuong	Member	4 Aug 2015
Ms. Tran Thi Phuong Hoa	Member	15 Mar 2015

Board of Management:

In 2018, there was no change in the Board of Management' personnel and structure.

Chief Accountant:

In 2018, there was no change in the position of Chief Accountant. Ms. Nguyen Thi Nga continues to hold the position of Chief Accountant.

The changes in key personnel (members of Board of Supervisors) have been announced on the Company's website at www.vicostone.com and reported to the State Security Commission of Vietnam and Hanoi Stock Exchange in time and in compliance with the legal regulations on information disclosure.

IV. Relevant companies

1. Parent company - A & A Green Phoenix Group Joint Stock Company (Phenikaa)



Trading name	A & A Green Phoenix Group Joint Stock Company
Abbreviated name	Phenikaa
Charter capital	2,100,000,000,000 VND (Two thousand one hundred billion Vietnamese dong)
Headquarter	No. 167 Hoang Ngan Street, Trung Hoa Ward, Cau Giay District, Hanoi, Vietnam
Tel	+84 24 3368 5980
Fax	+84 24 3368 7095
Email	info@phenikaa.com
Website	www.phenikaa.com
Main business	<ul style="list-style-type: none"> Industrial manufacture Scientific studies & research Education & Training Trade and services Real estate Design consultancy & Construction

Phenikaa's subsidiaries

Industrial manufacture

- Vicostone JSC (ownership rate accounts for 80% of charter capital)
- Style Stone JSC (ownership rate accounts for 99.93% of charter capital)
- Vietnam Stone Work-top Fabrication JSC (ownership rate accounts for 60.53% of charter capital)
- Phenikaa Hue Mineral Processing & Investment One Member Company Limited (100% charter capital owned by Phenikaa)

Scientific studies & research

- Phenikaa Research and Technology Institute (ownership rate accounts for 100% of charter capital)

Education & Training

- Phenikaa University (ownership rate accounts for 97.7% of charter capital)
- Phenikaa Education Investment JSC (ownership rate accounts for 90% of charter capital)

Design consultancy & Construction

- Hanoi – VPM Project Management Consultancy JSC (ownership rate accounts for 87.82% of charter capital)
- Global Sitetech Design Consultant and Technology JSC (ownership rate accounts for 59.38% of charter capital)

Trade and services

- Sec G3 Center JSC (ownership rate accounts for 97.6% of charter capital)
- Stylenquaza LLC. DBA (Vicostone US) established in November 2010, its headquarter located in 11620 Goodnight Lane, Suite 100, Dallas, Texas, U.S.A.
- Vicostone Canada INC. established in November 2015, its headquarter located in 341 Edgeley BLVD Vaughan, ON L4K 3Y2, Canada.

Vicostone US and Vicostone Canada which are owned by Phenikaa Group, established and operating outside of Vietnam, are directly distributing the quartz-based stones under VICOSTONE® brand in the North America (USA, Canada).

2. Vicostone representative offices in Vietnam

On Dec 19, 2017, Vicostone decided to launch a new brand identity for Vietnam's market and build representative offices, showrooms and sales channels in potential markets.

Northern Vietnam:

Main manufacturing plant: Hoa Lac Hi-Tech Park, Thach Hoa Commune, Thach That District, Hanoi.

Showroom: 167 Hoang Ngan, Trung Hoa Ward, Cau Giay District, Hanoi.

Central Vietnam

Showroom in Da Nang: 502-504 Nguyen Huu Tho Street, Khue Trung Ward, Cam Le District, Da Nang

Showroom in Khanh Hoa: 2 To Huu Street, Phuoc Hai Ward, Nha Trang City, Khanh Hoa Province.

Southern Vietnam

Showroom in Ho Chi Minh City: 72 Nguyen Co Thach Street, An Loi Dong Ward, District 2, Ho Chi Minh City.

Fabrication plant: Tran Long Industry JSC – D3 Street, Nhon Trach 3 Industrial Park, Hiep Phuoc Commune, Nhon Trach District, Dong Nai Province

RISK MANAGEMENT

As a large scale production company, with majority business located in international markets, Vicostone takes strong consideration in anticipating and effectively managing unpredictable risks and unplanned events. In reality, there is no guarantee that Vicostone can always predict all future events, especially in times of the ever-changing economy and politics. Hence, the Company always promotes Risk Management in every aspect of the business operation from market research, strategic planning to daily operational management. Apart from risk management plans, The Company also sets out boundary of acceptable risks, in order not to completely eliminate all risks but make the most of every opportunity and challenge.

Moreover, in order to support the Risk Management system, Vicostone is one of the few private enterprises in Vietnam to establish an internal audit function since 2015, 4 years ahead of the requested fulfilment time applicable to listed companies in the Decree No. 05/2019/ND-CP. The internal audit function has been operating under the consultation and support from experts of Ernst & Young Vietnam. The internal audit and risk management has enabled the Company's Boards of Directors to evaluate the system efficiently and advise other departments how to improve the comprehensive risk-minimizing process of governance, management, operation and strategic planning.

I. Vicostone's orientation and principles of risk management

"Risks-driven sustainable development" is guideline for the development of risk management; which describes the proactiveness of risk management at all management levels and embedded throughout the Company's operation process.

Vicostone's risk management system is built upon international standards such as ISO 31000:2009, COSO Enterprise Risk management framework, etc. under following principles:

- Integrate risk management in all strategic and operational processes;
- Accept some risks in order to grasp opportunities and create added values;
- Prevention is core in Vicostone's risk management;
- Risk management is mandatory and part of Vicostone cultures.

Above principles are set towards the perspective "Prevention is better than cure" in risk management. The principles are also reflected in self-consciousness of each employee, business activities and processes, on the basis of optimal benefits between risk and opportunities.

Vicostone's risk management system is closely monitored and continuously improved to enhance the relevance and the effectiveness in risk-control at all levels of operation in the Company, in order to:

- Risk management is integrated into all operations from strategic planning to day-to-day activities to ensure that risk is effectively managed and facilitate opportunities to achieve strategic objectives;
- Risk management is proactively carried out at all operating units and by every member of the Company, regardless of positions;
- Risks are strictly controlled at all levels and regularly re-evaluated by the internal auditing system to ensure the relevance and adequacy of controls in specific contexts.

II. Mitigated risks by 2018

By the end of 2018, the effective management has enabled to mitigate the following risks indicated in 2017:

- Human resources risk;
- Resource and Materials risk;
- Environmental risk;
- Information technology risk.

Therefore, these major risks would not be emphasized in 2019.

III. List of major risks in 2019

The summarized information set forth in this Report, along with other disclosed information can be used as a basis for investors, shareholders and other business partners of the Company to take into consideration and make decisions.

1. Market development risks

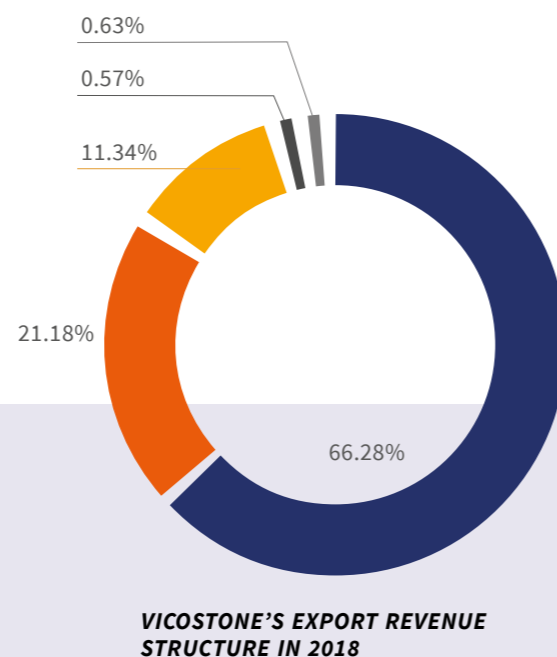
Vicostone's main revenue comes from the exports of engineered quartz slabs to global markets, mainly North America, Australia and Europe which account for 99% of the export revenue. They are high-demanding markets in terms of product quality, diversity and aesthetics of products. Along with the difficult market entry, comes their huge purchasing power; thus, they are also the key targets of global large engineered stone manufacturers. Some competitors have even greater scale and experience than Vicostone. Although for the last five years, the total revenue's compound annual growth rate (CAGR) has remained steady at nearly 30%, it has encountered a decline due to some unexpected market dynamics and trade policies.. Below is the analysis of potential factors which can affect Vicostone's market development and business performance:

1. Market development risks (Continued)

1.1 Revenue concentration in major markets

Export markets

To date, Vicostone's products have already been exported to more than 40 countries and regions in the world. However, almost 99% of the export revenue comes from our major markets. Respectively, the revenue from North American, Australian and European markets accounts for 66.28%, 21.18% and 11.34% of total Vicostone's export revenue.



Though these markets' revenue rises every year, their percentage contribution to total export revenue almost remains unchanged. The Company's main distributors of these markets remain the same over the years. This signals that the Company has successfully built solid relationships and trust with its international partners. Simultaneously, focusing on a few key markets enabled Vicostone to gather comprehensive market insights for mid- and long-term strategic planning.

The Company also has great opportunity, due to high tariff policy imposed on China's products entering the US market - Vicostone's largest export market. In the second half of 2019, China's stock is expected to be depleted and the demand will rise up from our distributors, giving chances to significantly increase Vicostone's revenue.

Nevertheless, there are still potential risks that may also occur from key uncontrollable fluctuations in the key markets. In each market, Vicostone's business operations are affected by local social, political, economic and environmental regulations and supply and demand-related factors such as real estate market, home renovation and the development of new residential areas, changes in consumer trends and competition. The company's business performance, strategies and operation plans can be also affected accordingly.

Another risk is the increase of imported products from other engineered stone manufacturers into the Company's major markets, especially the US, Australia

and Canada. According to the Marketing team's research and prognosis of the largest competitors, sales growth will be very challenging in the US market in the early 2019 due to the huge inventory resulted from the mass imports from China in 2018, under the influence of the US imposing anti-dumping law on Chinese engineered stone products. Vicostone's business performance can be affected by the fact that Chinese manufacturers may change their products' origin to third-party countries in order to be accepted and qualified to export in the US markets and new market business expansion. In addition, new risk of countervailing duty on engineered stone products from Vietnam arises because some Vietnamese manufacturers with low-priced products made by Chinese technology and equipment expand their export business to the US market.

Revenue concentration in a few major distributors can pose potential risks. The indirect distribution channels lead to the Company's dependence on the partners' efforts and success in marketing and sales activities. Any unexpected interruption and negative changes of the distribution partners may negatively affect the Company's business performance and activities.

Domestic market

At the moment, revenue from domestic market has not significantly contributed to Vicostone's total revenue, but potentially increases in the near future. Aside from the common risks to all markets, Vicostone has identified some specific risks in domestic market.

Natural stone is a popular trend in Vietnam. This creates great opportunity for engineered stone companies who

want to take over the market. The Company has to invest in marketing and communication, not only to build and develop its own brand name in the local market, but also to create awareness about its new products, changing consumption perspectives, as well as "educate" consumers. The competitors will benefit from Vicostone's marketing and trend setting efforts should the Company is not able to change consumer habits and perspectives, or to overpass timely. The position as a market leader and pioneer can be lost, should proper actions are not taken.



Domestic market (Continued)

Furthermore, there are new challenges in price pressures and saturation caused by the entry of some quartz-based engineered stone manufacturers using Chinese imported low-cost technology, low-quality and cheap products. Vicostone's trust and brand reputation can be negatively affected by fake low quality VICOSTONE® products manufactured by agents and business partners.

In order to minimize these risks as well as their negative impacts, Vicostone constantly develops new, unique and distinctive products and improves service quality. In addition, Vicostone continues to invest in professional and methodical marketing and communication campaigns to raise awareness about the VICOSTONE® brand and quartz-based engineered stone products; boost the distribution system's expansion in important market segments in Vietnam; establish and develop networks of showroom, plants and satellite warehouses in target markets to guarantee the best product quality and fastest fulfilment process for end consumers. The company continues to enhance the quality management in all stages from production to installation, especially service quality management at distributors and affiliates, etc.

In response to potential challenges in 2019, the Company has worked out marketing and business development plans to cope with possible threats and fully get ready for 2019.

1.2 Competition pressure

In the engineered stone industry, Vicostone has been facing strong competition pressure not only from other quartz manufacturers and natural stone providers, but also from manufacturers of other alternatives such as laminate, ceramic slab, cement and steel. This may have an impact on the Company's business performance and financial position.

Competition from other quartz-based engineered stone manufacturers

Positioning as a high-end brand, VICOSTONE® sets strategy to leverage competitive advantages on quality, distinctiveness, originality and availability of the products, as well as brand reputation, market coverage and service quality.

In order to maintain competitive advantages, brand prestige, competitive price and profit margins, the Company has to constantly research and adopt state-of-the-art technologies and techniques, develop new product lines, create the distinctiveness and novelty of the products that meet the customers' taste. Therefore, research and development (R&D) has been a significant investment at Vicostone for the past few years and will continue to be importantly strategic in the coming years in accordance with the development strategy of Phenikaa Group, Vicostone's parent company.

In fact, the risk of intellectual property violation in the engineered stone industry is relatively high, even if copycats are hard to resemble similar quality and elegance, due to its own unique know-how, techniques and technology. To tackle this issue, Vicostone has always put great importance on copyright and industrial designs registration for products that have been and will be launched in the Company's major markets. However, these protection measures will only be a partial solution, as the copied designs cannot be completely regulated and managed in the markets that are out of Vicostone's control.

Another risk is product price war. Because of substantial investment in R&D as well as the application of new technologies and techniques, the prices of Vicostone's quartz-based engineered stones cannot be lowered. Meanwhile, other manufacturers who copy Vicostone's product designs or production technologies will benefit from not having to invest in research and development. They therefore are able to offer much lower prices than the actual cost of the products. Besides,

the manufacturers that operate low-cost Chinese technologies can sell at impressively lower price due to their lower quality in physio-mechanical properties and designs. That also negatively affect Vicostone's market share, revenue, profit and business activities.

Competition from alternative products

Apart from the competition pressure from other quartz-based engineered stone manufacturers, Vicostone has also encountered harsh competition from providers of natural stone and other alternative surface materials, including laminate, granite, engineered marble, ceramic slab, cement and steel.

These alternative products, despite not having superior physico-mechanical properties and aesthetic characteristics as quartz-based engineered stone, still have certain advantages such as more reasonable prices and better applicability than quartz-based engineered stone and natural stone. Their advantages can be a significant obstacle to Vicostone's expansion and increased market share.



2. Legal risks

2.1 Risks of legal disputes, particularly over intellectual property rights

Vicostone's each and every product is a combination of many aspects, from the designers' inspiration, the market research ability and the Company's proprietary techniques and know-how. While each new product's creation is an expensive investment, it also has a very high chance of being copied by the Company's competitors. Even though international law has very specific and strict regulations on intellectual property, the lawsuit takes a lot of time and costs, sometimes without any result, which wastes opportunity cost of the involved parties.

In the past, the Company was once sued by another competitor in the US market due to a dispute over intellectual property. The lawsuit has now been put on hold due to insufficient legal evidence. However, similar lawsuits may occur again anytime.

Another risk of international business operation is the legal disputes from trading partners, customers or even competitors relating to the quality of service, social responsibility or disputes related to the suppliers' delivery of goods and services. This risk usually occurs when the Company fails to adequately assess the unforeseen circumstances and difficulties to cover in the terms of the contract. Although the final conclusions of these disputes may not indicate the Company's fault, the related costs in litigation in terms of cash and the opportunity cost are considerable. These costs are mostly attorney's fees, and are often difficult to control. In case of prolonged litigation, or the increasing number of lawsuits, these costs will significantly affect the Company's business results.

In order to minimize these risks, the Company has registered to protect brand identity, product designs, inventions, know-how, exclusive technologies and other intellectual properties in markets which the Company is currently doing business and will be expanded to in the future. The costs for intellectual property rights registration are quite considerable, not to mention that the Company may not successfully register its rights or prevent intellectual property theft. This may seriously damage the Company's business activities and reputation.

2.2 Risks of regulatory changes

At the time of the report, Company's products are available in more than 40 countries and territories. It is challenging to timely update with all regulatory change and actively respond to all areas. Therefore, there is always potential risk and damage to the Company's operations subjected to regulatory changes, even in the circumstances of unintentional violation due to shortage of up-to-date information.

In the US, a Vicostone's critical market, in 2017-2018, the anti-dumping lawsuit between Cambria and China created huge fluctuations in the US stone market. Accordingly, the average anti-dumping duty on imported engineered stone products from China is more than 38%. Before the tariff took effect, Chinese stone manufacturers had made massive imports into the US market, severely affecting the revenue of other manufacturers, including Vicostone. At the moment, China and several distributors in the US are asking the US government to reconsider this tariff; however, there is a possible concern that the US will target other major stone export countries such as Vietnam and India, especially when there are recently Vietnamese quartz-based engineered

stone manufacturers equipped with Chinese technologies selling low-price products.

Another risk related to the regulatory changes is the increasingly stricter environmental requirements in key markets. Not only do these markets set strict requirements about safety and environment for finished products, but they also emphasize environmental safety issues throughout production procedures. So far, all Vicostone's results of measurements on dust concentration, emissions and wastes are qualified under the accepted level. However, there is a possibility that regulations in the key markets will be adjusted with tighter control. This potential risk can cause Vicostone's cost increase, procurement delay and negative brand reputation if the company fails to comply with local environmental safety requirements.

In addition to the risks of changing the provisions of international law, the Company's operation also implies risk of violation of Vietnam's laws and regulations, due to the relatively speedy changes in documents, regulations related to production and business activities such as tax policies, customs, accounting, securities, contracts. Regardless of the reason for not meeting these requirements, Vicostone may not only be fined but also encounter brand reputation damage and other disadvantages, especially in procedures process.

3. Foreign exchange risk

The Vietnamese dong's exchange rates against major currencies greatly fluctuated in 2018. The USD/VND exchange rate increased by 2.2%, while the CAD/VND and EUR/VND rates declined by 5.7% and 0.8% respectively. The huge exchange rate fluctuations caused a loss of VND 6.97 billion in the Company's profit before tax (in which, foreign exchange gain: VND 30.69 billion, foreign exchange loss: VND 37.66 billion); while in 2017, the changes in exchange rates brought in VND 13.89 billion of profit before tax. (Source: Audited Financial Statement 2018).

In 2018, there were various factors affecting the foreign exchange fluctuations that is out of the Company's control. Meanwhile, due to its business nature, the Company highly depends on foreign currencies. Although Vicostone had anticipated the risk and taken measures to manage the impact of exchange rate fluctuations, its business performance was still adversely affected.

In order to minimize the foreign exchange risk in the coming years, the Company has been focusing on analyzing and assessing the domestic and international economic, political and societal situations in order to make right predictions about foreign exchange fluctuations. That leads to more accurate estimation about delivery time and payment periods of sales contracts, while derivative financial instruments can be utilized accordingly to minimize negative impacts of exchange rate fluctuations. In addition, localizing 90% of the raw materials is a strategic solution to manage this risk.

02

REPORT FROM THE BOARD OF MANAGEMENT

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KEY FINANCIAL INDICATORS OF 2014 – 2018

Items	Unit	2014	2015	2016	2017	2018
1. Business performance						
Net revenue	Billion VND	2,063.51	2,616.16	3,211.49	4,352.52	4,521.60
Cost of goods sold	Billion VND	1,349.49	1,857.54	2,220.06	3,085.31	3,025.95
Gross profit	Billion VND	714.02	758.62	991.43	1,267.21	1,495.64
Finance income	Billion VND	31.28	25.51	25.93	54.38	41.40
Finance expenses	Billion VND	334.08	169.98	70.95	48.81	69.87
Profits or losses from associated and joint venture companies	Billion VND	6.51	5.72	3.85	-	-
Selling expenses	Billion VND	67.65	76.97	76.84	95.65	99.93
General and administrative expenses	Billion VND	88.01	55.52	59.39	52.20	46.10
Other income	Billion VND	0.81	0.83	0.87	1.18	1.51
Other expenses	Billion VND	1.42	9.00	1.14	1.10	4.15
Profit before tax	Billion VND	261.47	479.21	813.76	1,125.01	1,318.51
Current and deferred corporate income tax expenses	Billion VND	49.29	74.58	137.78	3.23	194.97
Net profit after tax	Billion VND	212.19	404.63	675.98	1,121.78	1,123.54
Basic earnings per share	Billion VND	4,029	8,637	10,813	13,461	6,548
Diluted earnings per share	Billion VND	4,029	8,637	10,813	13,461	6,548
2. Assets and resources						
Total assets	Billion VND	2,647.94	2,781.48	3,337.93	3,809.75	4,404.33
• Current assets	Billion VND	1,876.33	2,010.93	2,729.08	3,291.34	3,794.50
<i>In which:</i> <i>Cash and cash equivalents</i>	Billion VND	77.34	295.40	433.97	656.28	427.35
• Non-current assets	Billion VND	771.61	770.56	608.85	518.41	609.83
Total liabilities and owner's equity	Billion VND	2,647.94	2,781.48	3,337.93	3,809.75	4,404.33
• Liabilities	Billion VND	1,862.15	1,782.89	1,890.79	1,413.86	1,673.77
• Owners' equity, minority interests	Billion VND	785.80	998.59	1,447.14	2,395.89	2,730.55
3. Other financial data						
Capital construction investment	Billion VND	41.75	78.27	200.10	62.75	151.73
Depreciation and amortisation of fixed assets	Billion VND	101.72	68.70	67.59	69.63	73.43
Adjusted EBITDA	Billion VND	662.52	692.38	929.64	1,189.08	1,420.41
EBITDA Margin (%)	%	32.11	26.47	28.95	27.32	31.41

(Source: VICOSTONE's audited consolidated financial statements, from 2017, it is the separate one because VICOSTONE has no subsidiary)

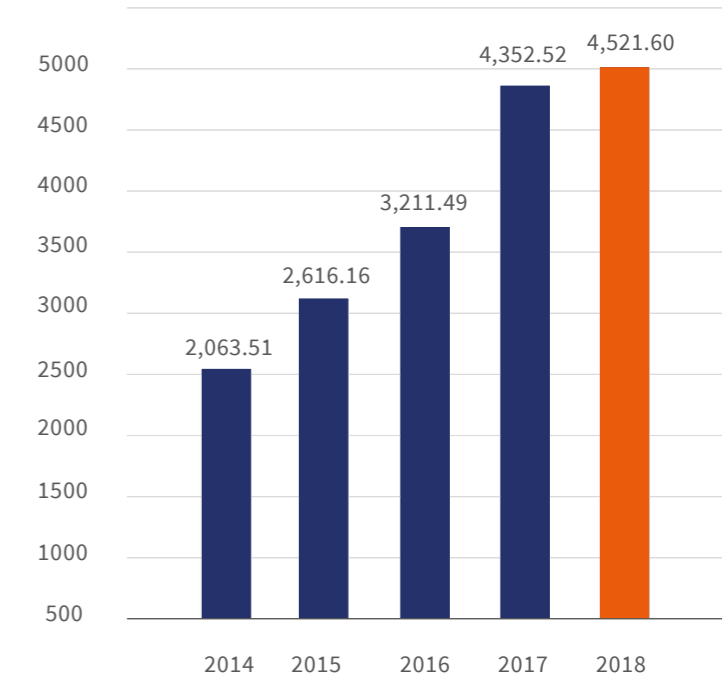
Net revenue hit VND 4,521.6 billion in 2018, 2.19 times as high as that of 2014, with the five-year compound annual growth rate (CAGR) reaching up to 30%. Profit before tax reached VND 1,318.51 billion in 2018, 5.04 times as high as that of 2014, with the five-year CAGR of up to 80%.

In 2018, total assets reached VND 4,404.33 billion, 1.66 times as high as that of 2014, with the five-year CAGR of 13.7%; Owners' equity reached VND 2,730.55 billion, 3.48 times as high as that of 2014, with the five-year CAGR reaching 37.89%.

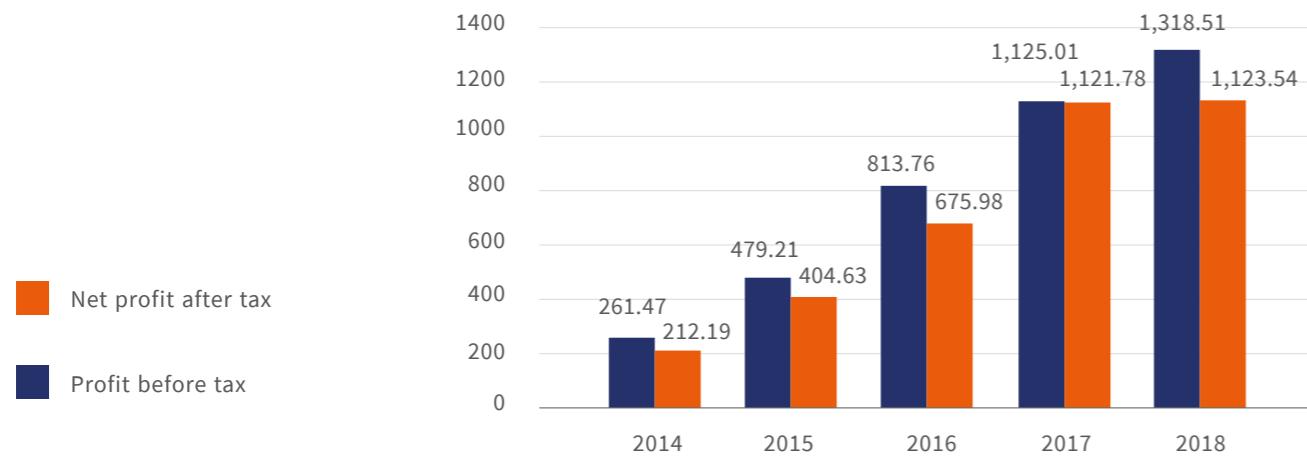
EBITDA margin remained at a high level, ranging from 26.47% to 32.11% during the 2014-2018 period.

The Company's financial capacity in the 2014-2018 period always remained strong and ensured sufficient capital for production and business activities, while stable owners' equity shows that Vicostone has successfully managed to preserve capital in times of hardship.

Other financial indicators are analyzed in details in the following sections.

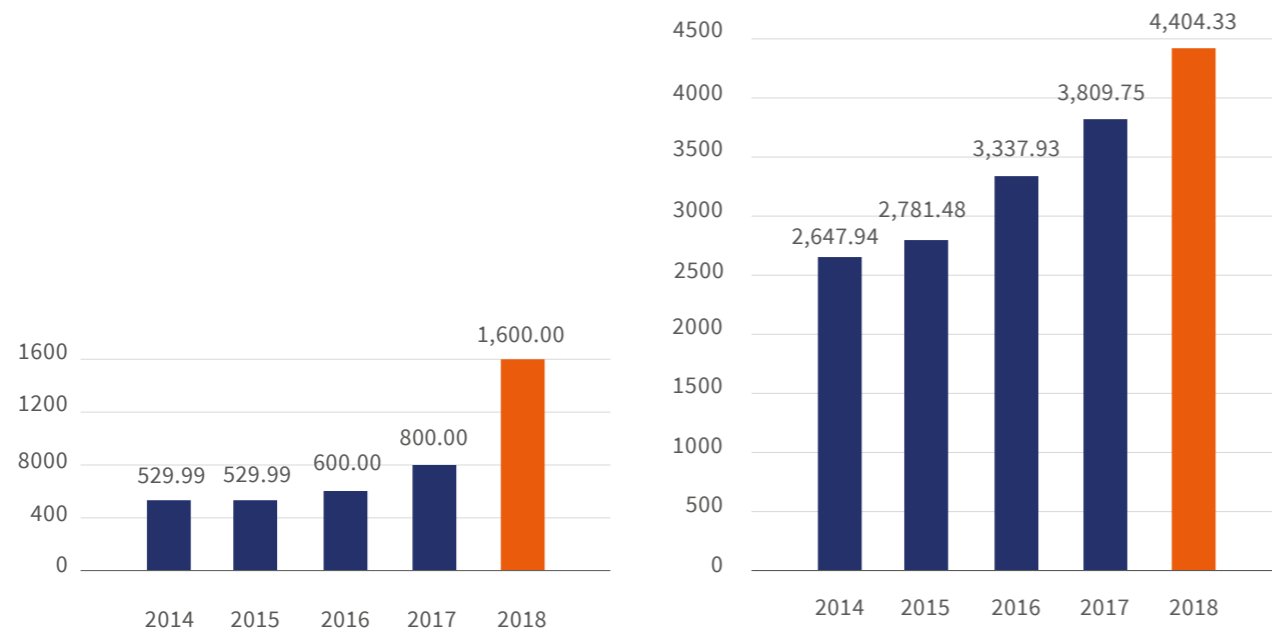


Net revenue (2014 - 2018) (Unit: Billion VND)



Profit before tax and Profit after tax (2014 - 2018)
(Unit: Billion VND)

The compound annual growth rates (CAGR) of profit before tax and profit after tax in the 2014-2018 period reached 80% and 75% respectively.



Charter capital (2014 – 2018) (Unit: Billion VND)

Total assets (2014 – 2018) (Unit: Billion VND)

ECONOMIC OVERVIEW IN 2018

I. Global economic overview

The global economy maintained good growth momentum in the first half of 2018 although the growth was slowed down in the second half of the year. Policies such as energy and commodity price stabilization as well as improved confidence of the business world and effects of the Fourth Industrial Revolution were considered to be the key drivers of global economic growth despite the headwinds such as trade protectionism and Brexit. However, the growth rate was negatively influenced by tense relationships between major countries, especially the escalating US-China trade war. Overall, growth was still strong in developed economies but has slowed down in many other countries.



The US-China trade war in 2018 led to China taking short-term moves to take advantage of opportunities before tax imposition. For example, in April 2018, China massively exported engineered stone products into the US market to avoid tax, which had an enormous impact on the US engineered stone market. The US's tax imposed on Chinese products, especially Chinese quartz-based products, also considerably affected other markets. In addition, China also took long-term moves in the form of technology transfer, association with/investment in manufacturing plants in other countries to change the origin of products, significantly affecting the current manufacturers in such countries.

According to the US Federal Reserve, the US economy still grew despite some deceleration over the last few months of 2018. The growth rate of 4.2% in the second quarter dropped to 3.4% in the third quarter of 2018. The US economy growth rate is

forecasted to drop further to 2.4% in 2019 and 2% in 2020. The main cause of lower growth rate is the impact of the US-China trade war.

Asian economy can be considered the “highlight” in the bleak outlook of the global economy. In the Asian Development Outlook 2018 update report, the Asian Development Bank (ADB) still maintained its regional growth forecast of 6% in 2018 and 5.8% in 2019. India would be the fastest growing economy this year and in 2019, with the respective growth rate of 7.3% and 7.4%. The Japanese economy would also be looking bright despite the impact of natural disasters.¹

In 2018, many economies, including developed and emerging markets, had the tendency to tighten their monetary policy. The US raised the interest four times in 2018 and may continue this trend in 2019. Bank of England raised interest rates by 25 points to 0.75% in August 2018 and Canada raised interest rates twice this year. The changing interest rate environment will impact the global capital flow and be very pervasive to all countries.

(1) Reference source: <http://tapchitaichinh.vn/tai-chinh-quoc-te/kinh-te-the-gioi-20182019-nhieu-bien-dong-it-trien-vong-301493.html>

I. Global economic overview (Continued)

Developed economies would have to turn to tight monetary policies, in the face of the risk resulted from an overheated economy and high inflation after a long period of monetary loosening. Developing markets also face the risk of high inflation and domestic currency depreciation. These markets may be at great risk, should capital be withdrawn to return to safe assets in times of high volatility. (Source: Monetary market report from SSI Research).

In conclusion, the main events of the global economy in 2018 include: (i) The global economic growth rate decreased; (ii) Inflation started to increase after a long period of monetary policy loosening, forcing central banks to raise interest rates to control and gradually lessen growth-supporting policies; (iii) Market risks and fluctuations increased due to the trade war. In the context of the escalating US-China trade war, over 300% antidumping and countervailing duties are imposed on Chinese quartz products in the US market, which significantly affects the stone market in 2018 as analyzed above. However, high tariffs on Chinese products sold in the US market, which is also Vicostone's largest export market, will drastically undermine these products' competitiveness and open up opportunities for VICOSTONE® products in the upcoming years.

II. Vietnam's economic overview

The Vietnamese economy experienced rapid growth in 2018, with GDP growth rate at 7.08%, the highest since 2008 (6.21% in 2016 and 6.81% in 2017). Moreover, the inflation rate remained under control at 3.54%, lower than the 4% target and the 2011-2017 average of 6.5%. Thanks to a stable socio-economic situation, GDP per capita reached USD 2,540, increasing by USD 440 compared to 2015. (Source: General Statistics Office of Vietnam).²

2018 also marked an important milestone of Vietnam's international economic integration process as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) took effect after seven years of negotiation. According to the Government's explanatory statement, Vietnam's participation in the Agreement helps the country cope with complicated developments of the world economy with the tendency of increasing trade protectionism in large economies, whereby Vietnam's GDP is projected to grow by 1.32% until 2035. (Source: Foreign Affairs Committee of the National Assembly).³

Recognizing the strongly growing economy and GDP per capita, Vicostone has begun to expand its distribution system in the domestic market since the end of 2017 and has achieved remarkable accomplishments in both revenue and brand awareness, creating the foundation for further growth in the coming years. The CPTPP's entry into force has also opened up opportunities for Vicostone to join and develop new international markets.

(2) Reference source: <http://kinhtedothi.vn/gdp-ca-nam-2018-tang-708-cao-nhat-11-nam-332947.html>

(3) Reference source: <http://tapchitaichinh.vn/nghien-cuu-trao-doi/tham-gia-cptpp-kinh-te-viet-nam-se-tang-toc-302918.html?mobile=true>

III. Economic prospects for 2019

1. Global economic prospects

In 2019, the negative factors of 2018 are still unresolved and are expected to continue to pose challenges to the global economy. The escalating US-China trade tensions and great pressure on emerging economies from tight monetary policies will be the reasons for the world economic outlook to decline in 2019.

According to the World Bank's report, developed economies' growth rate is predicted to fall to 2% this year. Meanwhile, the decline in export markets, the increase in borrowing cost and unstable policies will be burdens on the prospects of developing and emerging countries. The growth rate of these countries is expected to stand at 4.2%, lower than the previous forecast.

In the global economy, East Asia Pacific will continue to be one of the fastest-growing regions. The region's growth rate is expected to remain at 6% in 2019, given that commodity prices remain stable, commerce and global purchasing power grow moderately and global financial conditions are gradually tightened. In the meantime, China's growth rate is forecast to fall to 6.2% as this country continues to pursue a rebalancing strategy.⁴

To conclude, the global economic growth in 2019 is predicted to either decelerate or remained the same as in 2018. Major risks to the global economy in 2019 are the US-China strategic competition, capital withdrawal risk and exchange rate mechanism crisis in emerging countries. However, apart from the mentioned risks, the US-China trade war also opens up opportunities for Vietnam. For example, the anti-dumping lawsuit against Chinese quartz, though may create fluctuations in the stone market, is expected to reduce the export volume of Chinese engineered

stone to the US market due to high tariffs, thereby allow Vicostone to increase its market share in this lucrative market.

2. Vietnamese economic prospects in 2019

Vietnam's economy will grow well in 2019, at a rate of 6.8% as predicted by ADB, higher than the regional average. The country's economy will continue to benefit from positive prospects of global economic and trade growth, as well as positive internal factors, such as growth momentum from 2018, macroeconomic stabilization, confidence in business environment reforms, the position as a middle-income country and priority of effective international economic integration.

Vietnam's economic prospects in 2019 are bright, positively influencing Vicostone's domestic expansion strategy. In the context of the stable macroeconomic situation, the construction industry and the real estate market will continue to grow, construction and real estate enterprises will be supported with favorable business conditions and simplified administrative procedures. The growth of the construction market and real estate market will directly affect the growth in VICOSTONE® quartz's revenue. In 2019, Vicostone will launch multiple integrated marketing communication in order to raise domestic consumers' awareness of VICOSTONE® quartz brand, as the Company aims to become the number one quartz manufacturer in Vietnam.

(4) Reference source: <https://www.worldbank.org/vi/news/press-release/2019/01/08/darkening-prospects-global-economy-to-slow-to-29-percent-in-2019-as-trade-investment-weaken>

III. Overview of engineered quartz industry

1. The quartz usage and consumption trend



According to research from Houzz (one of the top websites and online communities in architecture, interior design, decoration and house renovation), quartz is currently the most popular countertop material as the demand for natural stone drops for three consecutive years. Quartz is considered as the most durable material, possessing the beauty of expensive natural stones without the need of elaborate maintenance like granite or marble. Quartz is also favored by manufacturers because of its suitability for interior decoration. With a resemblance to natural stone's looks and unlimited production capacity, meeting all design requirements in terms of size

and aesthetics, quartz has won the hearts of architects and interior designers all over the world.

Customers in Vietnam also tend to choose engineered stones, especially quartz, as countertop materials, instead of the formerly popular natural stones.

With superior characteristics such as durability, hardness, scratch resistance and anti-stain, anti-bacterial and waterproof properties, quartz has become the ideal material for kitchen countertops and tea table surfaces, those with high requirements in terms of aesthetics and functionality.

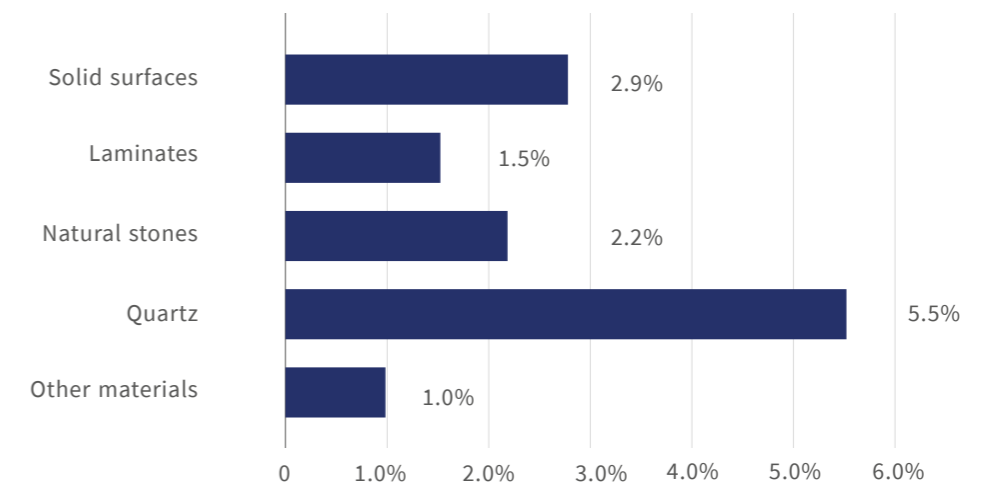
2. Quartz market demand scale

According to the research of The Freedonia Group, Inc. (a US-based market research company), the global demand for surface materials is forecast to grow by an average of 2.3% per year from now to 2021, reaching 498 million square meters in 2021.

Also according to The Freedonia's research, solid surfaces are currently the most used material, accounting for 22% of total demand for surface materials in 2018, followed by natural stones (21.5%) and laminates (20.4%). In countries well known for high exploitation rate of natural stones such as Brazil and Italy, natural stones have become the popular material and been favored in surface works. However, in importing countries of natural stones, these products are considered a luxury.

Laminates are widely used in North America, which accounts for nearly one-third of laminate's global sales volume. However, due to market trend and product weaknesses, laminates are projected to grow at the slowest rate compared to other materials, only 1.5% per year in the 2016-2021 period, and will continue to lose their market share to natural and engineered stones, including quartz.

In particular, as The Freedonia reported, total demand for engineered quartz in 2018 reached about 53 million m² and is projected to grow by 5.5% per year on average in the 2016-2021 period. Engineered quartz is also the material with the highest expected growth rate among surface materials.



Projected compound annual growth rate (CAGR) period 2018-2021
(Source: World Countertops Report – The Freedonia Group)

2. Quartz market demand scale (Continued)

Asia Pacific Market is predicted to be the largest consumption market for quartz with 60% of the total global market demand. With the growing population of 4.5 billion people and increasing housing demand, Asia Pacific is a potential, though competitive, market with the long-term presence of European and American stone manufacturers, especially the recent participation of Chinese quartz manufacturers targeting low-price segment. Nevertheless, with high quality and unique designs, Vicostone is completely confident in this potential market and continues to increase its market share there. Over the past 10 years, Vicostone has been growing strongly in the Australian market with its revenue amounting to over 20% of Vicostone's total revenue. In this market, quartz is widely used for countertops and other surface applications. Despite its relatively late entry into the Australian market compared to other materials, thanks to superior physico-mechanical properties to natural stone, a wide color palette and appealing prices, quartz surfaces have gradually taken the lead in the market with approximately 45% of market share in 2018. In addition, after years of operating in the global market, Vicostone has officially started to distribute quartz surface in Vietnam since 2017 and launched many successful marketing and promotional campaigns in 2018. Quartz is a relatively new product in Vietnam market, but has been accepted and chosen by consumers over traditional natural stones as surface material.

Data of quartz imports into Canada and the US show that they are two largest and growing quartz markets with a total import value of USD 1.2 billion (until October 2018, according to the US International Trade Commission (USITC)

and Statistics Canada).

The US-China trade war gives Vicostone an opportunity to increase its quartz market share in the US as the countervailing duties ranging from 34.38% to 178.45% and import tariff of 25% are levied on Chinese quartz. Chinese engineered stone import volume is projected to diminish due to these taxes; Chinese products will lose their price competitiveness, and thus, easing the price competition in the US market. However, with China's reactions, such as moving its manufacturing to a third country or shifting to other similar alternative products, the opportunity for Vicostone and other quartz brands will be limited.

Besides, Vicostone is highly competitive with its various collection and distinctive designs compared to other large engineered stone manufacturers. So far, Vicostone has established a subsidiary in the US (since 2010) and another in Canada (since 2015) with a direct distribution system across all large states. With competitive installation fees and wide sales and distribution systems, Vicostone is competent to compete with big and well-known brands in North America.

European market: In the European market, especially Western Europe, quartz is also expected to grow at the highest rate compared to other materials with the average annual growth rate of 3.7% until 2021 and the projected market share of 12.5% in 2021. The most remarkable markets include Germany, Britain, Italy and France, accounting for 66% of the total consumption of European kitchen products. The European economy is recovering, thus, opening new opportunities for quartz manufacturers all over the world, including Vicostone.

REPORT FROM THE BOARD OF MANAGEMENT

I. Overview of business performance in 2018

1. Variance analysis of business performance in 2018

No.	Item	Unit	Actual 2017	Target 2018	Actual 2018	% Target	% Growth
1	Total revenue	VND billion	4,408.08	5,290.00	4,564.50	86.29%	3.55%
2	Profit before tax	VND billion	1,125.01	1,355.00	1,318.51	97.31%	17.20%

Taking into consideration of previous years' high growth rate of total revenue and profit before tax and market analysis, Vicostone targeted to achieve 20% compound annual growth rate for both total revenue and profit before tax. This is a great challenge in the context of increasingly fierce competition. In fact, there were many political and economic fluctuations in 2018. In Vicostone's largest market, there were many adjustments in terms of regimes, policies and legal corridors that the Company's Management could not anticipate and therefore, could not measure adequately their impacts on the business performance.

In 2018, total revenue reached 86.29% and profit before tax reached 97.31% of the plan.

The reasons why Vicostone's total revenue in 2018 failed to meet the targets are listed as follows:

- A US-based engineered quartz manufacturer filed an anti-dumping lawsuit on Chinese products, leading to China's massive exports to the US market before the tax imposition. Distributors' massive stocking of Chinese products resulted in Vicostone's business performance in the first half of 2018. Vicostone's total revenue decreased by 3.67% compared to the same period of last year. Since October 2018, the US has levied an anti-dumping tax on Chinese engineered quartz, reducing Chinese imports into the US market. This helped Vicostone's revenue increase, especially since December 2018. Vicostone's total revenue in the second half of 2018 grew by 11.12% compared to the same period of last year.
- Increasing fierce competition in International market from quartz-based engineered stone manufacturers, suppliers of other alternatives, and even natural stone manufacturers all over the world.
- Quartz surfaces are under tough price competition from Chinese products on the global market.

1. Variance analysis of business performance in 2018 (Continued)

Even though total revenue did not meet expectations, Vicostone still managed to make some achievements in 2018 as follows:

- Vicostone's total revenue increased by 3.55% compared to 2017 despite the harsh competition and the impact of the US-China trade war. Besides, in 2017, the Company's employee housing project, worth VND 277.9 billion, was transferred to A&A Green Phoenix Group JSC. Therefore, taking into account only regular business activities, Vicostone's total revenue rose by VND 434.33 billion (10.52%).
- The Company strictly maintained cost management and improved the effectiveness of corporate governance. Therefore, despite the increasing cost of raw materials and the revenue's modest growth by only 3.55%, gross profit and profit before tax made impressive increases by 18.03% and 17.20% respectively compared to 2017.
- In the past year, the Company's brand awareness has increased in the domestic and international markets. This lays the foundation for revenue growth in the upcoming years.
- The Company's internal strength has been enhanced in terms of finance, management, technology, etc.
- Human resource quality has been drastically improved in the last two years.

2. Production and business activities

2.1 Main business items

No.	Items	Unit	2016	2017	2018	2018's growth compared to that of 2017 (%)
1	Total business and production value	Mil.VND	1,768,944	1,993,499	2,453,366	23.07
2	Export and Import turnover	Mil.USD	146.97	186.90	204.63	9.49
3	Gross revenue	Mil.VND	3,242,148	4,408,080	4,564,503	3.55
4	Profit before tax	Mil.VND	813,762	1,125,012	1,318,511	17.20
5	Profit after tax	Mil.VND	675,982	1,121,778	1,123,544	0.16
6	Payables to the State budget	Mil.VND	214,818	172,137	234,104	36.00
7	Depreciation of fix assets	Mil.VND	67,589	69,627	73,429	5.46
8	Owners' equity at the end of the reporting period	Mil.VND	1,447,136	2,395,890	2,730,553	13.97
9	Investment in capital construction	Mil.VND	200,105	62,746	151,733	141.82
10	Employees & Salary					
	Employees number as of the end of the reporting period	Person	614	640	682	6.56
	Per capita income	1,000 VND	16,128	17,020	18,678	9.74

(Source: VICOSTONE's audited consolidated financial statements, from 2017, it is the separate one because VICOSTONE has no subsidiary)

2.2 Key financial ratio

Items	2016	2017 (*)	2018
1. Liquidity			
Current ratio:			
Current Assets/Current Liabilities	1.59	2.33	2.27
Quick ratio:			
(Current Assets - Inventory)/Current Liabilities	0.74	1.26	1.08
2. Capital structure			
Debt to total assets ratio	0.57	0.37	0.38
Debt-to-Equity ratio	1.31	0.59	0.61
3. Operation ability			
Inventory turnover days:			
360*Average Inventory/Cost of goods sold	209	173	208
Accounts receivable days:			
360*(Average receivables + Average advances from customers)/Net revenue	64	65	84
Payables payment period			
360*(Average receivables + Average advances to suppliers)/Cost of goods sold	52	54	41
Net revenue/Total assets	0.96	1.14	1.03
4. Profitability			
Return on Sales (ROS)	0.21	0.26	0.25
Return of Equity (ROE)	0.47	0.47	0.41
Return on Assets (ROA)	0.20	0.29	0.26
Net profit margin	0.25	0.26	0.29

(*) In 2017, Vicostone has no subsidiary so the data presented in the year and at the end of 2017 were from the separate financial statements and the data of the beginning of 2017 were from the consolidated financial statements.

2.2 Key financial ratio (Continued)

In 2018, Vicostone set a high growth target despite the context of economic fluctuations. However, the competition pressure along with the US-China trade war has dragged the revenue growth in 2018 down below the expectation. During the year, there were no bad payables, receivables and assets which affected the Company's business performance.

The Company's current and quick liquidity ratio at the end of 2018 were lower than those of 2017 because current assets increased by a lower rate than the growth rate of current liabilities and inventories at the end of 2018 were higher than those of 2017.

Debt to total assets ratio and Debt to equity ratio at the end of 2018 were higher than those of 2017 as the growth rate of liabilities was higher than that of total assets and owners' equity.

Inventory turnover period in 2018 increased by 35 days compared to the previous year, as the revenue in 2018 failed to meet expectations, thus leading to a high increase in finished product inventory. However, the Company has already made a plan to clear the inventory in 2019 and maintain the inventory turnover period in accordance with its policy.

Accounts receivable days in 2018 increased by 19 days compared to 2017, as accounts receivable balance at the end of 2018 increased by 34.46% compared to

that of 2017. All Deferred payments were only available to traditional customers with with good financial capacity.

Return on sales (ROS) in 2018 was lower than in 2017 as in 2017 the Company re-determined the corporate income tax (CIT) rate applicable to income generated from the "Expansion of Vinaconex Advanced Compound Stone Plant" project. Accordingly, sales revenue of Plant 2 in 2017 was exempt from tax, while the CIT paid in 2015 and 2016 was adjusted in 2017, raising profit after tax by VND 109.2 billion. (In 2018, CIT rate on sales activities was 10%).

Return on equity (ROE) and Return on assets (ROA) in 2018 were lower than those in 2017, as the growth rate of profit after tax was lower than that of total assets and owners' equity.

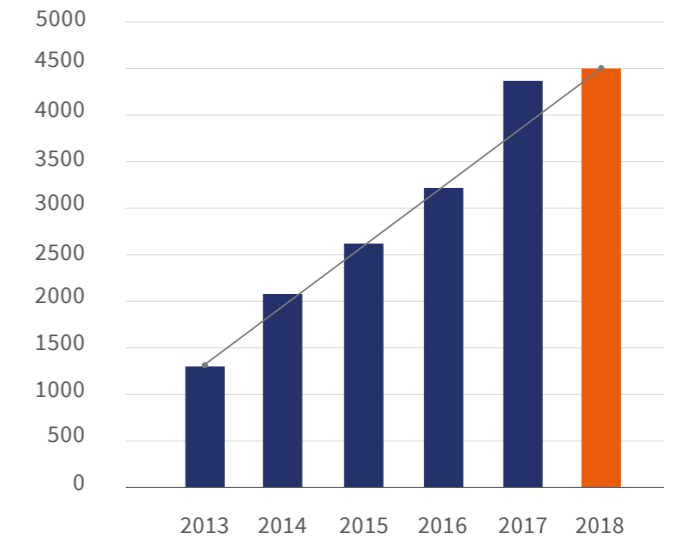
Net profit margin in 2018 was 0.29, higher than that of 2017, reflecting the Company's effective cost management.

Thus, although almost all financial indicators of liquidity, capital structure, operation ability and profitability in 2018 were lower than those of 2017, they still remained at a high rate compared to the average of Vietnam's construction materials industry in particular and stock market in general in the context of the country's economic difficulties.

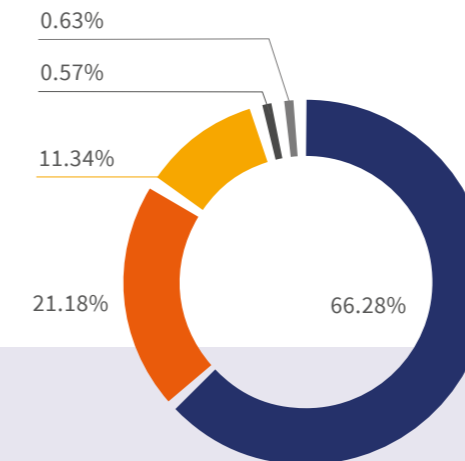
3. Business activities across markets

2018 was a challenging year for the engineered stone market, given the declining growth rate of the global economy, increasing inflation and the US-China trade war which increased risks and fluctuations in the market. Housing renovation and construction demand also declined in almost all large markets such as the United States, Australia and Canada, not to mention the harsh competition in the industry, especially the impact of the anti-dumping lawsuit on Chinese products in the US market.

Despite many unpredictable and challenging market changes, with the great efforts and flexible business solutions, Vicostone's sales revenue increased slightly by 4% compared to 2017. The details are as follows:



Vicostone's sales revenue (Unit: VND billion)



Export market revenue structure of Vicostone in 2018

- Europe
- America
- Australia
- Africa
- Asia

3.1 Export markets

Vicostone's revenue mainly stems from VICOSTONE® stone exports, focusing on major markets including North America, Australia and Europe. Revenue from these markets amounted to 98.8% of Vicostone's total export revenue in 2018.

3.1 Export markets (Continued)

Vicostone's major export markets have high purchasing power and demanding requirements about quality and product designs. Meanwhile, many competitors in these markets are far more experienced than Vicostone. In order to consolidate its position in these markets, in 2018, Vicostone laid out flexible and constantly innovative business strategies and tactics.

Apart from key markets, the Company also entered new potential markets such as the premium segment of the Chinese and Malaysian markets. Continuing to develop current markets and expanding new markets are the basis for Vicostone's business development in 2019.

3.2 Domestic market

In 2018, Vicostone officially approached the domestic customers with business expansion in major cities including Hanoi, Ho Chi Minh City, Nha Trang and Da Nang. In particular, the Company increased the number of showrooms and fabrication factories in these cities to provide better customer services.

In 2018, the Company also performed intensive marketing and promotional activities on mass media such as television, radio, news, online networks and arranged point-of-sale marketing events. These activities increased VICOSTONE® brand identity and awareness in Vietnam. The revenue recorded a breakthrough growth, doubling almost 100% compared to that of 2017. Obviously, 2018 was a successful year of Vicostone in Vietnam.

4. Marketing activities

Following the launch of VICOSTONE® brand identity in 2017, Vicostone put great efforts in brand promotion activities in 2018, especially in the domestic market to increase VICOSTONE® brand awareness and engineered stone products awareness as well.

With the aim of becoming the market leader and leading brand of high-end quartz-based engineered stone in Vietnam, Vicostone launched Integrated Marketing & Communication campaign in the domestic market, one of the key Marketing strategies in 2018, in order to officially introduce to Vietnamese consumers the VICOSTONE® brand with its products that have been trusted to use in many construction works in the United States, Canada and Europe, marking a milestone in the Company's business strategy.

The Company has widely promoted the VICOSTONE® brand on mass media, in which TVC played a key role. The TVC was intensively invested from the idea to production. It was showed with a high frequency towards target customers in Vicostone's key markets in Vietnam. In addition to TVC, there were radio channels, out-of-home advertising, series of exhibitions and events, PR and marketing on social media (Facebook, YouTube, Instagram, Pinterest, etc.) and digital media (including search engine marketing and Google display network) and point-of-sale events.

Furthermore, to optimize advertising effectiveness, websites of Vicostone Vietnam, Vicostone USA and Vicostone Canada have been constantly upgraded with a new user interface and functions



The series of event "Exploring the Mysterious Planet" - experiencing program that Vicostone designed for domestic consumers in Hanoi and Ho Chi Minh City



Seminar "The magic of nature" organized by Vicostone and ASHUI.com - This event is part of a series of professional shows for architects

that are more appealing to and convenient for users. Search advertising continued to be invested in and promoted in the US and Canadian markets.

Aside from integrated marketing activities towards target end-users, in 2018, Vicostone also organized activities to reach out to the architect community, for example: sponsoring programs for architects and those working in architecture, construction and building material fields; launching "The magic of nature" - an exclusive event designed for architects in Hanoi and Ho Chi Minh City, holding exclusive seminars for architects; producing "Sự cân bằng hoàn hảo" (The perfect harmony) - an interactive television series for architects and experts in construction field, etc. Through these activities, architects have been aware of the VICOSTONE® brand and superior features of VICOSTONE® products.

These marketing and communication activities helped to change Vietnamese consumers' awareness of quartz-based engineered stone products in general and VICOSTONE® brand in particular, contributing to Vicostone's revenue growth in Vietnam in 2018.

Regarding market research, the Company conducted domestic and international market surveys using primary and secondary research methods, including evaluating potential markets, influences from related industries, market trends, consumption habits and analyzing Vicostone's position. The surveys have collected useful data, serving as a basis for making the business strategies for 2019.

II. Execution of key projects

In 2018, Vicostone proceeded with projects of 2017 and invested in some new projects. Details are as follows:

1. Installation of a new additional polishing line

- Total approved investment: VND 147,573,972,025
- Capital source: Equity and commercial loan
- Investment objectives: Improving production capacity, increasing polishing capacity, polishing complicated products, meeting delivery schedule and improving revenue.
- Implementation period: From Quarter II/2017 to Quarter II/2018
- Location: Plant 2: Vicostone JSC, Hoa Lac Hi-tech Park, Thach Hoa commune, Thach That district, Hanoi
- Progress: The polishing line has been completely installed and put into operation
- Total settlement as of the end of December 2018: **VND 108.7 billion**

2. Renovation of the vibrocompression line at Plant 1

- Total approved investment: **VND 28,232,466,262**
- Capital source: Equity and commercial loan
- Investment objectives: Increasing production capacity and productivity of Plant 1's vibrocompression line; Providing equipment and technology to produce new and unique products; Improving the working environment: reducing dust and noise.
- Implementation period: From Quarter II/2017 to Quarter II/2018
- Location: Plant 1, Vicostone JSC, Hoa Lac Hi-tech Park, Thach Hoa commune, Thach That district, Hanoi
- Progress: The vibrocompression line has been completely renovated and put into stable operation, improving the productivity
- Total settlement as of the end of December 2018: ~ **VND 25 billion**

3. Installation of grid-tie solar system for the office building

- Total approved investment: **VND 3,514,203,000**
- Capital source: Equity
- Investment objectives: Using renewable energy in production and business activities, saving electricity costs and using energy efficiently.
- Execution time: From May 2018 to October 2018
- Location: Vicostone JSC – Hoa Lac Hi-tech Park, Thach Hoa commune, Thach That district, Hanoi
- Progress: The grid-tie solar system has been completely installed and put into operation
- Total settlement: **VND 3,138,122,433**

4. Other small-scale projects and investments

In 2018, the Company also invested in procurement, construction, renovation and repair of a number of small-scale projects to meet the need for production and business capacity improvement with a budget of over VND 393 million.

III. Financial situation in 2018

1. Profitability and liquidity

No.	Item	Unit	2014	2015	2016	2017 (*)	2018
1	Profit before tax /Net revenue	%	12.67	18.32	25.34	25.85	29.16
2	Profit after tax /Net revenue	%	10.28	15.47	21.05	25.77	24.85
3	Profit after tax /Total Assets	%	9.87	17.23	24.38	29.53	29.94
4	Return on Average Equity (ROAE)	%	22.97	45.35	55.28	58.38	43.83
5	Return on Average Assets (ROAA)	%	7.84	14.91	22.09	31.39	27.36
6	Current ratio	Time	1.42	1.56	1.77	2.69	2.63
7	Liquidity Ratio	Time	1.24	1.38	1.59	2.33	2.27
8	Quick Ratio	Time	0.64	0.61	0.74	1.26	1.08
9	Earnings per Share (EPS)	VND	4,029	8,637	10,813	13,461	6,548
10	Book Value	VND/Stock	18,528	23,547	24,119	29,949	17,414

(Source: VICOSTONE's audited consolidated financial statements, from 2017, it is the separate one because VICOSTONE has no subsidiary)

(*) In 2017, Vicostone has no subsidiary so the data presented in the year and at the end of 2017 were from the separate financial statements and the data of the beginning of 2017 were from the consolidated financial statements.

1. Profitability and liquidity (Continued)

Profit before tax, profit after tax and EBT margin in 2018 increased in comparison with 2017. However, net margin of 2018 is lower than that of 2017. In particular, profit before tax in 2018 increased by VND 193.50 billion due to the following reasons:

- Increase in sales volume led to an increase by VND 169,072.02 million in net revenue, equivalent to 3.88%, raising the gross profit by VND 228,428.07 million. In 2017, the Company gained an income of VND 277 billion from transferring Vicostone's employee housing project. Excluding this, net revenue increased by 10.97% compared to 2017.
- Finance income decreased by VND 12,980.09 million as the Company earned VND 20,055.75 million from transferring the investment in Vietnam Stone Work-top Fabrication JSC, interest income dropped by VND 1,566.00 million, and foreign exchange gain grew by VND 8,641.65 million.
- Finance expenses increased by VND 21,053.71 million as foreign exchange loss increased by VND 29,507.03 million while interest expense decreased by VND 8,391.45 million.
- Selling expenses increased by VND 4,278.15 million, mainly due to the increase in selling material expenses in line with the revenue increase.
- General and administrative expenses decreased by VND 6,103.89 million, mainly due to the decrease in salary and additional salary of VND 3,265.7 million and the decrease in conference costs of VND 1,882.55 million.
- Current corporate income tax expense increased by VND 191,733.02 million as in 2017 the Company re-determined the CIT rate applicable to income generated from the "Expansion of Vinaconex Advanced Compound Stone Plant" project (Plant 2). Accordingly, the CIT paid in 2015 and 2016 was adjusted in 2017, raising profit after tax by VND 109,237.68 million. Besides, sales revenue of Plant 2 was exempt from tax in 2017, while in 2018, the CIT rate on sales activities was 10%.

ROAE and ROAA remained at a high level in 2018, reflecting the efficiency of capital use although the Company did not receive any tax refund or income from investment transfers, as detailed above.

- Although current ratio and liquidity ratio in 2018 were lower than those in 2017, they still remained at a high level of 2.63 and 2.27, respectively.

Factors affecting current ratio are detailed as follows:

Increase in current assets	503,152	million VND
<i>In which:</i>		
Decrease in capital in cash	(228,927)	million VND
Decrease in short-term investments	(30,000)	million VND
Increase in inventories	472,861	million VND
Increase in trade receivables	298,694	million VND
Decrease in VAT deductible and statutory receivables	(9,692)	million VND
Increase in other current assets	215	million VND

Increase in current liabilities	260,028	million VND
<i>In which:</i>		
Decrease in short-term trade payables and advance from customers	(94,306)	million VND
Increase in statutory obligations	63,567	million VND
Decrease in payables to employees	(3,543)	million VND
Increase in short-term loans and finance lease obligations	195,537	million VND
Increase in other payables	98,773	million VND

- Quick ratio in 2018 was 1.08, lower than that of 2017 due to an increase in (current assets – inventories) by VND 30,290.29 million and an increase in current liabilities by VND 260,027.81 million.

Current ratio, liquidity ratio and quick ratio remained at a high level, giving the Company control over its financial situation and ensuring liquidity.

- Book value in 2018 increased from 2017 by an absolute value of VND 334,662 million.

However, book value per share in 2018 declined by VND 12,534 compared to 2017, as the number of outstanding shares increased from 80 million to 156.8 million shares.

2. Book value

Unit: VND

No.	Items	Ending balance (31/12/2014)	Ending balance (31/12/2015)	Ending balance (31/12/2016)	Ending balance (31/12/2017)	Ending balance (31/12/2018)	Increase/decrease in 2018 compared with 2017 (+/-)
A	Assets						
1	Current assets	1,876,334,812,963	2,010,925,147,284	2,729,081,767,293	3,291,343,374,668	3,794,495,007,360	503,151,632,692
1.1	Cash and cash equivalents	77,338,056,411	295,395,072,292	433,971,607,316	656,279,062,859	427,351,751,020	(228,927,311,839)
1.2	Short-term investments	-	6,153,333,333	-	30,000,000,000	-	(30,000,000,000)
1.3	Current receivables	757,899,635,969	496,457,054,880	699,403,325,617	951,290,523,619	1,249,984,440,619	298,693,917,000
1.4	Inventories	905,679,941,802	1,122,033,575,196	1,458,170,374,347	1,513,931,435,283	1,986,792,777,928	472,861,342,645
1.5	Other current assets	135,417,178,781	90,886,111,583	137,536,460,013	139,842,352,907	130,366,037,793	(9,476,315,114)
2	Non-current assets	771,606,795,605	770,555,114,830	608,848,996,604	518,411,252,031	609,832,297,541	91,421,045,510
2.1	Long-term receivables	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	-
2.2	Fixed assets	655,703,872,782	597,265,777,339	548,377,023,352	483,762,757,473	548,662,662,740	64,899,905,267
2.3	Construction in progress	78,246,658,959	123,070,832,393	4,674,389,078	20,669,627,555	40,498,242,919	19,828,615,364
2.4	Long-term investments	29,976,856,783	35,207,382,225	38,248,003,359	-	-	-
2.5	Other long-term assets	7,649,407,081	14,981,122,873	17,519,580,815	13,948,867,003	20,641,391,882	6,692,524,879
2.6	Goodwill	-	-	-	-	-	-
	TOTAL ASSETS	2,647,941,608,568	2,781,480,262,114	3,337,930,763,897	3,809,754,626,699	4,404,327,304,901	594,572,678,202
B	Resources						
1	Liabilities	1,862,145,236,939	1,782,888,942,313	1,890,794,978,521	1,413,864,163,277	1,673,774,768,632	259,910,605,355
1.1	Current liabilities	1,507,151,540,475	1,457,948,384,373	1,714,188,084,146	1,413,416,219,225	1,673,444,027,380	260,027,808,155
1.2	Non-current liabilities	354,993,696,464	324,940,557,940	176,606,894,375	447,944,052	330,741,252	(117,202,800)
2	Owners' Equity	785,567,368,348	998,362,316,520	1,447,135,785,376	2,395,890,463,422	2,730,552,536,269	334,662,072,847
2.1	Equity	785,567,368,348	998,362,316,520	1,447,135,785,376	2,395,890,463,422	2,730,552,536,269	334,662,072,847
2.2	Other sources and funds	-	-	-	-	-	-
C	Non-controlling interests	229,003,281	229,003,281	-	-	-	-
	TOTAL LIABILITIES AND OWNERS' EQUITY	2,647,941,608,568	2,781,480,262,114	3,337,930,763,897	3,809,754,626,699	4,404,327,304,901	594,572,678,202

(Source: Data about 2014-2016 is sourced from VICOSTONE's audited consolidated financial statements. 2017 data is extracted from a separate one because VICOSTONE has no subsidiary)

2. Book value (Continued)

Total assets in 2018 increased by VND 594,572.68 million compared to 2017, in which current assets increased by VND 503,151.63 million and non-current assets increased by VND 91,421.05 million.

Increase in current assets is due to:

- Decrease in cash and cash equivalents: VND 228,927.31 million.
- Decrease in short-term investments by VND 30,000.00 million, as at the end of the year, the Company no longer had any over three-month term deposits.
- Increase in short-term receivables by VND 298,693.92 million, in particular:

Unit: VND

	Opening balance	Ending balance	Movement
Short-term trade receivables	906,612,938,608	1,219,015,670,542	312,402,731,934
Short-term advance to supplier	42,045,333,801	29,809,324,436	(12,236,009,365)
Short-term loan receivables	50,129,329	50,129,329	-
Other short-term receivables	3,487,430,653	2,014,625,084	(1,472,805,569)
Provision for doubtful short-term receivables	(905,308,772)	(905,308,772)	-
TOTAL	951,290,523,619	1,249,984,440,619	298,693,917,000

Short-term trade receivables increased by VND 312,402.73 million, from VND 906,612.94 million at the beginning of the year to VND 1,219,015.67 million at the end of the year. All Deferred payments were only available to traditional customers with good financial capability and on-time payment history.

Short-term advances to suppliers decreased by VND 12,236.01 million, from 42,045.33 million at the beginning of the year to VND 29,809.32 million at the end of the year, due to the advance of VND 31,467.58 million in 2017 to buy machinery and equipment for production.

Other receivables decreased by VND 1,472.81 million as the Company had opened an LC with a deposit of VND 2,200.00 million in 2017, while none was made in 2018, together with an increase of VND 533.67 million in other receivables from employees and an increase of VND 193.53 million in advances to employees.

Increase in Inventories	472,861	million VND
<i>Including:</i>		
Decrease in purchased goods in transit	(2,083.46)	million VND
Increase in raw materials	19,029.57	million VND
Increase in tools and supplies	30,797.73	million VND
Decrease in semi-finished products	(17,664.63)	million VND
Increase in finished goods	21,554.87	million VND
Increase in goods	414,873.70	million VND
Decrease in provision for obsolete inventories	6,353.56	million VND

Raw materials, tools and supplies increased by VND 19,029.57 million and VND 30,797.73 million respectively in order to implement the Company's production and equipment repair plans. Inventories of finished products and goods increased by VND 21,554.87 million and VND 414,873.70 million respectively. That surplus inventories was due to the fact that the Company produced products with high volume in accordance with the revenue target, but the actual revenue was lower than expectation. Provision for obsolete inventories decreased by VND 6,353.56 million as some finished products for which provision had been made was written off/renewed, then sold or used for the Company's projects.

Decrease in other current assets	(9,476)	million VND
<i>Due to:</i>		
Increase in short-term prepaid expense	215	million VND
Increase in value-added tax deductible	31,691	million VND
Decrease in tax and receivables from the State	(41,382)	million VND

Decrease in non-current assets	91,421	million VND
Decrease in fixed assets	64,900	million VND
<i>Due to:</i>		
Decrease as depreciation	(73,429)	million VND
Increase as newly purchase or construction in progress transferred	138,328	million VND
Increase in construction in progress	19,829	million VND
<i>Reason:</i>		
Increase in construction projects	21,049	million VND
Decrease in new purchase	(1,220)	million VND
Increase in other non-current assets	6,693	million VND
<i>Due to:</i>		
Increase in long-term prepaid expenses	6,693	million VND

2. Book value (Continued)

Capital to offset the increase in assets due to:		
Increase in liabilities	259,911	million VND
<i>In which:</i>		
Decrease in short-term trade payables and advance from customers	(94,306)	million VND
Increase in short term loan	195,537	million VND
Increase in tax and statutory obligations	63,567	million VND
Increase in payable dividends	88,619	million VND
Increase in remaining liabilities	6,494	million VND

Increase in owners' equity		
Increase in owners' equity	334,662	million VND
<i>In which:</i>		
Profit from operating activity in 2018	1,123,544	million VND
Decrease in retained earnings after appropriation for dividend payment	(476,800)	million VND
Purchasing treasury shares	(240,431)	million VND
Decrease in retained earnings after appropriation for bonus and welfare fund	(71,651)	million VND

In conclusion, total assets increased due to the increase in current assets, mostly financed by the increase in owners' equity.

3. Selling expenses and General and administrative expenses

Unit: VND

Items	2014	2015	2016	2017 (*)	2018
Net revenue	2,063,513,380,958	2,616,164,952,027	3,211,489,780,383	4,352,524,092,876	4,521,596,112,810
Total selling expenses and General and administrative expenses					
Labor costs	40,762,916,041	28,672,664,199	26,918,224,498	27,380,348,589	25,513,576,940
Rate %	1.98%	1.10%	0.84%	0.63%	0.56%
Production materials and tool costs	15,675,804,844	8,773,098,358	9,358,263,710	13,321,939,880	18,734,670,015
Rate %	0.76%	0.34%	0.29%	0.31%	0.41%
Depreciation expenses	9,506,074,441	8,157,887,278	8,188,359,761	8,494,440,007	8,744,006,369
Rate %	0.46%	0.31%	0.25%	0.20%	0.19%
Warranty expenses	-	-	-	-	-
Rate %	0.00%	0.00%	0.00%	0.00%	0.00%
Taxes, fees, charges	981,752,451	311,740,940	344,118,401	362,583,440	357,541,897
Rate %	0.05%	0.01%	0.01%	0.01%	0.01%
Provisions, trademark, goodwill	12,791,260,526	737,209,696	163,670,575	280,673,174	58,320,012
Rate %	0.62%	0.03%	0.01%	0.01%	0.00%

3. Selling expenses and General and administrative expenses (Continued)

Items	2014	2015	2016	2017 (*)	2018
Expenses for external services	62,660,964,664	70,582,464,832	72,610,662,579	81,005,720,128	80,062,121,096
Rate %	3.04%	2.70%	2.26%	1.86%	1.77%
Other expenses	13,283,550,555	15,254,938,718	18,652,619,067	17,002,160,943	12,551,895,623
Rate %	0.64%	0.58%	0.58%	0.39%	0.28%
Total selling expenses and General and administrative expenses	155,662,323,522	132,490,004,021	136,235,918,591	147,847,866,161	146,022,131,952
Rate %	7.54%	5.06%	4.24%	3.40%	3.23%

(Source: VICOSTONE's audited consolidated financial statements, from 2017, it is the separate one because VICOSTONE has no subsidiary)

Selling expenses, general and administrative expenses in 2018 decreased by VND 1,825.73 million compared to those of 2017, and accordingly, the ratio of these expenses on net revenue dropped from 3.40% to 3.23%, details as follows:

- Labour costs decreased by VND 1,866.77 million, equivalent to -6.82%; the ratio of these costs on net revenue decreased from 0.63% to 0.56%. But even so, the Company kept ensuring the growth in income of employees. The average income per employee rose from VND 17.02 million per month to VND 18.68 million per month;
- Production materials and tool costs increased by VND 5,412.73 million, equivalent to 40.63%. The corresponding ratio on net revenue increased from 0.31% to 0.41%, as higher sales volume led to higher selling materials. Besides, domestic sales were promoted, so these expenses also increased in comparison to those in 2017;
- Depreciation and amortization of fixed assets increased by VND 249.57 million, equivalent to 2.94%; the corresponding ratio on net revenue declined from 0.20% to 0.19%;
- Expenses for external services decreased by VND 943.60 million, equivalent to -1.16%; the corresponding ratio on net revenue decreased from 1.86% to 1.77%.

In conclusion, in 2018, by maintaining the cost cutting program, the Company effectively managed selling expenses and general and administrative expenses.

4. Liabilities

Unit: VND

Items	Ending balance of 2014	Ending balance of 2015	Ending balance of 2016	Ending balance of 2017	Ending balance of 2018	Increase/decrease in 2018 compared with 2017
Short-term loan and finance lease obligations	1,212,957,606,689	1,178,560,448,863	1,083,352,550,815	955,024,601,355	1,150,561,555,555	195,536,954,200,00
Other short-term liabilities	294,193,933,786	279,387,935,510	630,835,533,331	458,391,617,870	522,882,471,825	64,490,853,955
Non-current liabilities	354,993,696,464	324,940,557,940	176,606,894,375	447,944,052	330,741,252	(117,202,800)
TOTAL LIABILITIES	1,862,145,236,939	1,782,888,942,313	1,890,794,978,521	1,413,864,163,277	1,673,774,768,632	259,910,605,355

(Source: VICOSTONE's audited consolidated financial statements, from 2017, it is the separate one because VICOSTONE has no subsidiary)

Changes in liabilities are as follows (Decreases are in parentheses):

Short-term loans and finance lease obligations	195,536,954,200	VND
Increase in short-term loans	195,536,954,200	VND
Decrease in long-term loans due to date	-	VND

Other current liabilities	64,490,853,955	VND
Decrease in short-term trade payables	(96,969,778,530)	VND
Increase in short-term advances from customers	2,663,889,482	VND
Increase in statutory obligations	63,566,592,258	VND (*)
Decrease in payables to employees	(3,542,661,865)	VND
Increase in other short-term payables	88,894,112,584	VND (**)
Increase in bonus and welfare funds	9,878,700,026	VND

(*) This change was mainly due to CIT payable. At the end of 2018, the Company had CIT payable of VND 63.5 billion, while at the end of 2017, the Company had no CIT payable balance, as completely offsetting against the overpaid amount in 2015 and 2016.

(**) This change was mainly due to dividends payable to A&A Green Phoenix Group JSC.

Non-current liabilities	(117,202,800)	VND
Decrease in scientific and technological development fund	(117,202,800)	VND

5. Inventories

Unit: VND

Items	2014	2015	2016	2017	2018
Costs of goods sold	1,349,492,723,408	1,857,540,589,728	2,220,055,820,303	3,085,309,497,515	3,025,953,450,218
Goods in transit	35,627,698,367	36,923,516,159	26,704,251,421	56,557,798,286	54,474,340,275
Raw materials	167,558,753,431	162,387,381,159	110,092,084,679	105,223,708,093	124,253,280,221
Tools and supplies	28,312,433,681	31,008,735,399	27,377,003,498	43,829,087,955	74,626,818,042
Work in process	62,755,579,973	30,595,300,853	318,277,186,910	32,146,742,719	14,482,115,768
In which: Expense of building apartments for employees			275,356,571,531		
Finished goods	656,563,865,520	894,876,239,640	996,355,217,321	1,287,309,735,495	1,723,738,302,000
Entrusted goods for sale		-			
Provision for obsolete inventories	(45,138,389,170)	(33,757,598,014)	(20,635,369,482)	(11,135,637,265)	(4,782,078,378)
TOTAL	905,679,941,802	1,122,033,575,196	1,458,170,374,347	1,513,931,435,283	1,986,792,777,928

(Source: VICOSTONE's audited consolidated financial statements, from 2017, it is the separate one because VICOSTONE has no subsidiary)

5. Inventories (Continued)

Inventories by the end of 2018 increased by VND 472,861 million from that of 2017, in which finished products (including produced and purchased products) increased by VND 436,429 million. This is because the Company produced products in high volume in accordance with revenue target but the actual revenue was lower than expectation, as

earlier mentioned in 3.1.1. However, the Company has already made plans to clear these inventories in 2019 and maintain inventory turnover in accordance with the Company's policy. Raw materials, tools and supplies increased by VND 49,827 million in order to implement the Company's production and equipment repair plans.

6. Inventory turnover ratio

Unit: Times

Items	2014	2015	2016	2017	2018
Inventory turnover ratio	1.66	1.83	1.72	2.08	1.73

The Company's inventory turnover ratio in 2018 was lower than that of 2017 and close to that of 2016, due to an increase in inventories at the end of 2018.

7. Changes in shareholder's equity

Unit: Billion VND

Items	2014 (*)	2015 (*)	2016	2017	2018 (*)
Shareholder's equity	423.99	423.99	600.00	800.00	1,568.00

(*) At the end of 2015 and 2018, Vicostone held 10,599,800 and 3,200,000 treasury shares respectively.

Total number of shares in each category: As of 31/12/2018, the number of shares in circulation was 156,800,000 shares.

8. Analysis of Income Statement items

8.1 Income Statement over years

Unit: VND

Items	2014	2015	2016	2017	2018
Revenue from sale of goods and rendering of services	2,098,540,444,526	2,618,277,734,889	3,211,964,848,407	4,352,524,092,876	4,522,435,184,761
Deductions	35,027,063,568	2,112,782,862	475,068,024	-	839,071,951
Net revenue from sale of goods and rendering of services	2,063,513,380,958	2,616,164,952,027	3,211,489,780,383	4,352,524,092,876	4,521,596,112,810
Cost of goods sold	1,349,492,723,408	1,857,540,589,728	2,220,055,820,303	3,085,309,497,515	3,025,953,450,218
Gross profit from sale of goods and rendering of services	714,020,657,550	758,624,362,299	991,433,960,080	1,267,214,595,361	1,495,642,662,592
Finance income	31,283,820,499	25,512,052,408	25,934,115,295	54,377,404,040	41,397,309,947
Finance expenses	334,075,827,746	169,979,978,711	70,953,282,040	48,814,490,753	69,868,203,492
In which: Interest expense	89,362,215,715	81,066,518,606	50,242,971,449	40,596,080,433	32,204,626,279
Share of profit/loss of associates	6,511,095,899	5,724,536,337	3,854,482,424	-	-
Selling expenses	67,650,545,428	76,966,485,013	76,843,762,966	95,648,232,925	99,926,387,202
General and administrative expenses	88,011,778,094	55,523,519,008	59,392,155,625	52,199,633,236	46,095,744,750
Operating profit	262,077,422,680	487,390,968,312	814,033,357,168	1,124,929,642,487	1,321,149,637,095
Other income	813,647,218	826,873,115	869,766,648	1,178,903,601	1,509,915,834
Other expenses	1,418,695,777	9,004,133,907	1,140,985,779	1,096,988,069	4,148,980,489
Other profit	(605,048,559)	(8,177,260,792)	(271,219,131)	81,915,532	(2,639,064,655)
Accounting profit before tax	261,472,374,121	479,213,707,520	813,762,138,037	1,125,011,558,019	1,318,510,572,440
Current corporate income tax expenses	31,056,941,093	74,582,447,525	139,608,246,117	3,233,701,436	194,966,717,351
Deferred corporate income tax expenses	18,228,165,745	(2,118,943)	(1,827,825,932)	-	-
Net profit after tax	212,187,267,283	404,633,378,938	675,981,717,852	1,121,777,856,583	1,123,543,855,089

8.1 Income Statement over years (Continued)

Unit: VND

Items	2014	2015	2016	2017	2018
Net profit after tax attributable to shareholders of the parent company	212,071,949,472	404,633,378,938	675,981,717,852	1,121,777,856,583	1,123,543,855,089
Net profit after tax attributable to non-controlling interests	115,317,811	-	-	-	-
Basic earnings per share	4,029	8,637	10,813	13,461	6,548

(Source: VICOSTONE's audited consolidated financial statements, from 2017, it is the separate one because VICOSTONE has no subsidiary)

8.2 Other financial data

Unit: VND

Items	2014	2015	2016	2017	2018
1. Net profit after tax (1)	212,187,267,283	404,633,378,938	675,981,717,852	1,121,777,856,583	1,123,543,855,089
2. Current and Deferred corporate income tax expenses (2)	49,285,106,838	74,580,328,582	137,780,420,185	3,233,701,436	194,966,717,351
3. Depreciation and amortization of fixed assets (3)	101,717,228,375	68,702,778,929	67,588,776,716	69,627,210,979	73,428,586,478
4. Finance expenses	334,075,827,746	169,979,978,711	70,953,282,040	48,814,490,753	69,868,203,492
In which:					
• Interest expense (4)	89,362,215,715	81,066,518,606	50,242,971,449	40,596,080,433	32,204,626,279
• Loss on realised and unrealized foreign exchange rate differences (5)	16,268,047,303	88,913,460,105	20,710,310,591	8,156,543,240	37,663,577,213
• Loss on disposal of investments (6)	224,983,938,827				
• Other financial expenses (7)				61,867,080	-
5. Finance income	31,283,820,499	25,512,052,408	25,934,115,295	54,377,404,040	41,397,309,947
In which:					
Deposits and loans interest income (8)	24,283,998,362	9,940,115,018	5,365,302,094	12,271,399,748	10,705,402,612

8.2 Other financial data (Continued)

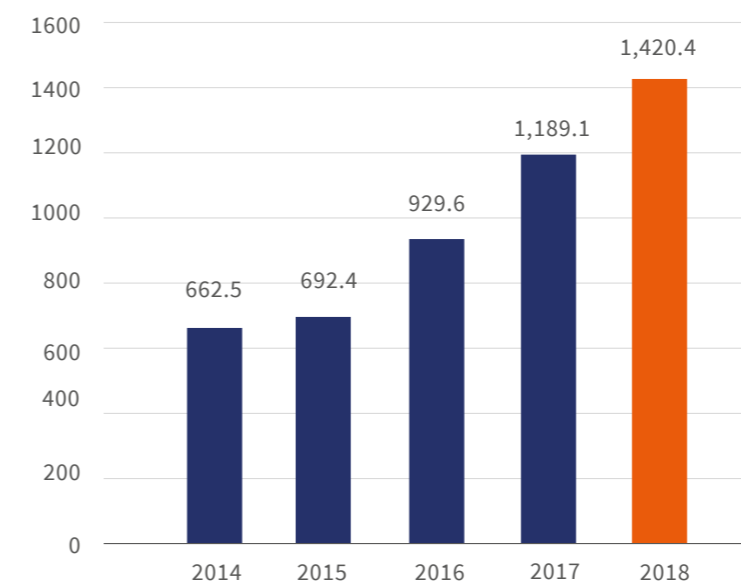
Unit: VND

Items	2014	2015	2016	2017	2018
Realised and unrealised foreign exchange gains (9)	6,999,822,137	15,571,937,390	17,297,046,372	22,050,257,892	30,691,907,335
Gains from disposal of investments (10)				20,055,746,400	-
6. Adjusted EBITDA (9)=(1)+(2)+(3)+(4)+(5)+(6)+(7)-(8)-(9)-(10)	662,519,983,842	692,384,412,752	929,641,848,327	1,189,075,855,711	1,420,410,052,463
7. EBITDA Margin (%)	32.11%	26.47%	28.95%	27.32%	31.41%

EBITDA is earnings before interest, tax and depreciation/amortization and is seen as an indicator to evaluate the Company's profitability ratio. It is calculated as earnings minus other expenses, before interest expense, tax and depreciation/amortization are subtracted. Adjusted EBITDA is considered as an additional

performance indicator as it helps compare profitability by periods and among companies easier, by showing differences in capital structure (affecting interest expense), foreign exchange rate (affecting financial income/expense), corporate income tax (different tax rates in each period and each sector), fixed asset value (affecting depreciation expense). Adjusted EBITDA excludes gains and losses from investment disposals because the Company believed that this provides a better comparison of business performance through periods.

Adjusted EBITDA is usually employed by securities investment analysts, debt holders and other parties for evaluating a company. This ratio cannot be replaced for other ratios such as net profit after tax, operating cash flow, profitability, debt ratios or any other measures because it has certain limitations and should not be considered solely as a whole analysis.



Adjusted EBITDA (2014 - 2018) (Unit: Billion VND)

9. Business performance over years

The following table shows the business performance by rate/net revenue in the periods:

Unit: Billion VND

Items	2014		2015		2016		2017		2018	
	Amount	Rate/Net revenue	Amount	Rate/Net revenue	Amount	Rate/Net revenue	Amount	Rate/Net revenue	Amount	Rate/Net revenue
Revenue from sale of goods and rendering of services	2,098.54		2,618.28		3,211.96		4,352.52		4,522.44	
Deductions	35.03		2.11		0.48		-		0.84	
Net revenue from sale of goods and rendering of services	2,063.51		2,616.16		3,211.49		4,352.52		4,521.60	
Cost of goods sold	1,349.49		1,857.54		2,220.06		3,085.31		3,025.95	
Gross profit from sale of goods and rendering of services	714.02	34.60%	758.62	29.00%	991.43	30.87%	1,267.21	29.11%	1,495.64	33.08%
Finance income	31.28	1.52%	25.51	0.98%	25.93	0.81%	54.38	1.25%	41.40	0.92%
Finance expenses	334.08	16.19%	169.98	6.50%	70.95	2.21%	48.81	1.12%	69.87	1.55%
In which: Interest expense	89.36	4.33%	81.07	3.10%	50.24	1.56%	40.60	0.93%	32.20	0.71%
Share of profit/loss of associates	6.51	0.32%	5.72	0.22%	3.85	0.12%	-	0.00%	-	0.00%
Selling expenses	67.65	3.28%	76.97	2.94%	76.84	2.39%	95.65	2.20%	99.93	2.21%
General and administrative expenses	88.01	4.27%	55.52	2.12%	59.39	1.85%	52.20	1.20%	46.10	1.02%
Operating profit	262.08	12.70%	487.39	18.63%	814.03	25.35%	1,124.93	25.85%	1,321.15	29.22%
Other income	0.81	0.04%	0.83	0.03%	0.87	0.03%	1.18	0.03%	1.51	0.03%
Other expenses	1.42	0.07%	9.00	0.34%	1.14	0.04%	1.10	0.03%	4.15	0.09%
Other profit	(0.61)	-0.03%	(8.18)	-0.31%	(0.27)	-0.01%	0.08	0.00%	(2.64)	-0.06%
Profit before tax	261.47	12.67%	479.21	18.32%	813.76	25.34%	1,125.01	25.85%	1,318.51	29.16%
Current corporate income tax expenses	31.06	1.51%	74.58	2.85%	139.61	4.35%	3.23	0.07%	194.97	4.31%
Deferred corporate income tax expenses	18.23	0.88%	(0.00)	0.00%	(1.83)	-0.06%	-	0.00%	-	0.00%
Net profit after tax	212.19	10.28%	404.63	15.47%	675.98	21.05%	1,121.78	25.77%	1,123.54	24.85%
Net profit after tax attributable to non-controlling interests	0.12	0.01%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Net profit after tax attributable to shareholders of the parent company	212.07	10.28%	404.63	15.47%	675.98	21.05%	1,121.78	25.77%	1,123.54	24.85%
Basic earnings per share (VND)	4,029		8,637		10,813		13,461		6,548	

(Source: VICOSTONE's audited consolidated financial statements, from 2017, it is the separate one because VICOSTONE has no subsidiary)

As shown in the table, the Company's EBT margin has been increasing over years and all reached a high level in 2014, 2015, 2016, 2017 and 2018, respectively at 12.67%, 18.32%, 25.34%, 25.85% and 29.16%. This demonstrated Vicostone's strong business performance.

10. Foreign exchange and interest rate risks

As the Company's main activities involve mostly international sales transactions and bank loans, the Company's business activities are influenced by the exchange rates of USD, EUR and CAD against VND and by bank lending rates.

10.1 Foreign exchange risk

In order to minimize the impact of foreign exchange fluctuations, the Company thoroughly reviewed execution time and payment terms of the sales contracts, as well as utilized derivative financial instruments.

As of Dec 31, 2018, the Company had a balance of foreign currency denominated cash, receivables and payables as follows:

Foreign currency denominated items	USD	EUR	CAD
Cash	9,146,284	382,588	2,343,235
Receivables	29,209,272		9,044,280
Payables	(5,070,288)	(429,882)	
Loan	(49,140,160)		
TOTAL	(15,854,893)	(47,294)	11,387,515

In 2018, USD exchange rate increased by approximately 3% compared to the end of 2017. With the balance of cash, receivables and payables as of Dec 31, 2018 as above, assuming the USD, EUR, CAD exchange rates either increase or decrease by 3%, the Company's profit before tax will be affected as follows:

Increase(+)/ decrease (-) USD exchange rate	Increase(+)/ decrease (-) EUR exchange rate	Increase(+)/ decrease (-) CAD exchange rate	Impact on profit before tax (*)
3%	3%	3%	(5,436,185,624)
-3%	-3%	-3%	5,436,185,624

(*) Impact on the profit before tax is calculated by multiplying the change in exchange rate and the Company's balance of foreign currency denominated liabilities as of the end of the fiscal year.

Exchange rate fluctuations did not cause a significant impact on the Company's business performance.

10.2 Interest rate risk

The Company manages interest risks by analyzing market situations to make appropriate decisions on borrowing time and term in order to attain the most favorable interest rates as well as maintain a loan structure with reasonable floating and fixed interest rates.

As of Dec 31, 2018, the Company's balance of USD-denominated floating rate loans was as follows:

	USD	VND equivalent
Short-term loans in USD	15,180,907	353,068,626,363

Interest rates of USD-denominated short-term loans in 2018 ranged from 2.50% per year to 3.80% per year. With a balance of USD-denominated floating rate loans as of Dec 31, 2018, assuming bank lending rates fluctuate by 1.3%, the Company's profit before tax will be affected as follows:

	Short-term loan	Impact on profit before tax (**)
USD	130	(4,589,892,143)
USD	-130	4,589,892,143

(**) Impact on the profit before tax is calculated by multiplying the change in exchange rate and the Company's balance of foreign currency denominated liabilities as of the end of the fiscal year.

Interest rate fluctuations did not cause a significant impact on the Company's business performance.

11. Liquidity and capital

The Company's main cash inflow in 2018 stemmed from sales revenue of goods and finished products, value-added tax refund and short-term loans disbursed by credit institutions.

The Company's major capital needs in 2018 were to finance working capital, make loan repayments, clear trade payables and pay dividends to shareholders. The Company's working capital demands were influenced by a number of factors, including the demand for raw materials, production machinery and equipment, transportation services, goods, and other inputs.

The Company's inventory strategy is to maintain a sufficient level of inventories to immediately meet product and sales demands. With the motto of supplying goods as fast as possible, the Company always maintains the quantity of finished products and goods large enough to immediately provide to customers upon receiving orders. The level of inventories is significantly affected by sales in the Company's main markets such as the US, Australia and Canada. In the coming years, the Company will continue to maintain this inventory policy by implementing procedures to improve the efficiency of planning and production management.

Given the Company's current business plan, cash and cash equivalents, cash flow from business activities and loans available under short and long-term credit contracts, the Company believes that it will meet the capital needs for production and business activities in 2018 and following years.

The following table indicates the main components of cash flows used and generated in operation, investment and financing activities during in the three years from 2016 - 2018:

Unit: VND

Code	Items	2016	2017	2018
I. Cash flows from operating activities				
01	Profit before tax	813,762,138,037	1,125,011,558,019	1,318,510,572,440
Adjustments for:				
02	Depreciation and amortization of fixed assets (Including allocation of goodwill)	67,435,699,472	69,515,393,902	73,311,383,678
03	Provisions	(16,578,241,215)	(9,351,468,914)	(6,353,558,887)
04	(Profit)/loss from unrealised foreign exchange differences	13,424,918,995	(2,542,157,433)	14,558,364,655
05	(Profit)/loss from investing activities	(12,491,551,347)	(32,427,146,147)	(10,788,956,248)
06	Interest expense	50,242,971,449	40,596,080,433	32,204,626,279
08	Operating profit before changes in working capital	915,795,935,391	1,190,802,259,860	1,421,442,431,917
09	(Increase)/decrease in receivables	(233,527,256,967)	(253,598,141,064)	(338,745,283,287)
10	(Increase)/decrease in inventories	(47,657,999,088)	(46,261,328,719)	(466,507,783,758)
11	Increase/(decrease) in payables	356,252,170,802	(12,968,875,438)	(104,162,599,172)
12	(Increase)/decrease prepaid expenses	(5,635,150,221)	3,250,173,887	(6,907,943,910)
14	Interest paid	(50,242,971,449)	(40,596,080,433)	(32,204,626,279)
15	Corporate income tax paid	(120,588,242,688)	(88,050,389,739)	90,110,382,305
16	Other cash inflows from operating activities	-	-	-
17	Other cash outflows from operating activities	(29,228,660,947)	(45,254,691,969)	(61,771,915,626)
20	Net cash flows from operating activities	785,167,824,833	707,322,926,385	321,031,897,580
II. Cash flows from investing activities				
21	Purchase, construction of fixed assets and other long-term assets	(138,362,224,710)	(83,893,283,198)	(151,732,739,001)
22	Proceeds from disposals of fixed assets and other long-term assets		110,000,000	91,909,000
23	Loans to other entities and payments for purchase of debt instruments of other entities	(161,150,483)	(32,200,000,000)	(2,200,000,000)
24	Collections from borrowers and proceeds from sale of debt instruments of other entities	6,314,483,816	2,200,000,000	32,200,000,000
25	Payments for investments in other entities		-	-
26	Proceeds from sale of investments in other entities minus the amount held by the liquidated entities	9,090,698,130	40,487,040,000	-
27	Interest and dividends received	8,799,058,839	12,271,399,748	10,705,402,612
30	Interest and dividends received	(114,319,134,408)	(61,024,843,450)	(110,935,427,389)

Unit: VND

Code	Items	2016	2017	2018
III. Cash flows from financing activities				
31	Capital contribution and issuance of shares	4,642,749,000	-	-
32	Capital redemption		-	(240,431,166,590)
33	Drawdown of borrowings	1,568,640,501,271	1,651,455,987,647	1,774,781,625,802
34	Repayment of borrowings	(1,829,927,542,985)	(1,956,498,149,142)	(1,582,405,125,369)
35	Payments for financial leasehold assets		-	-
36	Dividends paid to equity holders	(275,186,472,700)	(120,012,199,500)	(388,181,228,100)
40	Net cash flows from financing activities	(531,830,765,414)	(425,054,360,995)	(436,235,894,257)
50	Net cash flows during the year (50 = 20+30+40)	139,017,925,011	221,243,721,940	(226,139,424,066)
60	Cash and cash equivalents at the beginning of the year	295,395,072,292	433,971,607,316	656,279,062,859
61	Impact of exchange rate fluctuation	(441,389,987)	1,063,733,603	(2,787,887,773)
70	Cash and cash equivalents at the end of the year (70 = 50+60+61)	433,971,607,316	656,279,062,859	427,351,751,020

11.1 Cash flows from operating activities

Cash flows from operating activities are determined by profit before tax with adjustments for the following items: depreciation and amortization of fixed assets, provisions, interest expenses, unrealized foreign exchange loss, profit/loss from investing activities and disposal of fixed assets (known as non-cash and non-operating transactions). In addition, cash flows from operating activities are affected by changes in receivables, payables, inventories, prepaid expenses, interest expenses and other expenses incurred.

2018 as compared to 2017: net cash flows from operating activities decreased by VND 386.29 billion due to an increase of VND 230.64 billion in profit before tax after non-cash and non-operating adjustments

(in which total profit before tax increased by VND 193.5 billion) and a decrease of working capital changes by VND 616.93 billion.

In 2018, net cash flows from operating activities were VND 321.03 billion, including accounting profit before tax of VND 1,318.51 billion, non-cash and non-operating adjustments of VND 102.93 billion, deducted by the net decrease in working capital and other items of VND -1,100.41 billion.

Changes in items are detailed as follows:

Increase in Receivables	Increase in Inventories	Decreased in Payables	Increased in prepaid expenses	Interest paid	Corporate income tax paid	Other cash outflows from operating activities
338.75 billion	466.51 billion	104.16 billion	6.91 billion	32.2 billion	90.11 billion	61.77 billion



11.2 Cash flows from investing activities

Net cash flows from investing activities in 2018 were VND -110.94 billion, detailed as below:

- Expenditures for procurement and construction of fixed assets and other non-current assets were VND -151.73 billion, of which VND 74.66 billion was invested in the polishing line installation; VND 28.99 billion for mixing and loading materials project, VND 1.58 billion for crane installation and VND 1.10 billion for color separation machine.

In the next fiscal year, the Company will continue to upgrade production lines, the solar power system, improve and renovate the odor absorber system, to achieve the objectives of producing distinctive and unique products, quick delivery, meeting customers' requirement and improving the production environment.

- Loans to other entities and purchases of debt instruments of other entities were VND 2.2 billion. These were the Company's six- to nine-month term deposits at banks.
- Proceeds from the sale of debt instruments of other entities were VND 32.2 billion, which was the settlement of six- to nine-month term deposits at banks.
- Interest and dividends received were VND 10.71 billion, which was interest on bank deposits.

11.3 Cash flows from financing activities

Net cash flows from financing activities in 2018 were VND -436.24 billion, detailed as follows:

- The Company's treasury shares repurchase of VND 240.43 billion in accordance with Resolution No.17/2018 NQ/VCS-HDQT dated Jun 30, 2018;
- Drawdown of borrowings received in the year was VND 1,774.78 billion, all were short-term loans for the Company's production and business activities with a term of under 9 months;
- Repayment of borrowings in the year was VND 1,582.41 billion;

- The Company's outstanding loans at the end of the year increased by VND 195.54 billion compared to the beginning of the year. Cash and cash equivalents at the end of the year decreased by VND 228.93 billion compared to the beginning of the year as the Company prioritized the investment in new projects and paid dividends to shareholders and repurchased treasury shares;
- Dividends paid to equity holders were VND 388.18 billion. These dividends were distributed from profit after tax according to the General Meeting of Shareholders' Resolution No.01/2018/NQ/VCS-DHDCD dated Mar 15, 2018, the BOD's Resolution No.19/2018 NQ/VCS-HDQT dated Jul 02, 2018 and Resolution No.24/2018 NQ/VCS-HDQT dated Nov 26, 2018.

IV. Orientation and plan for 2019

- Strictly adhering to all resolutions and decisions of the General Meeting of Shareholders to accomplish the business plan for 2019;
- Developing the domestic market to achieve 15% of total revenue in 2019 and become the biggest quartz manufacturer in Vietnam;
- Promoting marketing, market research and brand communication to raise the VICOSTONE® brand awareness in Vietnam as well as other major markets such as the US and Canada;
- Conducting activities to ensure raw material localization rate to reach 95%;
- Promoting scientific research and high-technology application, adopting new production technologies in order to standardize and automatize all stages of the production line, boosting productivity and product quality;
- Effectively implementing the cost cutting program;
- Thoroughly implementing Kaizen-5S process;
- Raising awareness of key risks and performing risk management in all levels of the Company;
- Enhancing synchronization and standardization in all operational processes;
- Continuing to complete the Employer Brand Project in order to attract, maintain and develop human resources, ensuring the capacity to realize the Company's business plan;
- Promoting human resource training and development in order to improve the quality of the workforce, especially the succession team as well as the sales and marketing personnel for the Company's strategy of domestic and global market expansion and development;
- Enhancing management competence of the Board of Management.

03

CORPORATE GOVERNANCE

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REPORT FROM THE BOARD OF DIRECTORS

I. Board of Directors' report for 2018

1. Members and BOD structure

1.1 List of BOD members and number of shares held at Vicostone

No.	BOD Members	Title	Date of appointment/ election/dismissal	Number of shares held at Vicostone	Ownership rate/Number of shares in circulation (%)
1	Mr. Ho Xuan Nang	Non-executive Chairman	Elected on 12 Jun 2014	5,685,794	3.63%
2	Mr. Pham Anh Tuan	Member – General Director	Elected on 15 Dec 2016	18,864	0.01%
3	Mr. Nguyen Quoc Truong	Non-executive member	Elected on 04 Aug 2015	0	0
4	Ms. Nghiem Thi Ngoc Diep	Independent member	Elected on 25 Aug 2015	0	0
5	Ms. Nguyen Dieu Thuy Ngoc	Non-executive member	Elected on 30 Jun 2016	0	0

As of December 31, 2018, the Board of Directors consists of 01 independent member and 04 non-executive members to comply with provisions of independent member at the listed company.

(Details about the BOD members are introduced in the Organizational Structure)

1.2 List of BOD members received corporate governance certificates

All of the BOD members of the Company participated in corporate governance courses.

2. Activities of the Board of Directors in 2018

2.1 Overview of the BOD's activities in 2018

Acting as the representative for General Meeting of Shareholders in managing the Company's business activities, in 2018, the Board of Directors (BOD) focused on giving directions on how to maintain and develop the operations towards approved targets. In addition, the BOD performed its functions and duties as required by the Company's Charter and the BOD's Operating Regulations, ensuring corporate governance effectiveness and maintaining close supervision of the Board of Management's performance.

Successfully held the 2018 Annual General Meetings of Shareholders

On 13 March 2018, Vicostone successfully organized the 2018 Annual General Meeting of Shareholders, in which the Resolution No. 01/2018 VCS/NQ- ĐHCĐ was approved with the following specific contents:

- To approve the Board of Directors' Report on activities in 2017;
- To approve the Board of the Supervisors' Report on assessing the Company's business activities in 2017;
- To approve the 2017 business performance and the business plan for 2018;
- To approve Vicostone's Annual Report 2017;
- To approve the audited 2017 Financial Statements and select auditors to audit the 2018 Financial Statements;
- To approve the 2017 profit distribution; the plan on profit distribution and the plan on remuneration to the Board of Directors and Board of Supervisors in 2018;
- To approve the appointment of Board of Supervisors' member in replacement;
- To approve the supplement of business lines;
- To approve the amendment of the Company's Charter ;
- To approve the Company's Internal Regulation on Corporate Governance;
- To authorize the Board of Directors to review and approve the investment projects under the decision of the General Meeting of Shareholders;
- To approve the plan on issuing shares to pay dividends to existing shareholders

2.2 The meetings of Board of Directors

In 2018, the Board of Directors held 27 meetings to approve the Company's important issues. For the significant meetings which required intensive discussion, the Board of Directors invited the Board of Management to attend and give opinions.

The meeting attendance rate of BOD members in 2018 are as follows:

No.	BOD Members	Title	Number of meetings attended	Attendance rate
1	Mr. Ho Xuan Nang	Chairman	27	100%
2	Mr. Nguyen Quoc Truong	Member	27	100%
3	Mr. Pham Anh Tuan	Member	27	100%
4	Ms. Nghiem Thi Ngoc Diep	Member	27	100%
5	Ms. Nguyen Dieu Thuy Ngoc	Member	27	100%

2.2 The meetings of Board of Directors (Continued)

In 2018, the Board of Directors approved the following important issues:

No.	Resolution No.	Date	Content
1	01/2018 NQ/VCS-HDQT	Jan 2, 2018	Convening the Annual General Meeting (AGM) 2018 and approving the second interim cash dividend payment for 2017
2	02/2018 NQ/VCS-HDQT	Jan 3, 2018	Adjusting the time of the second interim cash dividend payment for 2017
3	03/2018 NQ/VCS-HDQT	Jan 9, 2018	Approving sales and services transactions between the Company and A&A Green Phoenix Group JSC, Stylestone JSC and Vietnam Stone Work-top Fabrication JSC
4	04/2018 NQ/VCS-HDQT	Feb 01, 2018	Approving sales and services transactions between the Company and Tran Long Industry JSC
5	05/2018 NQ/VCS-HDQT	Feb 08, 2018	Approving the business plan for 2018
6	07/2018 NQ/VCS-HDQT	Feb 27, 2018	Finalizing time and documents of the AGM 2018
7	11/2018 NQ/VCS-HDQT	Mar 16, 2018	Approving the plan on issuing shares to pay dividends
8	12/2018 NQ/VCS-HDQT	Mar 23, 2018	Finalizing the time to pay dividends by shares
9	13/2018 NQ/VCS-HDQT	Apr 6, 2018	Changing the Company's form of share certificates
10	14/2018 NQ/VCS-HDQT	Apr 12, 2018	Completing the dividend payment by shares, amending the Company's Charter and changing the Company's Securities Registration Certificate and Business Registration Certificate
11	15/2018 NQ/VCS-HDQT	Apr 23, 2018	Issuing regulations on human resource training and development
12	16/2018 NQ/VCS-HDQT	Jun 01, 2018	Issuing the Company's organizational and operational regulations
13	17/2018 NQ/VCS-HDQT	Jun 30, 2018	Approving the stock repurchase program
14	18/2018 NQ/VCS-HDQT	Jun 30, 2018	Selecting an independent auditor for reviewing semi-annual financial statements and auditing financial statements of 2018
15	19/2018 NQ/VCS-HDQT	Jul 2, 2018	Approving the first interim cash dividend payment for 2018
16	20/2018 NQ/VCS-HDQT	Jul 18, 2018	Reappointing Chief Accountant (<i>due to tenure expiration</i>)
17	21/2018 NQ/VCS-HDQT	Aug 13, 2018	Establishing a branch in Nha Trang
18	22/2018 NQ/VCS-HDQT	Sep 10, 2018	Approving the stock repurchase program
19	24/2018 NQ/VCS-HDQT	Nov 26, 2018	Approving the second interim cash dividend payment for 2018

2.3 Activities of independent and non-executive members of Board of Directors

As of 31 December 2018, the Board of Directors consists of 01 independent member (Ms. Nghiem Thi Ngoc Diep), ensuring compliance with the law on the proportion of independent member at the listed company, and 04 non-executive members (Mr. Ho Xuan Nang, Mr. Nguyen Quoc Truong, Ms. Nguyen Dieu Thuy Ngoc and Ms. Nghiem Thi Ngoc Diep).

Vicostone's BOD members have strong experience in many fields such as finance, international trade, business administration, manufacturing technology, etc. They always hold the highest responsibilities for BOD tasks, put the highest priority to the interests of the Company's employees and shareholders, and effectively supervise the Company's operation.

Mr. Ho Xuan Nang - Chairman

Mr. Ho Xuan Nang has built and planned the development strategies for Vicostone since its inception and now Vicostone has become one of the biggest engineered stone brands in the world. In spite of not being directly involved in the management, with his extensive knowledge and years of accumulated experience of running the Company, Mr. Ho Xuan Nang continues to support and assist the Board of Management and the next generation of managers to lead the Company's production and business activities. He actively grasps the domestic and international market situations to give timely and right directions.

Mr. Nguyen Quoc Truong - Non-executive member

Having held important positions in the Company such as Vice General Director and General Director, Mr. Nguyen Quoc Truong plays an important role in overseeing the Board of Management's management of production and business activities to ensure the proper execution of the objectives set forth by the General Meeting of Shareholders, the Board of Directors and the Board of Management.

Ms. Nguyen Dieu Thuy Ngoc - Non-executive member

Ms. Nguyen Dieu Thuy Ngoc was elected to the Board of Directors on 30 June 2016. Ms. Ngoc has many years of experience in finance and accounting and has served as Chief Accountant for various companies. For the tasks of the Board of Directors, Ms. Ngoc plays an important role in supervising the financial and accounting activities, the preparation and auditing of the Company's financial statements to ensure accuracy, transparency in a timely manner.

Ms. Nghiem Thi Ngoc Diep - Independent member

Having been elected to the Board of Directors on 25 August 2014 as an independent member, Ms. Nghiem Thi Ngoc Diep has made great contributions to overseeing operations in compliance with the laws and the Company's Charter.

2.4 Activities of subcommittees under the BOD

The Secretariat

In 2018, the Secretariat fulfilled the following tasks:

- Inspecting and analyzing market fluctuations to timely report to the Management; periodically compiling information on the Company's production and business activities;
- Coordinating with other departments to consult the Management about legal matters, including enterprise law and securities law; executing information disclosure and handling inquiries from the Company's shareholders;
- Organizing meetings of the General Meeting of Shareholders, the BOD and the BOM, as well as completing other additional tasks.

Risk Management and Internal Audit Division

In 2018, the Risk Management and Internal Audit Division fulfilled important tasks, including:

- Creating and executing the internal audit plan, providing the right recommendations to promote the compliance and adherence to the Company's procedures and processes;
- Consulting the Management and other departments about the adjustment, improvement and optimization of production and business processes;
- Creating the Company's risk portfolio and developing measures to identify, evaluate and prevent all risks, especially critical risks.

3. Results of the BOD's supervision on the BOM

3.1 Supervision methods

The BOD's supervision on the BOM is strictly executed through:

- Regular and ad-hoc meetings;
- Mail and phone exchanges between the BOD and the BOM, instructions, resolutions, documents, etc;
- Reports of the BOD's subcommittees and functional departments.

3.2 Results of the BOD's supervision on the BOM are shown as follows:

In production and business activities:

- Directing the market research for products and input materials so as to make responsive plans and timely adjustments to the business plan;
- Instructing the BOM and all departments to execute the key approved projects such as the Integrated Marketing Communications (IMC) 2018 and projects on technology and scientific research aiming for production capacity improvement;
- Directing the development of the business plan and IMC strategy for 2019.

In investor relations

- Directing the successful organization of the Annual General Meeting of Shareholders on Mar 15, 2018;
- Directing the Board of Investor Relations to prepare and publish the Company's Annual Report and Sustainable Development Report 2017;
- Directing the successful execution of plan on issuing shares to pay dividends, raising the Company's charter capital to VND 1,600 billion;
- Directing the successful execution of the first and second interim cash dividend payment on Jul 24, 2018 and Dec 17, 2018 respectively;
- Directing the successful repurchase of VCS stocks program from Nov 7, 2018 to Nov 21, 2018 to make treasury shares.



In human resources planning

- Closely directing the recruitment and training of high-quality human resources to meet the Company's future needs for expansion and development;
- Directing the development of the working environment that enhances employees' well-being and productivity.

In corporate governance

- Closely directing the innovation in working methods to increase performance, reduce cost and minimize waste of time and labor;
- Directing the application of science and technology studies to standardize and automate all stages in the production process;
- Directing the continuous development and improvement of the Risk Management and Internal Audit system throughout the production and business processes.

4. Results of executing the AGM 2018's Resolution

4.1 Execution of business plan in 2018

Considering the high growth rate of total revenue and profit before tax in the previous years along with market analysis results, in 2018, Vicostone set a 20% compound annual growth rate target for both total revenue and profit before tax. This is a great challenge in the context of increasingly fierce competition. In fact, there were many political and economic fluctuations in 2018. In Vicostone's largest market, there were many amendment and changes in terms of regimes, policies and legal corridors that the Company's Management could not anticipate and therefore, could not measure adequately their impacts on the business performance. In 2018, total revenue reached 86.29% and profit before tax reached 97.31% of the set targets.

No.	Items	Unit	Target 2018	Actual 2018 (*)	% compared with target (%)	% compared with Growth of previous year (%)
1	Total revenue	Billion VND	5,290.00	4,564.50	86.29%	3.55%
2	Profit before tax	Billion VND	1,355.00	1,318.51	97.31%	17.20%
3	Number of employees as of the end of the fiscal year	Person	666	682	102.40%	6.56%

Reasons for Vicostone's failure to reach the revenue target are as follows:

- An American engineered quartz manufacturer filed an anti-dumping lawsuit on Chinese quartz products, leading to a massive volume of Chinese quartz imported into the US market before the tax imposition. Distributors' massive stocking of Chinese products made a significant impact on Vicostone's revenue. Vicostone's business performance in the first half of 2018 clearly reflected this: Vicostone's total revenue decreased by 3.67% compared to the same period last year. Since October 2018, the US has levied an anti-dumping tax on Chinese engineered quartz, reducing Chinese products imported into the US market. This helped Vicostone's revenue increase, especially since December 2018. Vicostone's total revenue in the second half of 2018 grew by 11.12% compared to the same period last year.
- There was an increasingly fierce competition in the international market from quartz-based engineered stone manufacturers, suppliers of other alternatives, and even natural stone manufacturers all over the world.
- Quartz surfaces were under tough price competition from Chinese products on the global scale.

4.2 Appointment of the independent auditor for financial statements of 2018:

With the authorization of the General Meeting of Shareholders, the Company's BOD agreed to choose Ernst & Young Vietnam Limited (one of the "Big Four", the four largest and most reputable auditing firms in the world) to review semi-annual financial statements and audit financial statements of 2018.

After years of auditing Vicostone's financial statements, Ernst & Young Vietnam, in addition to ensuring the audit progress and quality as contractually required at a reasonable services fee, also gives comments to improve the efficiency of financial management and compliance with the laws and regulations.

Vicostone's financial statements are consistently accurate, transparent and reliable, complying with regulations on financial statement preparation, giving a true and fair view of the Company's financial situation and providing a useful source of information for investors.

4.3 Profit distribution in 2018

In 2018, the Company distributed its profit into funds in accordance with the Resolution of the Annual General Meeting of Shareholders dated 15 March 2018, as of follows:

No.	Items	Result (VND)	Rate %	Notes
I	Profit from previous year	1,297,902,309,476		
II	2018 profit before tax	1,318,510,572,440		
III	Corporate income tax (CIT)	194,966,717,351		
1	Current CIT	194,966,717,351		
2	Deferred CIT	-		
IV	Profit after tax	1,123,543,855,089		
1	First payment of dividends by cash in 2018	160,000,000,000	10%	Extract%/ par value of shares in circulation
2	Second payment of dividends by cash in 2018	156,800,000,000	10%	Extract%/ par value of shares in circulation
3	Payment of dividends by share (increase the charter capital)	800,000,000,000		
4	Extraction to reward the Company's Management Board	5,617,719,275	0.5%	Extract %/ profit after tax
5	Extraction to the Bonus and welfare funds	67,412,631,305	6%	Extract %/ profit after tax
V	Distributed profits	1,189,830,350,580		
VI	Undistributed retained profits	1,231,615,813,985		

In 2018, the Board of Directors approved the cash dividend payments at the following rates:

- Apr 2018: Issuing shares to pay dividends at 1:1 (one VCS share for one new share);
- Jul 2018: The first interim cash dividend payment in 2018 – 10%;
- Dec 2018: The second interim cash dividend payment in 2018 – 10%.

4.4 Addition of new business lines

The AGM 2018 approved the addition of new business lines and amendments to the Company's Charter.

The BOD has directed functional departments to fulfil the registration procedures, inform additional business line addition to Business Registration Office and related state authorities, as well as to make amendments to the Company's Charter.

4.5 Authorizing the BOD to review and approve investment projects under the authority of the General Meeting of Shareholders and transactions and contracts between Vicostone and related parties

On Jan 9, 2018, the BOD approved the sales and services transactions in 2018 between the Company and A&A Green Phoenix Group JSC, Style Stone JSC and Vietnam Stone Work-top Fabrication JSC.

On Feb 1, 2018, the BOD approved the sales and services transactions between the Company and Tran Long Industry JSC.

The detailed contents of framework contracts were disclosed on the Company's website and on the electronic information disclosure system of Hanoi Stock Exchange and the State Securities Commission of Vietnam to ensure their legitimacy and transparency.

4.6. Approval of issuing shares to pay dividends to existing shareholders

On Apr 12, 2018, the Company's BOD directed and completed issuing

shares to pay dividends with the total of 80,000,000 issued shares to 2,491 distributed shareholders, raising the Company's number of outstanding shares to 160,000,000; the Company's chartered capital reached VND 1,600 billion. On May 11, 2018, all newly issued shares were officially put into circulation.

On Nov 22, 2018, 2% of the Company's total outstanding shares were repurchased as treasury shares. As of the preparation of the Annual Report 2018, the Company's total outstanding shares was 156,800,000 and the number of treasury shares was 3,200,000.

The BOD also directed the Board of Investor Relations to complete the procedures for issuing share certificates to shareholders with non-deposited shares and change the Company's business registration certificate and securities registration certificate.

4.7 To issue stocks under the Employee Stock Ownership Plan (ESOP)

The AGM 2018 approved the issue of stocks under the ESOP to employees who could meet certain standards set by the BOD.

However, in 2018, the Company restructured its organization and personnel, leading to unstable personnel structure. Therefore, the BOD decided to temporarily suspend the stock issuance under the ESOP.

This matter will be reported at the AGM 2019 to adjust the plan's execution time.

4.8 Compensation for the Board of Directors and Board of Supervisors in 2018

In 2018, Vicostone paid the remuneration for members of Board of Directors and Board of Supervisors in accordance with the Resolution of the 2018 Annual General Meeting of Shareholders. Total paid remuneration in 2018 was VND 458,000,000.

No.	Full name	Title	Number of month	Remuneration (VND)
1	Ho Xuan Nang	Chairman	12	72,000,000
2	Pham Anh Tuan	Member of Board of Directors - General Director	12	60,000,000
3	Nguyen Quoc Truong	Member of Board of Directors	12	60,000,000
4	Nguyen Dieu Thuy Ngoc	Member of Board of Directors	12	60,000,000
5	Nghiem Thi Ngoc Diep	Member of Board of Directors	12	60,000,000
6	Luong Xuan Man	Head of Board of Supervisors	12	60,000,000
7	Tran Lan Phuong	Member of Board of Supervisors	12	48,000,000
8	Tran Thi Phuong Hoa	Member of Board of Supervisors	09	38,000,000
TOTAL				458,000,000

In addition to remuneration, the members of Board of Directors and Board of Supervisors who work fulltime at the Company also received salaries under the Company's salary regulation.

(See the Corporate Governance for income of the Board of Directors, Board of Supervisors and Board of Management for more details)

5. The BOD's orientation and plan for 2019

- Differentiation and innovation in technology for sustainable development, focusing on core business areas on the basis of ensuring and constantly improving product quality, maintaining brand reputation:
 - › Promoting scientific research and hi-tech application, adopting new technological applications in production to standardize and automate the entire production lines, boosting productivity and bringing superior quality.
 - › Strengthening the application of science and technology into production, such as artificial intelligence and robotics to improve productivity, enhance quality, save energy and protect the environment, contributing to the economic growth, outstanding advancement and sustainable development.

5. The BOD's orientation and plan for 2019 (Continued)

- › Maintaining, promoting and making Kaizen, the continuous improvement program become part of the Company's culture, with an aim to minimize waste in production, reduce working time and increase production and business efficiency. The freedom to propose improvement initiatives gives employees the opportunity for self-learning and improving their performance.
- › Applying technology solutions to various aspects of corporate governance including marketing, customer management, market information management, pre- and post-sales services, production system, inventories and human resources. IT-based modernization and automation should be applied throughout the value chain in order to optimize the Company's performance.
- Ensuring revenue growth to reach its target by improving product quality, labor productivity and cost management. The reasonable cost reduction and management helps the Company reduce product price, increase profits and improve business efficiency.
- Ensuring employee income growth rate of 5% to 7% per year by promoting the training programs and conducting competency assessment for annual salary review.

6. Profit distribution plan for 2019

No.	Items	Unit	Extraction rate %/ profit after tax	Notes
1	Profit extraction rate from the Bonus and welfare funds	%	6.0	% Extraction/ Profit after tax
2	Profit extraction rate from Reward fund of The Management Board	%	0.5	% Extraction/ Profit after tax

II. The BOD' activity summary in the 2014 – 2019 tenure

The 2014 – 2018 period was a challenging time for quartz slab manufacturers in the context of numerous fluctuations in the domestic and global markets. Especially in 2018, Vicostone faced increasingly fierce competition and its export volumes declined due to the impacts of global political instabilities and the US-China trade war, etc. In this context, the Company's BOD has successfully fulfilled its duties. Following are results of the BOD's main activities during the 2014 – 2019 tenure:

1. Activities of the BOD in the 2014 – 2019 tenure

1.1 Members of the BOD in the 2014 – 2019 tenure

According to the Resolution of the AGM 2014, the Company's BOD consists of five members, including one Chairman and four BOD members. Mr. Ho Xuan Nang was appointed as Chairman.

In order to comply with legal regulations on BOD members, ensuring the separation of roles between the BOD and the BOM in the 2014 – 2019 tenure, the BOD has made some personnel changes approved by the General Meeting of Shareholders.

Year	BOD Members
2014	<ul style="list-style-type: none"> • Mr. Ho Xuan Nang – Chairman • Mr. Pham Tri Dzung – Member • Mr. Luu Cong An – Member • Mr. Nguyen Huu Chuong – Member • Ms. Nghiem Thi Ngoc Diep – Member
2015	<ul style="list-style-type: none"> • Mr. Ho Xuan Nang – Chairman • Mr. Nguyen Quoc Truong – Member • Mr. Tran Dang Loi – Member • Ms. Nghiem Thi Ngoc Diep – Member • Ms. Nguyen Thi Nga – Member
2016 - Present	<ul style="list-style-type: none"> • Mr. Ho Xuan Nang – Chairman • Mr. Nguyen Quoc Truong – Member • Mr. Pham Anh Tuan – Member • Ms. Nghiem Thi Ngoc Diep – Member • Ms. Nguyen Dieu Thuy Ngoc – Member

1.2 Activities of The BOD in the 2014 – 2019 tenure

Difficulties and challenges

- 2014: Ever since the financial crisis and global recession, the macroeconomic situation had yet to show any clear signs of recovery. There were still many potential risks and unpredictable events such as political conflicts affecting the stability of raw materials supply, disease outbreaks leading to restrictions on travel and trade in many countries, as well as Europe's austerity policy in dealing with the public debt crisis. These events had significant influences on VICOSTONE's growth rate when exports accounted for more than 95% of its total revenue.

Difficulties and challenges (Continued)

- From 2015 until 2016, the global economy grew slowly. Fluctuations in the financial and monetary markets remained complicated and unpredictable. Unpredictable fluctuations of USD's exchange rates against EUR, AUS and CAD narrowed VICOSTONE's markets in Europe and Australia. Besides, the strong devaluation of Chinese Yuan led to greater competition pressure from Chinese engineered stone products, when their prices declined even further from the low price before.
- The US-China trade war in 2018 led to China taking short-term moves to take advantage of opportunity before tax imposition. In addition, China also took long-term moves in the form of technology transfer, association with/investment in manufacturing plants in other countries to change the origin of products, significantly affecting the current manufacturers in such countries. The US-China trade war also led to the slowdown of the US economy, a Vicostone's main export market.
- Maintaining the Company's high growth rate puts the Company's Management under great pressure.

Advantages

- Engineered stones are still considered the best material for interior application and have been growing at a higher rate than other materials. In the European market, especially Western Europe, quartz is also forecasted to have the highest growth rate compared to other materials with the average growth rate of 3.7% per year from 2016 to 2021.
- Vietnam's economy has maintained a high growth rate. In 2018, the country's GDP grew by 7.08%, recording the highest rate since 2008, which is the highlight of the Vietnamese economic overview. This offered Vicostone an advantage in developing the domestic market.
- Vicostone's executives and employees are dynamic, enthusiastic, hard-working, eager to learn, united, committed and passionate about the Company's sustainable development.
- Members of the Company's BOD and BOM are competent, experienced, dedicated and highly responsible, who always put the interests of shareholders and the Company's development first as well as strive to fulfill their assigned tasks.

Performance of the BOD in the 2014 -2019 tenure

During the last tenure, the BOD stayed close to strategic goals set out at the tenure's beginning and closely monitored market developments to make timely adjustments. In particular, the BOD determinedly directed material localization by self-production of input materials. In addition, the BOD directed the Company's operation to strictly abide by the laws, the Company's Charter, the BOD's Operating Regulations and other regulations on corporate management and governance, and to fulfill annual targets approved by the General Meeting of Shareholders. The BOD held regular and special meetings to discuss and make timely decisions to maximize the best results of production and business activities. The remarkable achievements of the 2014 - 2019 tenure are as follows:

- **In terms of assets and capital:** In 2018, total assets reached VND 4,404 billion, 1.66 times as high as in 2014, average growth rate of the 2014 - 2018 period reached 13.7%; Owners' equity reached VND 2,731 billion, 3.48 times as high as in 2014, average growth of the 2014 - 2018 period reached 37.89%.
- **In terms of revenue and profit:** Total revenue in 2018 reached VND 4,565 billion, 2.17 times higher than in 2014, with the CAGR of 30%. Profit before tax in 2018 reached VND 1,319 billion, 5.04 times as high as in 2014, the CAGR reached 80%; Profit after tax in 2018 reached VND 1.124 billion, 5.3 times as high as in 2014, with the CAGR of over 75%.
- **Return on average equity (ROAE)** remained at a high level, ranging from 22.97% to 58.38% in the 2014 - 2018 period. Financial capability of the period remained strong, always providing sufficient capital for production and business activities and ensuring the Company's ability to pay dividends to shareholders. Stable owners' equity shows that Vicostone successfully managed to preserve capital in times of hardships;
- Cash dividend payment remained at a high level, ranging from 20% to 40% in the 2014 - 2018 period, which was relatively high compared to the average rate of the construction materials industry in particular and the stock market in general in the context of Vietnam's economy facing many challenges.

VND 4,404 billion

> Total assets in 2018, 1.66 times higher than 2014.

VND 4,565 billion

> Total revenue in 2018, 2.17 times higher than in 2014.

VND 1,319 billion

> Profit before tax in 2018, 5.04 times higher than 2014.

20% to 40%

> The annual cash dividend payment rate in the 2014 - 2018 period, which was relatively high compared with average rate of the construction materials industry and the stock market in Vietnam.

Assessment of the BOD's performance in the 2014 – 2019 tenure

Development and execution of business strategies
in the 2014 – 2019 period

No.	Items	Unit	2014			2015			2016			2017			2018			Growth of 2018 compared to 2014
			Target	Actual	% Target	Target	Actual	% Target	Target	Actual	% Target	Target	Actual	% Target	Target	Actual	% Target	
1	Total revenue	Billion VND	1,926	2,107	109.41%	2,674	2,648	99.03%	3,248	3,242	99.81%	4,311	4,408	102.26%	5,290	4,565	86.29%	116.65%
2	Profit before tax	Billion VND	85	261	307.61%	311	479	154.09%	545	814	149.35%	1,001	1,125	112.41%	1,355	1,319	97.31%	404.26%

From 2014 to 2017, Vicostone achieved a high growth rate in both total revenue and profit:

- Total revenue growth rate in 2014, 2015, 2016 and 2017 compared to the previous year was 59.1%, 25.7%, 22.4% and 36% respectively.
- Profit before tax growth rate in 2014, 2015, 2016 and 2017 was 269.9%, 83.3%, 69.8% and 38.2% respectively.

2018 was a year of great changes in the political and economic situation, as there were many adjustments to trade regulations and policies in the US market, Vicostone's largest market, that the Company's Management could not accurately anticipate and measure their impacts on the Company's business performance. Therefore, total revenue in 2018 only reached 86.29% and profit before tax reached 97.31% of the plan. The reasons why Vicostone's total revenue in 2018 did not meet expectations were analyzed in section 3 of "Report from the BOM."

Capital construction investment

Key projects in the 2014 – 2018 tenure:

Housing project for Vicostone's employees

- Total approved investment: VND 688,919,985,000;
- By the end of Dec 2016, the Company finished the construction of building 21T1 with 400 apartments;
- In Jan 2017, the project was transferred to A&A Green Phoenix Group JSC (Vicostone's parent company) with the transfer value of VND 301,265,061,044, in order to let Vicostone focus on its core business.

Installation of an additional polishing line

- Total approved investment: VND 147,573,972,025;
- Investment objectives: improving production capacity, increasing polishing capacity; polishing complicated products, meeting delivery schedule and improving revenue;
- Progress: The polishing line has been completely installed and put into operation;
- Total settlement as of the end of December 2018: VND 108.7 billion.

Renovation of the vibrocompression line at Plant 1

- Total approved investment: VND 28,232,466,262;
- Investment objectives:
 - › Increasing production capacity and productivity of Plant 1's vibrocompression line;
 - › Providing equipment and technology to produce new and unique products;
 - › Improving the working environment by reducing dust and noise.
- Progress: The vibrocompression line has been completely renovated and put into stable operation, and improving the productivity;
- Total settlement as of the end of December 2018: ~ VND 25 billion.

1.2 Activities of the BOD in the 2014 – 2019 tenure (Continued)

Performance of the BOD in the 2014 -2019 tenure (Continued)

The Company's restructuring

Aug 12, 2014 marked a significant milestone in the Company's restructuring: Vicostone officially became a subsidiary of A&A Green Phoenix Group JSC (Phenikaa).

Given the Company's experience with a shareholder structure in which major shareholders are foreign investors, along with lessons learned from other companies on the securities market, the Company's Management is aware of the important role of the shareholder structure in the Company's development orientation: a good shareholder structure would set a solid foundation for a strong and sustainable development.

Before the restructuring, Vicostone had faced with many difficulties in terms of market share, as business performance and growth rate were hindered by fierce competition from large competitors who were continually expanding their production scale. At that time, Phenikaa was evaluated as a company with great financial potential and had already signed an exclusive contract to import state-of-the-art quartz slab production lines with Breton S.p.A for six years, which meant that Vicostone had no rights to purchase machinery and equipment from Breton S.p.A in the

following six years.

Moreover, Phenikaa had also established a plant in Hoa Lac Hi-tech Park, which put great competition pressure on Vicostone and if Vicostone had not developed a feasible strategy, it would have not been able to compete and develop further. Restructuring became a necessity for Vicostone to survive and grow.

Restructuring and becoming a subsidiary of Phenikaa helped Vicostone handle competition risks and provided it with more resources to increase market share, upgrade management systems and skills. With experienced staffs in the advanced compound stone business, Vicostone was trusted to become Phenikaa Group's business hub for both exporting products and coordinating input materials that contributed to quality consistency and cost savings for the whole Group. Phenikaa's vision and mission have offered Vicostone a strong position, to operate business with high revenue and profit, expand markets and promote Vicostone reputation in international markets. Importantly, Vicostone has been in a healthy position to achieve targeted revenue and profit growth since 2014.

Mobilization of capital and increases in charter capital:

The Company has raised charter capital from VND 529,992,510,000 to VND 1,600,000,000,000 details as follows:

No.	Capital increase completion date	Charter capital before the increase (VND)	Charter capital after the increase (VND)	Capital raising method
1	Oct 21, 2016	529,992,510,000	600,000,000,000	Stock issuance to pay dividend
2	Jul 9, 2017	600,000,000,000	800,000,000,000	Stock issuance to pay dividend
3	Apr 12, 2018	800,000,000,000	1,600,000,000,000	Stock issuance to pay dividend

Corporate governance

- Vicostone has organized, consolidated, arranged and restructured its departments and issued appropriate regulations on specific functions and tasks of each department.
- Vicostone has upgraded the SAP-ERP system to connect and synchronize with the Groups' SAP-ERP system. The SAP-ERP solution provided data that helps the Company's Management perform effective management of finance – accounting, materials, production, business and product distribution, projects, services, customers, human resources. It also provides excellent forecasting, planning and reporting tools.
- Risk management has been strengthened by establishing risk management mechanism and documentation, organizing training courses on risk management, applying risk management tools throughout all production and business processes to ensure proactivity in risk management at each management level.
- In the context of fierce competition on human resources, in 2018, the Vicostone's Management has made adjustments to salary, bonus and remuneration policies and appropriate job appointment and rotation, create motivation for employees and promote determination to achieve the set goals.
- Vicostone has reviewed and completed the BOD's Operating Regulations and regulations on corporate governance such as the Company's Charter, Regulations on Representatives of Contributed Capital, Training Regulations, Risk Management Regulations and Investment Regulations, creating the legal framework for the consistent, timely and effective management of the Company.

1.2 Activities of the BOD in the 2014 - 2019 tenure (continued.)

Execution of the AGM's Resolutions

Execution results of the AGMs' resolutions were reported in details in AGMs and approved by the General Meeting of Shareholders.

The BOD directed the execution of all resolutions approved by the General Meeting of Shareholders.

Remuneration of the BOD

Each year, the Company paid remuneration to the BOD's members in accordance with the AGM's Resolution and as approved by the AGM of that year.

Summary of the BOD' meetings, resolutions and decisions

In the 2014 – 2019 tenure, the BOD held meetings to manage and supervise all business operations of the General Director with high consensus.

All records, resolutions and decisions of the BOD were fully documented and signed by all attendees in compliance with the law and the Company's Charter. All documents were sent to the members of the BOD, Board of Supervisors, General Director and related departments.

Results of supervision on the General Director

The BOD directed and assigned the General Director to establish and complete the systems of internal regulations and regulations approved by the BOD so as to be appropriate with requirements and practical situations, create a professional, democratic and smart working environment to help enhance the competence, expertise and experience of each employee.

The BOD regularly arranged periodical meetings to discuss, analyze and assess the Company's activities in order to promptly adjust the development strategies and business plans in accordance with the new situation.

In terms of accounting and financial reporting: data from the Company's business activities were fully updated, complying with information disclosure requirements. All annual financial statements were prepared in accordance with Vietnamese accounting standards and regime and audited by independent auditing firms.

Compliance with the law, ensuring the interests of shareholders and employees

The Company has fulfilled all of its tax obligations to the State Budget and fully paid for the required social insurance, health insurance and unemployment insurance for employees in accordance with the law. The Company also promptly settled employees' benefits according to labor agreements. Employees' actual monthly income rose compared to the previous year, specifically:

Year	2014	2015	2016	2017	2018	Average income growth rate
Average income (VND/month)	12,953,000	15,179,000	16,128,000	17,020,000	18,678,158	9.69%

The Company strictly executed shareholders' interests in dividend payment and issuance of shares to existing shareholders.

1.3 Assessment

In the last tenure, though the global economy was still heavily influenced by the financial crisis during the 2008 – 2013 period, the BOD has made great efforts to successfully complete the tasks assigned by the General Meeting of Shareholders. The BOM and all employees have strived for the highest business performance, fulfilled tax obligations, ensured shareholders' interests and improved employees' well-being. The Company's reputation was constantly enhanced, which is a significant factor to support the Company's sustainable development in the coming years.

However, just like other businesses, the Company has faced with many unforeseeable challenges and difficulties. Aside from external challenges, the Company must also perform succession planning, and improve personnel capacity at all levels for its sustainable development. This requires not only great efforts from the Company's Management and employees, but also the cooperation and understanding from the Company's shareholders.

2. Strategic orientation for the 2019 – 2024 period

2.1 Business plan for the 2019 – 2024 period

No.	Items	Unit	2019		2020		2021		2022		2023	
			Value	Growth (%)	Value	Growth (%)	Value	Growth (%)	Value	Growth (%)	Value	Growth (%)
1	Total revenue	Billion VND	5,310	16.3%	6,106	15.0%	7,021	15.0%	8,065	14.9%	9,194	14.0%
2	Total profit before tax	Billion VND	1,565	18.7%	1,815	16.0%	2,114	16.5%	2,431	15.0%	2,771	14.0%

2.2 Orientation for the 2019 – 2024 period

Material strategy:

The input materials localization target is set 95% to reduce the Company's dependence on imported materials. The control of material sources and costs will help the Company achieve the business plan, aiming for sustainable economic development. The raw material localization is executed by:

- Receiving the transfer of contributed capital at Phenikaa Hue Mineral Processing & Investment One Member Company Limited. Phenikaa Hue manufactures and processes cristobalite used to produce hi-tech and polymer composite products to supply for quartz-based engineered stone manufacturers;
- Manufacturing unsaturated polyester resin based on scientific research results to apply to engineered stone production with the Company's own know-how.

Technology

The Company promotes the scientific research and application of science and technology in production to enhance productivity and quality, expand product applications, save energy and protect the environment, contributing to bring economic value and ensure sustainable development:

- In 2020-2021: promoting equipment and technology renovation, mainly focusing on reducing industrial waste, with the aiming of completely eliminating industrial waste released into the environment, including buried waste;
- Studying the solution to use bioresin as an adhesion promoter to produce as many eco-friendly products as possible.
- Finding an optimal solution to expand the use of quartz surfaces in exterior applications while minimizing warping and discoloration.
- Enhancing the use of AI and robots in manufacturing and fabricating quartz surfaces as well as in operating the Company to maximize automation, reduce manpower and increase the production efficiency.

Business restructuring

From 2019 to 2021, Vicostone will be restructured and become the only unit of The Phenikaa Group to specialize in manufacturing slabs and input materials. Vicostone will continue to expand and invest to increase productivity. From 2021 to 2024, Vicostone plans to invest in at least two quartz surfaces production lines, thus raising the capacity to five million square meters per year.

Market development:

The Company makes great efforts to develop the market share in Vietnam and constantly expand the international markets, especially European and Asian markets, by deploying Integrated Marketing Communications campaign across all markets.

Human resource management:

- The Company plans to raise the employees' happiness to increase their productivity and commitment, thus contributing to achieving the Company's business target;
- The Company plans to focus on developing and training the workforce. Besides, the Employer Branding project will be deployed to attract high-skilled employees, thus ensuring the Company's sustainable and long-term development.

Financial management

Flexible and effective management of finance is applied to ensure financial stability, equity preservation and on-time loan payment. The Company also finds solutions to reduce production costs and further focuses on financial risk management.

Corporate governance system

The Company continues to improve the corporate governance system by:

- Regularly reviewing, amending, supplementing and completing rules and regulations to improve Vicostone's business performance;
- Building a modern information technology system, creating efficient and effective working facilities for employees to maximize their personal competences.
- Continuing to improve the risk management system and manage the identified key risks;
- Using electronic signatures in decision making and other operations.

REPORT FROM THE BOARD OF SUPERVISORS

I. Activities of the Board of Supervisors in 2018

1. Personnel of the Board of Supervisors

In two AGMs of 2017 and 2018, the Board of Supervisors consisted of three members, including one full-time Chief Supervisor and two members. All members of the Board of Supervisors are experienced in accounting, auditing and law and fully qualified to carry out their duties.

1.1 The list of BOS members as of 31 December 2018:

No.	Full name	Title	Level of independence	Date of appointment
1	Luong Xuan Man	Head	Not owning VCS shares Working full time at the Company	04/08/2015
2	Tran Lan Phuong	Member	Not owning VCS shares Not working at the Company	04/08/2015
3	Tran Thi Phuong Hoa	Member	Not owning VCS shares Not working at the Company	15/03/2018

1.2 Changes in personnel of the Board of Supervisors in 2018

- **May 3, 2017:** The Board of Supervisors held a meeting and voted to approve Mr. Nguyen Quoc Tuan's resignation from the position as a member of the Board of Supervisors.
- **Mar 15, 2018:** The General Meeting of Shareholders voted to appoint Mrs. Tran Thi Phuong Hoa as a member of the Board of Supervisors in order to strengthen the personnel of the Board of Supervisors.

2. Activities of the Board of Supervisors

On the basis of the Board of Supervisors' rights and obligations regulated as well as operational plan approved by the AGM 2017, during the period between two AGMs 2017 and 2018, the Board of Supervisors has achieved the following results:

2.1 Meetings of the Board of Supervisors:

In 2018, the Board of Supervisors held four meetings with the full participation of all members in order to supervise the BOD and General Director in managing and operating the Company, review the Company's internal documentation system and assess the Company's financial statements. Details are as follows:

No.	Date	Contents	Attendee	Attendance rate	Note
1	Feb 15, 2018	Discussion with the independent auditor on the 2017 Financial Statement; Review of to-do tasks in the first quarter of 2018.	2/2	100%	
2	Jun 30, 2018	Report on the Board of Supervisors' activities in the first half of 2018 and plan for the second half of 2018.	3/3	100%	
3	Oct 20, 2018	Report on the Board of Supervisors' activities in the third quarter of 2018.	3/3	100%	
4	Dec 25, 2018	Report on the Board of Supervisors' activities in 2018; Orientation of tasks in 2019.	3/3	100%	

All meetings were fully attended by the entire Board of Supervisors with a high sense of responsibility. The organization of the meetings and issuance of documents have complied with the provisions of the Enterprise Law, Vicostone's Charter and the Board of Supervisors' Operating Regulations.

In addition, the Board of Supervisors also kept the frequent exchanges through reports, telephone and email, attended and gave its opinions at some important meetings of the Board of Directors and Board of Management, which help better oversee the Board of Directors and Board of Management in their management and operation of the Company's production and business activities.

2.2 Board of Supervisors' supervising duty

Performing the functions and duties as prescribed by law, the Company's Charter and the Regulation on Organization and Operation of the Board of Supervisors. In 2018, the Board of Supervisors assigned tasks to its members and, on behalf of shareholders, effectively supervised and controlled all of production, business, management and operation activities of the Company, as follows:

- Controlling the observance of laws and the Company's Charter in the process of running production and business activities; execution of the Resolutions issued by the General Meeting of Shareholders; administration and coordinated activities between Board of Directors and Board of Management; procedures of collecting remarks from BOD members regarding issues under their jurisdiction.

2.2 Board of Supervisors' supervising duty (Continued)

- Regularly exchanging information among BOS members as well as with the Board of Directors and the Board of Management to assure the Company's activities are legal and fit the interests of shareholders.
- Reviewing BOD and BOM's decisions regarding management; Controlling over the procedures of issuing the Company's documents in accordance with applicable laws and the Company's Charter; as well as overseeing the Company's legal practices.
- Reviewing quarterly, semi-annual and annual Financial Statements after being checked and audited by the independent auditing agency. Controlling over the rationality, legal practice and integrity in managing the operation and business activities, recording and preparing accounting books and financial statements.
- Managing Risk Management and Internal Audit Department to establish, amend, supplement and complete the Company's regulations of risk management and internal audit to increase its effectiveness and improve the corporate governance quality.
- Taking part in compiling and controlling the contents of the Company's Annual Report and Sustainable Development Report.
- Giving opinions to the Board of Directors about selecting independent auditors for 2018.
- Supervising the periodic and extraordinary information disclosure to ensure transparency and verify the authenticity of information disclosed to shareholders.

3. Supervision of the BOD' activities

In 2018, via regular and extraordinary meetings, emails and phone calls between the BOD and the BOM, along with reports from Risk Management and Internal Audit Division and related departments, the BOD was timely informed of the Company's actual business performance, fluctuations of international and domestic markets for raw materials and end-products, in order to make timely adjustments to the business strategy. The BOD has fulfilled its functions and duties in the orientation, direction and management of the Company within its authority, in which the BOD:

- Held meetings and agreed on business strategies, development orientations and business plans and directed managerial activities within the BOD's authority;
- Issued Resolutions and Decisions and supervised the BOM in executing the AGM 2018's Resolution and the BOD's Resolutions and Decisions;
- Directed the Marketing department to launch the Integrated Marketing Communications (IMC) campaign to raise the VICOSTONE® brand awareness in Vietnam;
- Approved the agenda, content and resolutions submitted to the AGM 2018.

- Made decisions on other issues under the BOD's authority.

According to the Board of Supervisors' assessment, the BOD has completed all assigned tasks for 2018, as well as strictly complied with procedures and regulations in the Company's Charter, Corporate Governance Regulation and current laws.

4. Results on supervising the Board of Management's activities

In 2018, Board of Management devoted considerable efforts to stabilize the Company's operations and stable growth rate as well as preserved and raised the equity capital. In addition, Board of Management directed and managed the Company's activities in accordance with Resolutions of the General Meeting of Shareholders and Board of Directors as well as provisions of law and the Company's Charter, as follows:

- Restructured personnel towards streamlining in order to raise labor productivity and save wage costs;
- Trained management team to succeed, replace and support each other to ensure optimal business operations;
- Directly controlled the Company's production and business activities in accordance with the functions and duties stipulated in the Company's Charter and laws.
- Regularly supervised and made operating decisions in a reasonable and timely manner and in conformity with the market's fluctuations.

The Board of Supervisors' assessment reveals that the Board of Management has completed the tasks assigned in 2018 and strictly complied with the procedures and regulations in the management in accordance with the Company's Charter and Regulation on Governance and the current legal regulations.

5. Report on coordination among Board of Supervisors, Board of Directors and Board of Management

In 2018, Board of Directors, Board of Management and other managers supported and created the best conditions for Board of Supervisors to complete the objectives set forth in 2018 by the General Meeting of Shareholders in general and its functions and duties in particular; in addition, the Board of Supervisors was fully provided with information on the BOD resolutions and decisions and invited to attend all regular and extraordinary meetings held by Board of Directors and Board of Management.

Board of Supervisors' feedbacks and inquiries sent to Board of Directors and Board of Management have always been responded fully and promptly with clarification.

5. Report on coordination among Board of Supervisors, Board of Directors and Board of Management (Continued)

In 2018, the Board of Supervisors regularly updated the production and business activities, analyzed the collected data to promptly give warnings and recommendations in the corporate governance, production and business management to Board of Directors and Board of Management.

Board of Directors and Board of Supervisors had coordinated and established relations with shareholders, disclosed information in accordance with the regulations. In 2018, Board of Supervisors did not receive any questions from shareholders for the management activities of Board of Directors and Board of Management.

6. Results of supervision on the Company's business and financial performance in 2018

6.1 Business performance in 2018

In 2018, under the BOD' close and timely direction, the General Director has made great efforts in managing the Company, developing and thoroughly executing business solutions with a spirit of proactivity, creativity, a can-do attitude and determination to complete the business plan approved by the AGM 2018 and the BOD's resolutions and decisions. Throughout the management process, the General Director has complied with the managerial authority regulated by the Company's Charter, Corporate Governance Regulation, internal regulations of the Group as well as the BOD's resolutions and decisions. In 2018, the Company implemented the business plan with the following main targets.

Unit: billion VND

No.	Items	Target 2018	Actual 2018	% Target 2018	% Growth 2018
1	Total revenue	5,290.00	4,564.50	86.29%	3.55%
2	Total profit before tax	1,355.00	1,318.51	97.31%	17.20%

6.2 Results on assessing the 2018 Financial Statement

Assessing the 2018 Financial Statement with detailed explanation by the Financial and Accounting Department, the Board of Supervisors concluded that:

- The Financial Statement were prepared in accordance with Vietnam Accounting Standards and audited by Ernst and Young Vietnam LLC, an independent auditing agency authorized by the State Securities Commission to provide auditing services for listed companies;
- The Financial Statement provided sufficient, truthful and reasonable information on the Company's business performance, clearly revealed crucial aspects and financial context of the Company as of 31 December 2018;
- The Company prepared and disclosed its 2018 separated Financial Statement in respect of regulations of State Securities Commission, Hanoi Stock Exchange and other applicable laws.

6.3 Financing and accounting activities

- The Company completely executed its obligations on paying for the State budget such as paying corporate income tax, personal income tax and did not have any pending or outstanding tax;
- Strictly complying with the legal provisions on accounting. Preparing and disclosing the financial statements in respect of the applicable laws.

7. Remunerations to the members of Board of Directors, Board of Supervisors and Board of Management

7.1 Principles of payment

- For the members of the Board of Directors and Board of Supervisors working full time in the Company and members of the Board of Management, the Company pays salary and bonus in accordance with the Salary Regulation issued by the Board of Directors and remuneration according to the rate approved by the General Meeting of Shareholders;
- For members of the Board of Directors and Board of Supervisors not working full time, the Company pays remuneration according to the rate approved by the General Meeting of Shareholders;
- In addition to salaries, bonuses and remunerations, members of the Board of Directors and Board of Supervisors working full time in the Company and members of the Board of Management are paid travel expenses, telephone expenses and other eligible expenses.

7. Remunerations to the members of Board of Directors, Board of Supervisors and Board of Management (Continued)

Remuneration statement of members of Board of Directors, Board of Supervisors, Board of Management and Chief Accountant

Unit: VND

No.	Full name	Duration of holding the position of BOD member	Duration of holding the position of BOM member/ Chief Accountant	Duration of holding the position of BOS member	Salary and bonus time	Total income from salaries and bonuses of the BOD and BOM members	Vehicle and gasoline expense	Total income from salaries and bonuses of BOS members	Remuneration of BOD and BOS	Total income from salaries and bonuses of Chief Accountant
1	Ho Xuan Nang	Whole year			Whole year	2,759,890,764	-	-	72,000,000	
2	Pham Anh Tuan	Whole year	Whole year		Whole year	2,353,793,793	120,000,000	-	60,000,000	
3	Nghiem Thi Ngoc Diep	Whole year			Whole year	-	-	-	60,000,000	
4	Nguyen Dieu Thuy Ngoc	Whole year			Whole year	-	-	-	60,000,000	
5	Nguyen Quoc Truong	Whole year			Whole year	1,591,323,637	120,000,000	-	60,000,000	
6	Pham Tri Dzung		Whole year		Whole year	2,076,293,469	120,000,000	-	-	
7	Luu Cong An		Whole year		Whole year	2,076,293,469	120,000,000	-	-	
8	Nguyen Chi Cong		Whole year		Whole year	1,937,866,207	120,000,000	-	-	
9	Luong Xuan Man			Whole year	Whole year	-	-	1,986,701,611	60,000,000	
10	Tran Lan Phuong			Whole year	Whole year	-	-	-	48,000,000	
11	Tran Thi Phuong Hoa			From 15.03	From 15.03	-	-	-	38,000,000	
12	Nguyen Thi Nga		Whole year							1,332,078,978
	TOTAL					12,795,461,339	600,000,000	1,986,701,611	458,000,000	1,332,078,978

8. Share transaction of internal persons

8.1 Share ownership of internal persons (members of Board of Directors, Board of Supervisors and Board of Management)

No.	Full name	Title	Number of shares owned at the end of the period	Ownership rate/ Number of shares in circulation (%)
1	Ho Xuan Nang	BOD Chairman	5,685,794	3.63
2	Nghiem Thi Ngoc Diep	BOD member	0	0
3	Nguyen Dieu Thuy Ngoc	BOD member	0	0
4	Pham Anh Tuan	BOD member – General Director	18,864	0.01
5	Nguyen Quoc Truong	BOD member	0	0
6	Luong Xuan Man	BOS Head	0	0
7	Tran Lan Phuong	BOS member	18	0
8	Tran Thi Phuong Hoa	BOS member	0	0
9	Luu Cong An	Vice General Director	298,980	0.19
10	Pham Tri Dzung	Vice General Director	335,948	0.21
11	Nguyen Chi Cong	Vice General Director	8,532	0.005
	TOTAL		6,348,136	4.05

(Pursuant to the list of shareholders as of 07 December 2018 issued by Vietnam Securities Depository)

8.2 Share transaction of internal persons and related persons:

List of transactions of internal persons and related persons for the Company's shares arising in 2018 as follows:

No.	Transactor	Title	Number of shares owned at the beginning of the period		Number of shares owned at the end of the period		Reason for increase or decrease
			Number of share	Ownership rate/Number of shares in circulation	Number of share	Ownership rate/Number of shares in circulation	
1	A&A Green Phoenix Group JSC	Parent company	64,000,000	80%	128,000,000	81.63%	Entitled to receive dividends by share
2	Ho Xuan Nang	BOD Chairman	2,017,897	2.52%	5,685,794	3.63%	Entitled to receive dividends by share Purchased 1.65 million shares in July 2018
3	Pham Anh Tuan	BOD member. General Director	9,432	0.01%	18,864	0.01%	Entitled to receive dividends by share
4	Luu Cong An	Vice General Director	149,490	0.19%	298,980	0.19%	Entitled to receive dividends by share
5	Pham Tri Dzung	Vice General Director	167,974	0.21%	335,948	0.21%	Entitled to receive dividends by share
6	Nguyen Tri Cong	Vice General Director	4,266	0.005%	8,532	0.005%	Entitled to receive dividends by share

- In April 2018, Vicostone issued shares to pay dividends to existing shareholders at the rate of 1:1. Number of additionally issued shares: 80,000,000 shares.

- In November 2018, Vicostone repurchased 3,200,000 VCS shares as treasury shares. Vicostone's number of shares in circulation is 156,800,000.

9. Execution of regulations on the corporate governance

Vicostone's corporate governance system and its regulations comply with the corporate governance framework as stipulated in the Enterprise Law 2014 and Government's Decree No. 71/2017/NĐ-CP dated 06 June 2017 on guiding the corporate governance applicable to the public companies and other relevant laws.

Vicostone's corporate governance system is built on the basis of three core principles:

- **To abide by the law:** Ensure the absolute compliance with the legal provisions;
- **To comply with the international governance standards and practices;**
- **To ensure the sustainable development:** Functions, powers and decentralization of stakeholders in the corporate governance model are built in close association with the Company's sustainable development.

In addition to building a strong corporate governance system based on the principles of abiding by the Vietnamese law and applying OECD's and IFC's international governance practices, Vicostone has developed and issued a system of internal management regulations to create a unified and consistent management mechanism to control and supervise the Company's activities professionally, transparently and effectively, ensuring the sustainable benefits of shareholders and harmonizing with the interests of stakeholders.



In order to ensure the transparency and interests of all stakeholders, Vicostone always publishes the information related to governance, production and business activities and other irregular information according to the deadline as stipulated in the Circular No. 155/2015/TT-BTC dated 06/10/2015 by the Ministry of Finance on guiding the information disclosure in the securities market.

10. Board of Supervisors' recommendations

- To strengthen the training and development of human resources, quickly stabilize the structure, enhance the management and operation to create conditions for the Company's stable development, achieve and exceed the planned financial targets to ensure maximum benefits for the Company and its shareholders;
- To continue enhancing and completing risk management and put the risk management system into the Company's business operation processes;
- To continue reviewing, preparing, amending, and supplementing promptly rules and regulations in accordance with the Government's applicable law, and meet the requirements of raising the quality of corporate governance in respect of the Government's Decree No. 71/2017/NĐ-CP dated 06/06/2017 and other relevant regulations;
- To control more closely the Company's purchase and sale processes to reduce waste and improve labor efficiency;
- To complete the internal regulations, especially in investment activities, to continuously improve the Company's efficiency of capital use.

11. Activities of Board of Supervisors in 2019

In 2019, Board of Supervisors will focus on the following key tasks:

- Consolidating the BOS structure and focusing on training the internal auditors and the application of IT in auditing and supervising activities;
- Verifying financial statements, business reports and reports on evaluating Board of Directors' management in order to submit to the 2019 Annual General Meeting of Shareholders;
- Controlling and supervising the execution of resolutions set forth by the 2019 Annual General Meeting of Shareholders;
- Supervising coordination among Board of Directors, Board of Management and Board of Supervisors;
- Supervising information disclosure and attending meetings with Board of Directors;
- Supervising and organizing internal auditing, reviewing and evaluating internal auditing procedures in areas with hidden risks to increase the transparency and improve the Company's performance;
- Coordinating with Management Board to review the Company's in-use regulations and rules to make recommendations for further completion in accordance with the laws and the Company's Charter.

II. Report on business performance in the 2014 – 2019 tenure

1. Personnel in the 2014 – 2019 tenure

The Board of Supervisors' personnel in term of 2014-2019 includes 03 members who were nominated and elected by the shareholders at the Company's General Meeting of Shareholders. The BOS members over periods are as follows:

Period	BOS member	Notes
2014 – 2015	Nguyen Quoc Truong (Head) Tran Dang Loi (Member) Do Quang Binh (Member)	
2015 – 2016	Luong Xuan Man (Head) Nguyen Dieu Thuy Ngoc (Member) Tran Lan Phuong (Member)	
2016 – 2017	Luong Xuan Man (Head) Nguyen Quoc Tuan (Member) Tran Lan Phuong (Member)	
2017 – 2018	Luong Xuan Man (Head) Tran Lan Phuong (Member) Tran Thi Phuong Hoa (Member)	

As the Board of Supervisors consists of three members, one full-time member and two part-time members, the Board of Supervisors has organized its activities in a unified manner, without clear-cut duty assignment. Depending on each inspection and supervision, the Board of Supervisors allocates specific tasks to members for participating, discussing, concluding and making final conclusion on behalf of the Board.

2. Assessment of the Board of Supervisors' performance in the 2014 – 2019 tenure

In the 2014 – 2019 tenure, with the active support of the General Meeting of Shareholders, the BOD and the BOM, the Board of Supervisors has completed all task within its regulated responsibilities and authority. There was a high consensus in assessments and recommendations to the BOD and the BOM and reports presented to the General Meeting of Shareholders on the basis of compliance with the law, the Company's Charter and Regulations.

2.1 Establishment of internal processes and regulations

- The Board of Supervisors has built a system of regulations and procedures to ensure smooth operation, in accordance with the law on corporate governance at listed companies.

- The Board of Supervisors contributed to drafting and issuance of regulations such as Financial Management Regulation, Remuneration Regulation, Investment Regulation in accordance with the laws and the Company's Charter; detecting risks and shortcomings, thereby proposing appropriate recommendations.
- The Board of Supervisors directed the Risk Management – Internal Audit Division to develop, amend, supplement and complete regulations on risk management and internal audit, improving the effectiveness of risk management and internal audit and quality of corporate governance.
- The Board of Supervisors also regularly reviewed and evaluated the appropriateness of the Company's internal processes and regulations to propose appropriate amendments and supplements in accordance with the laws and the actual business situation, ensuring convenience in implementation, inspection and supervision.

2.2 Supervision on the Company's compliance with the law

- In the last tenure, the Board of Supervisors supervised the Company's compliance with the provisions of the laws and the Company's Charter in corporate governance as well as with important policies on accounting and investment.
- The Board of Supervisors also regularly attended the BOD' meetings, gave opinions and recommendations to the BOD regarding the issuance of resolutions and decisions in accordance with the laws and the Company's Charter, as well as supervised the compliance with and execution of the resolutions and decisions in the Company's operation.

2.3 Auditing and assessment of the financial statements

- The Board of Supervisors inspected and supervised the Company's accounting to ensure compliance with the Enterprise Accounting Regime according to the Circular No.200/2015/TT-BTC dated Dec 24, 2014 and Vietnamese Accounting Standards.
- The Board of Supervisors continuously reviewed the quarter and annual financial statements provided by the BOM to verify the recognition of revenue and expense allocation, analyze and assess financial position, business performance, debt management and provision making as regulated. The Company's financial statements throughout the years consistently received unqualified opinions from independent auditors. This reflects the high quality of the Company's accounting, that the Company's disclosed data truly reflected the Company's business performance and complied with accounting standards.
- Considering the Company's size, the Board of Supervisors has continued to suggest selecting a reputable auditor, such as Ernst and Young, to keep the Company's accounting work in line with the international accounting standards and regulations.
- The Board of Supervisors closely supervised the information disclosure, especially the regulations on the disclosure of periodic financial statements and corporate governance reports in accordance with regulations on information disclosure on the stock market.

2.4 Assessment of the cooperation of the Board of Supervisors with the BOD and the BOM

In the last tenure, the Board of Supervisors closely coordinated with the BOD and the BOM in business activities, supervising all activities to ensure the Company operated in accordance with the laws, maintaining regular contact with the BOD and the BOM to exchange information about the implementation of business plans and of resolutions approved by the General Meeting of Shareholders.

- The Board of Supervisors regularly attended the BOD's meetings and shared opinions through documents, emails or discussions in the meetings, timely reported and gave recommendations to the BOD about issues arising during the Company's operation.
- The Board of Supervisors inspected and supervised issues as requested by the BOD and consulted the BOD about such issues before reporting to the General Meeting of Shareholders.
- The BOD and the BOM have always paid attention to and supported the Board of Supervisors in terms of creating a favorable working environment and necessary facilities and providing adequate information, documents and reports to help the Board of Supervisors successfully complete the assigned duties.

3. Advantages and difficulties of the Board of Supervisors in the 2014 – 2019 tenure

3.1 Advantages:

- The structure and duty assignment of the Board of Supervisors' members corresponded to their situation and expertise as well as the Company's operating model, facilitating the Board of Supervisors' supervision of the execution of the General Meeting of Shareholders and the BOD's resolutions. Also, the Board of Supervisors was able to quickly and accurately record almost all activities of the Company throughout the tenure.
- The Board of Supervisors was facilitated by the BOD and BOM to participate in their meetings to promptly get hold of useful information for its supervision duties, as well as to propose recommendations to help the BOD and the BOM in decision making.
- The Board of Supervisors also received support and cooperation from the BOD, the BOM and the Company's employees when carrying out its duties and exercising its authority during the tenure.
- Thanks to the Company's effective and transparent management system, business activities and financial situation, the Board of Supervisors had no troubles in supervising business activities, assets and resources.

3.2 Difficulties

- As two out of three members of the Board of Supervisors are on a part-time basis and work full-time in other companies, means of communication was mainly utilized for working sessions, thus limiting the work efficiency.

4. Recommendations

- Promoting the training and development of human resources, quickly stabilizing the organization, strengthening the management and administration to facilitate the Company to develop stably, achieve and exceed financial targets, ensuring maximum interests of the Company and its shareholders.
- Enhancing management to minimize risks.
- Completing the internal regulations, especially in investment activities, in order to improve the Company's efficiency of capital use.
- More strictly controlling the procurement and sales processes in the Company to effectively manage waste and improving the labor productivity.

III. Orientation for the 2019 – 2024 tenure

Since 2019, the BOD will dissolve the Board of Supervisors and replace it with the Internal Audit model. The functions and duties of Internal Audit will be set out accordingly.

INVESTOR RELATIONS

I. Shareholder information

1. Number and type of shares in circulation

(Pursuant to the list of shareholders as of 07 December 2018 issued by Vietnam Securities Depository)

No.	Shareholder	Number of shares	Ratio (%)	Notes
1	Non-deposited	87,881,186	54.93%	Based on the number of shares in circulation
2	Deposited	72,118,814	45.07%	
TOTAL		160,000,000	100%	
1	Institution	132,144,742	84.28%	
2	Individual	24,655,258	15.72%	
TOTAL		156,800,000	100%	
1	Domestic	152,750,678	97.42%	
2	Foreign	4,049,322	2.58%	
TOTAL		156,800,000	100%	

2. Shareholder structure

As of 07 December 2018, Vicostone's shareholder structure is as follows:

No.	Shareholder	Quantity
1	Total shareholder	3,392
2	Domestic shareholder	3,308
3	Foreign shareholder	84
4	Individual shareholder	3,343
5	Institution shareholder	49

3. Quantity of reserved shares and treasury shares for each type

As of 31 December 2018 (at the end of period), Vicostone's share structure is as follows:

Total shares: **160,000,000 shares**

Total shares in circulation: **156,800,000 shares**

Total treasury shares: **3,200,000 shares**

4. Share ownership of internal persons (members of Board of Directors, Board of Supervisors and Board of Management)

No.	Full name	Title	Number of shares owned at the end of the period	Ownership rate/ Number of shares in circulation (%)
1	Ho Xuan Nang	BOD Chairman	5,685,794	3.63
2	Nghiem Thi Ngoc Diep	BOD member	0	0
3	Nguyen Dieu Thuy Ngoc	BOD member	0	0
4	Pham Anh Tuan	BOD member - General Director	18,864	0.01
5	Nguyen Quoc Truong	BOD member	0	0
6	Luong Xuan Man	BOS Head	0	0
7	Tran Lan Phuong	BOS member	18	0
8	Tran Thi Phuong Hoa	BOS member	0	0
9	Luu Cong An	Vice General Director	298,980	0.19
10	Pham Tri Dzung	Vice General Director	335,948	0.21
11	Nguyen Chi Cong	Vice General Director	8,532	0.005
12	Nguyen Thi Nga	Chief Accountant	0	0
TOTAL			6,348,136	4.05

(Pursuant to the list of shareholders as of 07 December 2018 issued by Vietnam Securities Depository)

5. Share transaction of internal persons and related persons

List of transactions of internal persons and related persons for the Company's shares arising in 2018 is as follows:

No.	Transactor	Title	Number of shares owned at the beginning of the period		Number of shares owned at the end of the period		Reason for increase or decrease
			Number of share	Ownership rate/Number of shares in circulation	Number of share	Ownership rate/Number of shares in circulation	
1	A&A Green Phoenix Group JSC	Parent company	64,000,000	80%	128,000,000	81.63%	Entitled to receive dividends by shares
2	Ho Xuan Nang	BOD Chairman	2,017,897	2.52%	5,685,794	3.63%	Entitled to receive dividends by shares Purchased 1.65 million shares in July 2018
3	Pham Anh Tuan	BOD member. General Director	9,432	0.01%	18,864	0.01%	Entitled to receive dividends by shares
4	Luu Cong An	Vice General Director	149,490	0.19%	298,980	0.19%	Entitled to receive dividends by shares
5	Pham Tri Dzung	Vice General Director	167,974	0.21%	335,948	0.21%	Entitled to receive dividends by shares
6	Nguyen Chi Cong	Vice General Director	4,266	0.005%	8,532	0.005%	Entitled to receive dividends by shares
7	Tran Lan Phuong	BOS member	9	0.00%	18	0.00%	Entitled to receive dividends by shares

6. Treasury share transaction of internal persons and related persons

List of transactions of internal persons and related persons for the Company's treasury shares arising in 2018 is as follows:

No.	Transactor	Number of treasury shares before transaction	Number of treasury shares after transaction	Date of transaction	Average transaction price (VND)
1	Vicostone JSC	0	3,200,000	7 Nov 2018 – 21 Nov 2018	75,300

7. Dividend policy and dividend payout ratio

Dividend distribution to shareholders was carried out after the Company had made provisions for funds. The dividend pay-out ratio and method are annually approved by the General Meeting of Shareholders based on the Board of Directors's proposal and comply with the following basic regulations:

- Ensuring 2 fundamental objectives: shareholders' rights and the Company's capital requirements for business expansion;
- Paying out dividends only when the Company generates profits as well as fulfills its tax obligations and other financial responsibilities as prescribed by laws;
- After completing the dividend payout, the Company must retain its ability to pay due debts and other liabilities;
- Shareholders shall receive the dividends per their share ownership rate.

Year	Dividend rate	Dividend payable (VND)	Total paid dividend (VND)	Notes
2007	14%	3,354,483,463	3,284,483,463	Extract from profit after tax in 2006
2008	20%	14,717,824,240	14,787,824,240	Extract from profit after tax in 2007
2009	-	1,497,600,000	1,497,600,000	Extract from profit after tax in 2008
2010	35%	53,625,000,000	53,625,000,000	Extract 20% and 15% from profit after tax in 2009 and 2010 respectively
2011	5%	9,942,391,000	10,533,300,000	Extract from profit after tax in 2010
2012	20%	105,998,502,000	106,427,397,000	Extract from profit after tax in 2011
2013	-	-	124,536,000	-
2014	25%	111,298,527,500	26,495,156,100	Extract 05% and 20% from profit after tax in 2013 and 2014 respectively
2015	40%	169,597,804,000	169,571,493,275	Extract from profit after tax in 2015
2016	40.00%	190,797,404,000	275,186,472,700	Extract from profit after tax in 2016
	~ 13.21%	70,007,490,000	-	Pay dividends by shares
2017	20.00%	120,000,000,000	120,012,199,500	Extract from profit after tax in 2017
	~ 33.33%	200,000,000,000	-	Pay dividends by shares
2018	40%	476,800,000,000	388,181,228,100	Extract 20% from profit after tax in 2017 and 20% profit after tax in 2018
	100%	800,000,000,000	-	Pay dividends by shares

II. Investor Relations in 2018

In 2018, Board of Investor Relations performed well on public relations and information disclosure in strict compliance with regulations on information disclosure under Circular 155/2015/TT-BTC dated Oct 6, 2018 by the Ministry of Finance guiding the disclosure of information on the stock market and the regulations of the State Securities Commission of Vietnam and Hanoi Stock Exchange.

All information about the Company's management and business activities and extraordinary information and events are disclosed timely, ensuring transparency, accuracy and completeness. In 2018, Board of Investor Relations, in cooperation with Marketing Department, successfully completed and upgraded the Company's website to ensure easy and convenient access to information. The Investor Relations section on the website provides Vicostone's information and documents including published information, financial data, annual reports, AGMs' documents and corporate governance reports, etc.

Vicostone has achieved the following outstanding results in Investor Relations in 2018:

- The Company was ranked in Top 10 mid-cap companies with the best annual report and Top 5 mid-cap companies with the best corporate governance in 2018. The Company's

Annual Report was highly praised for being transparent, providing adequate information about the Company's development orientation and strategy, policies for the environment, society, community and employees.

- The Company ensured equal treatment for shareholders by providing them with the same information and helping them (especially foreign investors) exercise their voting rights through AGM participation by proxy.
- The Company published information on its website, on the Corporate Information Management System (CIMS) of Hanoi Stock Exchange and on the Information Disclosure System (IDS) of State Securities Commission of Vietnam in a serious, transparent and legitimate manner, in accordance with Circular 155/2015/TT-BTC. Information about the Company's business performance, financial situation, corporate governance as well as shareholders' rights and interests are always accurately, fully and regularly updated.
- In the past year, Vicostone's Board of Investor Relations remained active and efficient, quickly responding to shareholders' inquiries via phone calls, emails, seminars, meetings, and express mails, providing shareholders with the most important and up-to-date information which may directly affect their rights and interests.



III. Investor Relations plan for 2019

Based on the evaluation and understanding of various shareholders' and investors' expectations, Vicostone's Board of Investor Relations will implement appropriate programs:

- Improving the quality of information disclosure by increasing the standardization, transparency, timeliness, accuracy and reliability of published information, thus actively contributing to Vicostone's stable and sustainable development on the stock market; as well as focusing on training and professional skills for Board of Investor Relations, information disclosure team and all areas related to the Company's production and business activities.
- Maintaining channels of communication and information exchange between the Company's Management and its shareholders and investors in order to provide them with detailed, specific and transparent information, ensuring the right understanding and making the right decision in investing in the Company.

04

SUSTAINABLE DEVELOPMENT

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COMMITMENT TO SUSTAINABLE DEVELOPMENT

Throughout 16 years of development, Sustainable Development has been the focus and guiding principle in every aspect of Vicostone's operations including production, business, corporate governance, investment in research and development of human resource. Self-awareness and realization of commitments in the interest of mankind and the public are the cornerstones of Vicostone's operation.

Satisfying customers' reasonable demands, protecting the environment, and ensuring employees' social security, occupational health and safety are the foundations for Vicostone's sustainable development. Accordingly, Vicostone commits to:

- Putting customers at the center of our business.
- Identifying "high-quality employees" as Company's the source of strength, intangible and invaluable assets. Solidarity, cooperation, responsibility, critical thinking and keeping promise are the Company's core values..
- Continuous advancement, using green, clean, resource-saving and energy-saving technologies, preventing and minimizing pollution to ensure occupational health, safety and well-being for employees.
- Realizing all commitments, maintaining outstanding quality and uniqueness of products and services are consistent orientations to develop brand reputation, thus making Vicostone the leading high-end engineered stone manufacturer.
- Respect for the rule of law, promoting transparent corporate governance for the common interests of shareholders and employees, link the Company's growth with its corporate social responsibility and long-term sustainable development.

Providing sufficient resources to maintain and continuously improve the Quality – Environmental – Corporate Social Responsibility – Occupational Health and Safety management systems according to ISO 9001:2015, ISO 14001:2015, SA8000:2014 and OHSAS 180001:2007 standards.



Photovoltaic cells of Vicostone's solar power system

ENGAGEMENT WITH THE STAKEHOLDERS

One of Vicostone's most important goals is to harmonize the interests of shareholders, partners, employees, communities and society. Therefore, Vicostone always focuses on and approaches the issues concerned by the stakeholders closely and effectively to engage them. By reviewing and evaluating the particularities of each stakeholder and identifying accurately the issues concerned by the stakeholders as well as the Company's goals to be achieved, Vicostone defines the most relevant and effective methods to approach the stakeholders and develop the engagement and communication plans.

Stakeholder	Concerned issues	Vicostone's purposes and goals	Vicostone's actions	Value creation
Shareholders and investors	<ul style="list-style-type: none"> • Effective use of investment capital; • Information transparency; • Interests of shareholders and investors; • Values of the Company and its stock; • Good corporate governance. 	<ul style="list-style-type: none"> • Maintain and expand relations with shareholders and investors; • Strictly comply with the information disclosure laws and ensure the transparency in all work. 	<ul style="list-style-type: none"> • Organize the Annual and Extraordinary General Meetings of Shareholders; • Collect opinions in writing from shareholders; • Enhance the efficiency of the Board of Shareholders' activities; • Completely execute the rights of shareholders in accordance with the laws and the Company's Charter; • Provide information on the Company's production and business performance sufficiently, transparently and timely to shareholders and investors; • Treat the shareholders equally; • Fully perform and comply with the obligations and responsibilities of a listed company in accordance with the securities law, and promote the VICOSTONE® brand to investors on the securities market. 	<ul style="list-style-type: none"> • Sustainable growth rate; • Information is disclosed in a timely, public and transparent manner; • Pay high dividends to shareholders and investors.
Customers and consumers	<ul style="list-style-type: none"> • Product designs are diverse, abundant and consistent with the tastes of customers; Continuously develop new products; • Products are unique and distinctive that competitors can not reproduce; • Product quality is stable and physiomechanical properties must comply with the technical requirements; • Quality of services: sales, warranty, aftersales services, etc; • Competitive and reasonable prices. 	<ul style="list-style-type: none"> • Strengthen and expand the distribution system; • Maintain and intensify the customers' loyalty to the brand name; • Improve the level of satisfaction of customers and consumers with the Company's products. 	<ul style="list-style-type: none"> • Gather the customer feedbacks from the Company's sales executives, agencies and distributors; • Conduct market researches and surveys; • Constantly innovate, improve, research and develop new products; • Constantly improve the advanced technology and techniques to produce high-quality products; • Deal with customers' issues and questions and support them. 	<ul style="list-style-type: none"> • Fast and prompt delivery as required by customers; • Documents are prepared quickly and accurately; • Online feedback and customer care at 24/7; • Execute sales and after-sales policies, take care of customers before, during and after sales to bring them the best service and satisfaction.
Suppliers	<ul style="list-style-type: none"> • Financial benefits; • Their confidential information must not be disclosed to their competitors; • Equal competition between suppliers. 	<ul style="list-style-type: none"> • Strengthen and expand the supplier system and create a sustainable value chain; • Ensure the mutual benefits; • Execute and comply with relevant obligations to suppliers. 	<ul style="list-style-type: none"> • Exchange information through the contract negotiation; • Direct meetings; • Assess the suppliers' performance annually, especially paying particular attention to the safety and environment protection; • Attend the specialized fairs and exhibitions; • Receive comments directly via the Company's email and phone number. 	<ul style="list-style-type: none"> • Ensure the product quality, competitive prices and fast delivery to help the Company obtain products and services with desired quality, reasonable and competitive prices in the market.

Stakeholder	Concerned issues	Vicostone's purposes and goals	Vicostone's methods	Value creation
Employees	<ul style="list-style-type: none"> • Safe, free and discrimination-free working environment; • Attractive salary and bonus policies, diverse and competitive welfare regime in comparison with other enterprises; • Opportunities for training and promotion; • Timely recognition of employee's achievements and contributions. 	<ul style="list-style-type: none"> • Strengthen the solidarity and cooperation in work, discipline and industrial manner for employees; • Strengthen and enhance the engagement and loyalty of employees; • Evaluate and improve the employee welfare policies; • Encourage all employees to participate in community activities. 	<ul style="list-style-type: none"> • Ensure safe working conditions, equality, freedom, and occupational health; • Maintain and continuously improve the good welfare and income policies; • Constantly improve the working environment and give employees opportunities for learning and developing; • All employees are assessed for their work performance and provided with optimal conditions to promote their capabilities; • Develop an engaging working environment, promoting collective learning and sustainable development. 	<ul style="list-style-type: none"> • Always maintain a safe working environment in which the occupational disease and accident rates are controlled and minimized; • In 2018, the Company held 95 training courses with total cost of over VND 700,000 million; • Salary policy is built on the 3P method (position, person and performance) to ensure the fairness, competitiveness and rationality.
Society and local community	<ul style="list-style-type: none"> • Product's quality, level of safety for users and environmental friendliness; • The local environment is not adversely affected by the Company's operation; • Employment issues of local people; • Local economic development; • The Company's contributions to the society. 	<ul style="list-style-type: none"> • Coordinate with the local authorities to receive feedback on the Company; • Support the local socio-economic development and protect the environment. 	<ul style="list-style-type: none"> • Provide good income employment to the local people, contributing to the better social order and life of the local community; • Participate in the environmental activities and other activities for the local community. 	<ul style="list-style-type: none"> • The Company's number of local employees is 556 persons (accounting for 81.5%); • Make constant improvements to achieve the best quality, environmental friendliness, and protect the sustainable environment.
Governmental authorities	<ul style="list-style-type: none"> • Comply with the laws in general and the decisions of local authorities in particular; • The Company's active participation in activities organized by the governmental authorities. 	<ul style="list-style-type: none"> • Take part in the completion of laws and the government regulations related to the Company's field of operation; • Build the Company's reputation to create favorable conditions during the operation. 	<ul style="list-style-type: none"> • Continuously update new legal documents related to the Company's field of operation; • Ask for consultation on issues related to the Company's production and business activities; • Give feedback on the policies and regulations of the government; • Participate in the programs on training and improving the community awareness on the sustainable development and environmental protection, and in the government programs to improve the people's life quality. 	<ul style="list-style-type: none"> • Contribute to the transparency of information, promote the brand, products and services to customers by timely updating legal provisions and operating in accordance with the laws; • Make more contributions to the society by fulfilling tax obligations.
Press agencies	<ul style="list-style-type: none"> • Provide the right information to the press quickly. 	<ul style="list-style-type: none"> • Actively exchange and share information with the press agencies to build an image of a prestigious and transparent corporation. 	<ul style="list-style-type: none"> • Hold press conferences; • Provide information on the Company's business performance accurately, regularly and timely to ensure the transparency; • Develop and maintain a "sharing culture" to ensure the equal access to information among the press agencies. 	<ul style="list-style-type: none"> • Contribute to the information transparency and improve the awareness and identity of brand, products and services to customers in particular and the public in general; • Provide news and articles with multi-dimensional perspectives. They are useful tools for VICOSTONE to collect information, grasp the market, customer needs, etc...

VICOSTONE'S CODE OF CONDUCT WITH STAKEHOLDERS



I. Conduct with Employees

1. Respect

Vicostone considers employees as its source of strength, thus commits to helping them make the best use of their skills and experience at work, giving them career development opportunities, contributing to each individual's success.

2. Information sharing

- Vicostone promotes sharing relevant information with employees on the basis of critical thinking and open communication, respecting each individual's constructive opinions, regardless of rank or age.
- Personal information: Respect employees' personal information and treat it as one of the top confidential information at the Company. Collection, processing, storage and use of employees' personal information may only be performed in case of necessity and in accordance with the laws.

3. Equal opportunities for all employees

- Equality in competence assessment: Based on employees' competence, attitudes, traits and performance to conduct assessment, recruitment, promotion, training, salary review and discipline.

- Equality in training opportunities: Based on each position's requirements, the Company provides training courses to enhance each employee's competence and increase their career development opportunities.
- Using advanced monitoring systems and measures to monitor working processes and assess each employee's performance in order to treat them fairly and equally.

4. Safe and healthy working environment

- Providing the best working conditions for employees in all aspects: Convenient, fully-equipped, smoke-free and alcohol-free workspace, fair and disciplinary working environment, etc.
- Ensuring employees' health: Complying with labor safety and health regulations.
- Resolving incidents quickly, fairly and accurately in compliance with the laws.

II. Conduct with customers, suppliers and business partners

1. Customers

- Providing high quality products and services at global standards, taking initiatives and applying unique technologies to improve existing products and services as well as developing new and distinctive ones.
- Building trust in customer relations: Conducting business in a fair and honest manner based on advantages of products, services and resources; maintaining no tolerance for bribery; listening to customers' thoughts and needs in order to add values to products and services.
- Complying with international trade regulations on customers' personal information: Respecting personal information protection rights in compliance with the host country's legal regulations.

2. Suppliers and business partners

- Respecting partners' interests: Creating mutually beneficial relationships, respecting partners' confidential information and healthy competition among suppliers, while prohibiting bribery from suppliers and business partners.
- Providing adequate and accurate information on working principles and procedures in order to ensure a smooth and fair workflow as well as healthy competition among suppliers and business partners.

III. Conduct with shareholders and investors

1. Maintaining transparency in information disclosure

Vicostone commits to provide financial statement and legal records to shareholders and suppliers in an adequate, accurate and timely manner and in accordance with the laws.

2. Respecting parties' interests, equality and mutually beneficial cooperation

Respecting opinions, interests or reasonable requests of shareholders and investors, committing that each employee working at the Company always acts towards common objectives and never takes advantage of the Company's support for personal benefits, harming the interests of shareholders and investors.

3. Prohibiting insider trading

Vicostone ensures the protection of internal information that has not been allowed to be published such as financial statements and merging and acquisition information.

IV. Conduct with competitors

1. Maintaining healthy competition, not infringing on the legitimate interests of competitors

The Company commits not to conduct unfair competition practices, for instance: obtaining competitors' confidential information in a non-legal or unethical method, spreading false information about competitors or hindering competition on the market.

2. Not signing agreements or memorandums of understanding

Not signing agreements or memorandums of understanding with competitors that negatively affect the market in general and the Company's customers in particular.

3. Complying with principles, agreements and deals between parties

Respecting competitors' confidential information, not taking retaliation against the provisions of competition laws and international conventions.

4. Not violating copyrights and intellectual property rights of other entities

The Company considers competition as the driving force for development, respecting and learning from its own competitors as among the steps to success.

V. Conduct with the community and society

1. Fulfilling responsibilities towards the community and society

Fulfilling responsibilities towards the community and society in accordance with the Company's competence and capacity, always focusing on and striving to protect the environment in all business areas, conducting continuous improvement, promoting energy and resource savings, preventing and minimizing environmental pollution, actively participating in the community activities and contributing to build a sustainable society.

2. Encouraging and supporting employees to exchange initiatives to improve the working environment

Encouraging and supporting employees to exchange initiatives to improve the working environment and protect the surrounding environment, actively organizing and participating in the community activities and movements.

3. Supporting local development

Actively participating in the Government's programs to improve the quality of life of local people, promoting programs to build and upgrade infrastructure, reducing poverty, creating jobs and supporting those in need as well as participating in the Government/local donations and support programs.

4. Supporting the community awareness raising programs on sustainable development and environmental protection

Using energy efficiently, preventing and coping with disasters, executing initiatives launched by the company or others to cope with climate change.

VI. Conduct with the Government

1. Strictly complying with the laws and regulations

Strictly complying with the laws and regulations such as: Competition Law, Environmental Protection Law, Labor Law, Intellectual Property Law and Securities Law...

2. Maintaining integrity in all relationships with the state agencies

Pledging not to commit illegal or immoral acts to gather or cover up information for the Company's own interests.

3. Ready to support and cooperate

Ready to support and cooperate with the state authorities in investigation activities when necessary.

REMARKABLE ACHIEVEMENTS IN SUSTAINABLE DEVELOPMENT IN 2018

- TOP 100 Sustainable Companies in 2018 certified by Vietnam Business Council for Sustainable Development under Vietnam Chamber of Commerce and Industry (VCCI);
- The VICOSTONE® brand recognized as “National Brand 2018”, confirming Vicostone’s position and reputation in the domestic and global markets;
- Vietnam National Quality 2018 Award, affirming that VICOSTONE® products strictly adhere to standards, measurement and quality requirements, and are highly reputable in the domestic and international markets.



Mr. Pham Anh Tuan - General Director of Vicostone JSC received the award of TOP 100 Sustainable Companies in 2018



Mr. Luu Cong An - Vice General Director of Vicostone JSC received the Certificate of Hanoi's construction works and facilities 5-star Green Energy

- Certified as “Hanoi’s construction works and facilities 5-star Green Energy” in 2018 by the Executive Board of the Program for Energy Savings and Efficiency;
- Official implementation of solar energy system, serving the demand of all office staff and partly used for production purposes;
- 9.7%: Average growth rate of employees’ income.

CORPORATE GOVERNANCE TOWARDS SUSTAINABLE DEVELOPMENT

I. Corporate structure for sustainable development

- At Vicostone, the Board of Directors is a strategic planning body, give directions and controls the execution of sustainable development activities with the assistance of the Sustainable Development Strategy Subcommittee.
- The General Director directly directs the execution of production and business plans under the sustainable development requirements.
- Safety Division, heads of departments and Labor Union are responsible for fulfilling the sustainable development requirements.

II. Standards and certificates for the corporate governance

1. HSEQ Standard System

- With the aim to ensure employees' safety and health and to protect the sustainable environment, Vicostone has established and constantly improved HSEQ (Health - Safety - Environment - Quality) standard system. The system includes:
 - › Occupational Health and Safety Management System - OHSAS 18001:2015
 - › Social Accountability System - SA 8000:2014
 - › Environmental Management System - ISO 14001:2015
 - › Quality Management System - ISO 9001:2015
- Along with the application of advanced technologies in the production process, the Company also applies international standards of environment, food hygiene and safety according to NSF, GreenGuard and Microbial Resistant standards.



2. ISO 9001:2015

In order to increase the Quality Management System's effectiveness, since 2017, the Company has upgraded its Quality Management System from ISO 9001:2008 to ISO 9001:2015. This upgrade reflects Vicostone's ability to respond on two new key terms:

Firstly, identifying the context of the organization in different phrases has helped Vicostone identify the strengths and weaknesses of the system to develop appropriate policies.

Secondly, risk identification and management has been extended beyond the Risk Management and Internal Audit Division, and implemented consistently in every department.

Applicable Standard	First registration date	Last modification date	*Took effect on	Certification number	Certified by
ISO 9001:2015	Nov 5, 2012	Sep 14, 2018	Sep 14, 2018	FM 692548	BSI

RESPONSIBILITY TOWARDS PRODUCTS

I. Product Quality Assurance

In order to ensure the implementation of the quality policy, the Company has applied the Quality System's principles to each and every department. The Company monitors the process by statistics, arranges independent auditor's inspection once a year and conducts monthly internal assessment in accordance with procedures, regulations and instructions.

In addition to the effective application of ISO systems in management, in order to ensure that products appeal to the customers' demands and abide by national and international regulations and standards, Vicostone always makes sure its production systems and products meet the following requirements:

No.	Description	Date of first certification	Expiry date	Certifying organization
1	VICOSTONE's engineered stones are assessed and certified to conform to National Technical Regulation QCVN 16:2014/BXD on bricks and paving stones.	Re-certified on 04/12/2017	03/12/2020	Vietnam Institute for Building Materials (Ministry of Construction)
2	NSF Standards certify that VICOSTONE's products are safe for use in laboratories, medical facilities and food preparation environment.	2008	Annually maintained	NSF International (United States National Sanitation Foundation)
3	Greenguard Standards certify that Vicostone's products are safe for indoor environment and safe for children and schools.	2009	Annually maintained	Greenguard Environmental Institute
4	CE Standard (EN 15285:2008 and EN 15286:2013) certifies that Vicostone's products meet the European Standards in terms of dimensions and heat resistance, waterproofness, abrasion resistance, and flexural strength.	2009	Annually maintained	SGS United Kingdom Ltd
5	Microbial Resistance certifies that Vicostone's products are anti-bacteria materials and anti-bacteria surfaces, thus giving a guarantee of safety for users and environment.	2009	Annually maintained	Greenguard Environmental Institute

I. Product Quality Assurance (Continued)

Below is the technical data sheet of VICOSTONE® quartz products which are tested according to international standards:

Characteristics	Test methods	Results
Water Absorption (% mass)	ASTM C97,C97M-09:2009	≤ 0.05%
	EN 14617-1:2013	≤ 0.06%
Apparent density	ASTM C97,C97M-09:2009	2.2-2.4 g/cm ³
	EN 14617-1:2013	
Bending strength	ASTM C880,C880M-09:2009	> 40 MPa
	EN 14617-2:2008	
Size stability	EN 14617-12:2012	Grade A
Resistivity determination	EN 14617-13:2013	Resistance (R_v) = $0.9 \times 10^{14} \Omega$ Resistivity (ρ_v) = $4.88 \times 10^{14} \Omega m$
Impact resistance	ASTM D1709:2015	≥ 3.0 J
	EN 14617-9:2005	
Compression strength	ASTM C170,C170M-09:2009	≥ 155 Mpa
	EN 14617-15:2005	
Mohs' hardness	EN101	6.0 – 7.0
Deep abrasion resistance	ASTM C1243:2009	Abraded Volume: $V \leq 195 \text{ mm}^3$
	EN 14617-5:2012	
Setting and melting resistance	ASTM C1026:2013	No change after 15 cycles
	EN 14617-5:2012	No change after 25 cycles
Slip resistance at roughness 400	DIN 51130:2004	R9 – R10
Bacteria resistance	ASTM D 6329:2015	Resistance Grade 3: bacteria do not grow
Chemical. acid resistance	EN 14617-10:2012	Grade C ⁴
Thermal shock resistance	EN 14617-6:2012	No change observed after 20 cycles
Durability when immersed in boiling water	AS 2924,2-7: 1998 (EQUI, TO ISO 4586,2-8: 1997)	Impact on the surface (Level): 5 - (no change observed)
Durability when dry heating	AS 2924,2-8: 1998 (EQUI, TO ISO 4586,2-8: 1997)	Impact on the surface (Level): 5 - (no change observed)
Durability when dyeing	AS 2924,2-15: 1998 (EQUI, TO ISO 4586,2-15: 1997)	Impact on the surface (Level): 5 - (no change observed)

II. Quality materials assurance

VICOSTONE® products contain 90% of quartz aggregates, one of the hardest natural substances. Quartz is completely eco-friendly and absolutely safe for human health. Quartz is supplied by large manufacturers from Belgium, India, Spain, Turkey, etc. with modern equipment system, ensuring absolute elimination of impurities before being sold to Vicostone.

Following are the total materials Vicostone used in production from 2016 to 2018:

Unit: Kg

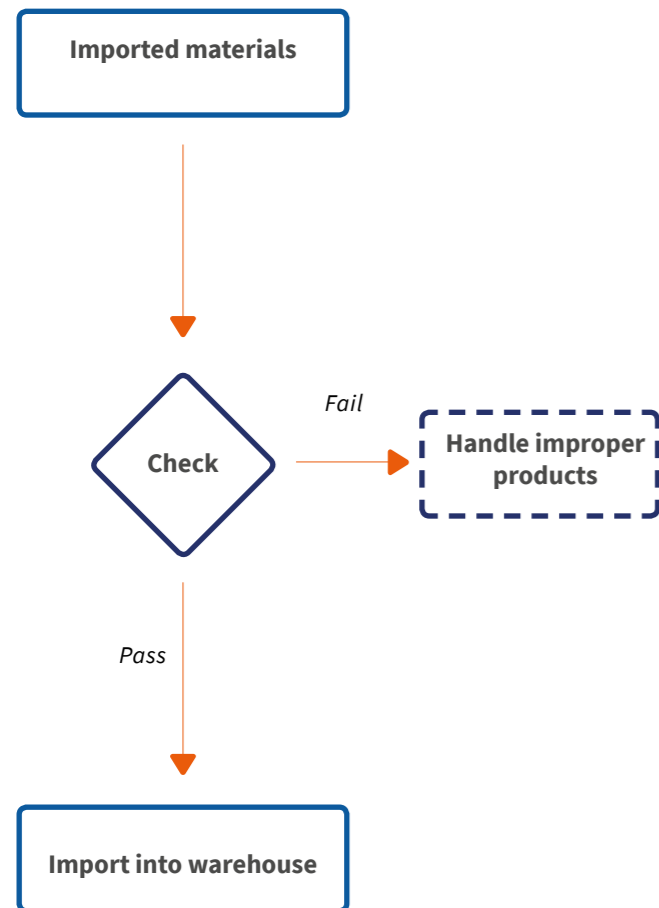
	2016	2017	2018
Pigment	278,159	466,433	348,495
Resin	5,380,480	6,710,860	7,937,075
Quartz	482,735	498,440	570,000
Others	37,193,434	48,605,400	55,745,150



All input chemical materials are carefully checked and tested by R&D Center

II. Quality materials assurance (Continued)

Process for checking imported materials



Description

Raw materials are imported in accordance with the Company's "Purchasing Process" and are prepared with all relevant information by the Sales Department and notified to the Material Department and Quality Assurance Department for inspection.

The QC staff (Quality Assurance Department) check and evaluate 100% of imported materials in accordance with the guidelines and standards approved by the Company's Management, in case:

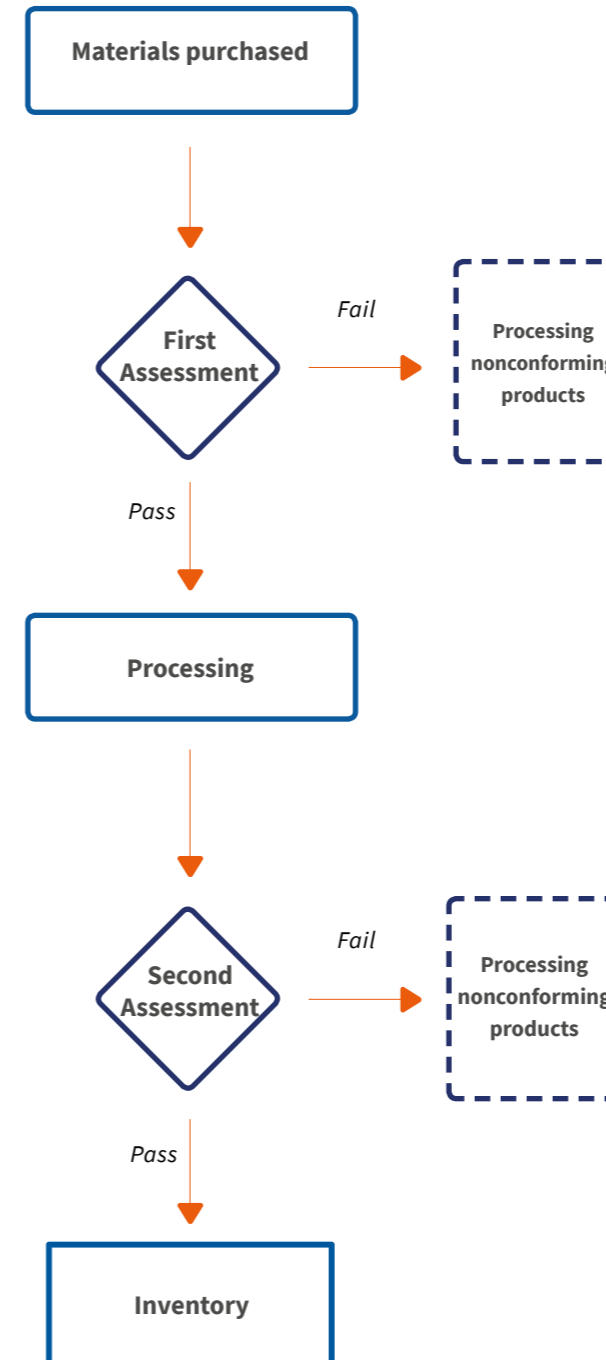
- Pass: Import into the warehouse
- Fail: Require to handle improper products as regulated

After being inspected and confirmed by QC staff, materials will be handed over to the Material Department for storage and maintenance according to standards, ensuring that the quality and quantity of materials are not degraded in the production process.

In 2018, Vicostone continued to perform partial localization of materials. All local raw materials were thoroughly controlled from import, preliminary processing and storage in order to maintain the same quality as imported materials and to reduce faulty product rate due to raw materials.

Items	2014	2015	2016	2017	2018
Imported quartz (tonnes)	65,050	64,423	48,742	65,126	88,550
Locally purchased quartz (tonnes)	5,972	11,636	24,233	29,582	27,593
Faulty product rate due to raw materials (Faulty products, Total products)	14.62%	18.3%	3.83%	3.24 %	1.83 %

Local raw materials inspection process



Description

All relevant information of raw materials purchased under the "Purchasing Process" are adequately prepared by the Sales Department and informed to Materials Department and Quality Assurance Department for further inspection.

QC staff from Quality Assurance Department checks and evaluates 100% of purchased materials in accordance with the inspection guidelines and standards approved by the Company's Management (First Assessment), in case of:

- Pass: Transfer to warehouse
- Fail: Process nonconforming products in accordance with the Company's regulations

Crushing and Screening Workshop staff follows the "Crushing and screening procedures" to process raw materials into refined materials, qualified for stone production.

QC staff inspects the quality of materials in processing procedure.

QC staff inspects and assesses 100% of processed materials in accordance with the inspection guidelines and standards (Second Assessment), in case of:

- Pass: Transfer to warehouse
- Fail: Process nonconforming products in accordance with the Company's regulations

After being inspected and confirmed by QC staff, materials will be handed over to Materials Department for storage, ensuring no quality and quantity degradation to occur during the storage process before production.

II. Quality materials assurance (Continued)

Annually, Vicostone assesses the competence of global and regional raw material suppliers to ensure VICOSTONE® products' conformity to top quality standards. In 2018, the Company conducted annual assessments of its main suppliers such as Rong Bay Production, Trade and Services Joint Stock Company and Eternal Materials Co., Ltd.

III. Meeting product control requirements

Requirements	Description	Results
Control in production process	All production stages are strictly controlled according to the Quality Management system ISO 9001:2015.	100% of all production stages were inspected
Product information	All product information (size, production date, quality, additional information, etc.) is shown in the label and barcode system, simplifying product retrieval.	100% of products were labeled and barcoded
Product quality control	100% of products are inspected under required criteria and classified into a range of quality.	100% of products had quality records, available for extracted and reported as necessary
Physico-mechanical property test	100% of product batches are tested on physico-mechanical properties. 100% of products are guaranteed to meet quality requirements before delivery.	100% of samples met the requirements
Usage safety check	All safety criteria for users such as anti-slip and fireproof properties are periodically checked when launching new products.	100% of samples met the requirements
Environmental safety check	Every year, Vicostone sends sample products to GreenGuard for inspection of the standards on emissions into the environment in the laboratory UL Environment (in the US).	100% of samples met the requirements
Food safety check	All food safety properties such as exposure and content of heavy metal in raw materials, bacteria and microorganisms development ability are annually assessed by NSF (USA).	100% of requirements were met
Packaging process check	100% of product containers are inspected by QC staff (Quality Assurance Department) on package quality and packaging specifications.	100% of containers are packed properly in compliance with regulations, ensuring requirements upon privileged companies

IV. Protection of intellectual property rights

1. Register for domestic and overseas protection of intellectual properties to protect the business competitiveness

Currently, VICOSTONE® brand has been registered for IP rights in 60 countries (28 countries in the EU), including key markets such as the United States, Canada, Australia, New Zealand, EU, Argentina, etc.

2. Other brand protection measures

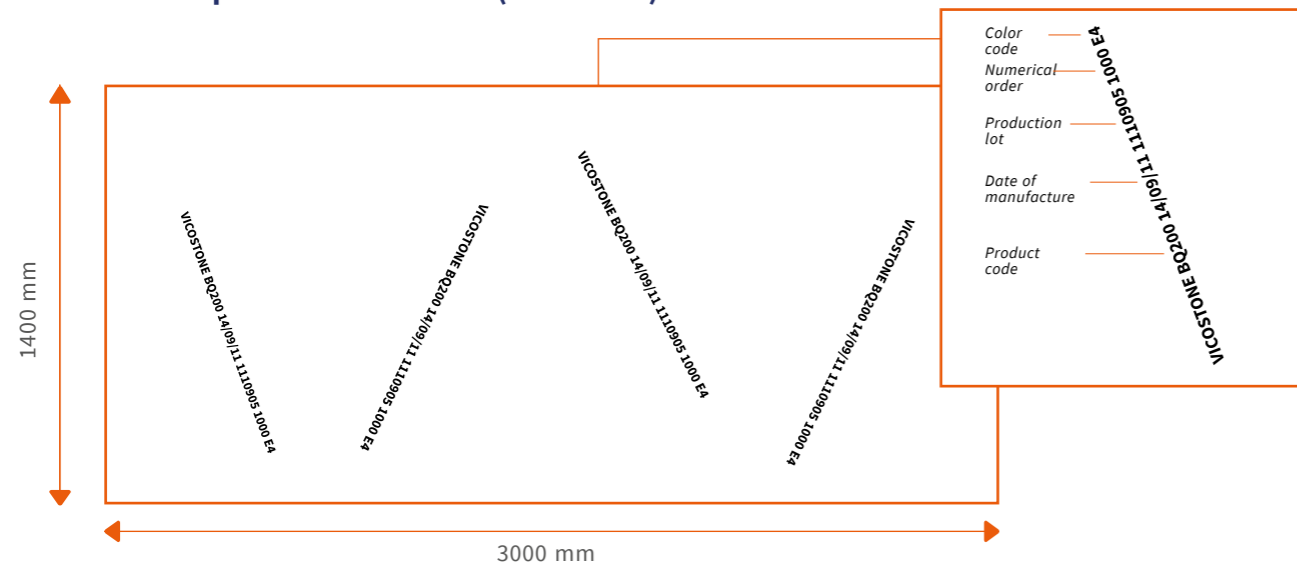
VICOSTONE® quartz-based engineered stone products are quintessence of the Company's knowledge, experience, expertise and know-how combined with the constant effort of the research and development team. In fact, after Vicostone's products are introduced to the market, the competitors quickly imitate those products by making small alteration and making them their own. Even though international laws have detailed and strict regulations on intellectual properties, filing law suits usually takes huge amount of time and costs. Therefore, the Company always attaches special importance to intellectual property and brand protection tools as below:

- **Anti-counterfeit tools:** The Company is currently using bar code system to manage all information related to each product (product identification number). The product code will be generated by the central server and converted into a two-dimensional bar code and then attached on the products in two ways:
 - › Print on the label and then attach on the products: The system will print the bar codes on the labels and then, the labels will be pasted on the corresponding products.
 - › Print directly on the back of the products: VICOSTONE® brand name is also printed on the back of the stone slabs with product code, date of manufacture, number and color code to increase the brand identity for consumers. This information exists permanently with the products and will not be lost or tarnished during transport or fabrication.



Label for identifying VICOSTONE® quartz stone products

2. Other brand protection measures (Continued)



Product information printed directly on VICOSTONE® products

Each product is labeled with a separate bar code to ensure quick and accurate information retrieval. This information enables customers to register the product warranty through the Company's website and confirm whether the product is genuine or fake.

• Technical measures

Along with the registration of legal protection, the Company also strengthens the registration and protection of its brand on the Internet to avoid disputing or appropriating ownership of domain name, copyright infringement, etc. Specifically, the Company has registered its brand name as domain name (<http://vicostone.com/>) and in nearly 50 countries in the world, including Vicostone's key markets such as North America (in the USA: vicostoneus.com, in Canada: vicostone.ca) and other markets such as Europe (vicostone.co.uk, vicostone.fr) etc. These websites provide full information about products, brand, locations of authorized dealers.

• Other measures

- › The Company strengthens the application of strict internal management measures to protect its know-how, information on equipment, machinery, production lines, etc. For example, it is strictly forbidden to film, record in the production area. All employees must sign a confidentiality agreement, ensuring that they do not exchange any confidential information or classified document to outsiders during employment and even when they no longer work at the Company.
- › Request partners to comply with the Company's intellectual property rights: In transactions with foreign partners and in sales contracts, customers must commit not to infringe the Company's trademark ownership. They will have to pay compensation in accordance with the law should there be any damage occurred.

In Vietnam, Vicostone offers a full range of services for customers, from measuring, drawing, offering, installation, warranty registration on the website, etc. This helps significantly limit the possibility of counterfeit or fake products of VICOSTONE® quartz brand.

RESPONSIBILITY TOWARDS THE ENVIRONMENT

In 2018, Vicostone had no violation of environmental law and regulation thanks to its effective environmental management systems.

With the commitment to "constantly improve and apply green and clean technologies, save resource and energy, and minimize pollution to ensure labor safety and welfare for employees", Vicostone assessed and identified all potential impacts of the Company's activities on the environment, as well as took synchronized measures to protect the environment.



I. Environmental risks

Environmental risks are the factors that cause negative impacts on the environment and reputation of enterprises.

1. Potential risk factors:

- Waste treatment system failures: Dust collection system, air filtration system, domestic wastewater treatment system and circulating water treatment system are not well-maintained, causing non-standard wastes discharge into the environment, affecting the surrounding environment and the Company's working environment.
- Production suspension due to waste transportation or treatment difficulties of lacking landfill sites.

2. When the above issues cause undesirable consequences:

- Negatively affecting the health of employees working in factory as well as the surrounding ecological environment;
- The local people file lawsuits against the Company to the Authorities. The Company may receive administrative penalties for violating relevant laws, or even be forced to cease production, causing economic losses;
- Most importantly, these issues will surely damage the Company's brand reputation in the international markets.

II. Activities and measures to protect the environment

1. Usage of eco-friendly materials

- Bio-resin, an absolutely eco-friendly plant-based resin, is being used in manufacturing engineered stones in place of fossil fuel-based resin;
- The Company has installed ventilation and fresh air supply systems so as to improve the working environment for employees;
- The Company also invested in a solar battery system on the office building's roof in order to reduce the consumption of electricity generated from other energy sources such as hydroelectric and thermal power, thus contributing to environmental protection and resource savings. The power source from this project serves the demand of all office staff and is partly used for production purposes. In 2019, the Company plans to expand the solar energy system to all plant roofs: Plant 1, Plant 2, Crushing and Screening Workshop, warehouses and other constructions.

2. Promotion of recycling and reuse

- Waste heat emission from the production line is reused in the production process itself in order to maximize the efficient utilization of energy sources;
- Recycled materials such as recycled glass and recycled quartz are reused to produce high-end composite materials, thus reducing the demands for original materials;
- Recycled materials used in VICOSTONE® engineered quartz production are as follows:

Unit: Kg

Materials	2016	2017	2018
Recycled materials (Mirror + Glass + Clam cover)	482,735	520,940	570,000

3. Reuse of industrial wastewater

With closed-loop wastewater treatment system, the water used in the production process is repeatedly treated and reused.

The polishing process requires a great amount of water. The process's waste water, containing inorganic impurities (silicon oxide, metal oxides, etc.) and organic impurities, is then treated through cyclone filtration system combined with treatment chemicals to precipitate all impurities into sludge. The filtered water is then brought back to the production line. The waste sludge is compressed into dry mud by a sludge press machine, which can be used to make unbaked materials or other eco-friendly usable products.

With these water treatment technological process and equipment, all industrial wastewater after being treated is recirculated and reused, not discharged into the environment.

4. Reuse of solid waste

Being regarded as one of the key missions in the sustainable development process, scientific research activities at Vicostone have always been a focus and intensively invested in. Research not only serves production activities such as searching for alternative sources of raw materials and solutions to improve productivity and product quality but also focuses on strategic missions of the Company and Phenikaa Group, such as improving production process to be "Green - Clean - Sustainable" and conducting breakthrough scientific researches to acquire brand new know-hows.

The company defines its competitive advantages through creating high quality products while maintaining their eco-friendly principles. Over the past years, the Company has focused on researching solutions to minimize impacts on the environment such as reusing solid waste from the production process to produce eco-friendly products and materials. With this goal in mind, the Company has deployed many scientific research

projects, including the key research topics of 2018 as follows:

"Research on the reuse of waste stone powder from the engineered stone production to produce dry mix mortars including tile adhesives, masonry mortars, plastering mortars, etc."

Pre-mixed cement-based tile adhesive is not a new material as there are many dry mix mortar products made of cement, sand and some other polymer additives currently available on the market. However, the unique approach of this research is to re-use waste products from the main production process to make tile adhesives, an eco-friendly construction material that meets standard TCVN7899-1:2008 for installing high-quality stone tiles. Remarkably, this tile adhesive meets all requirements in terms of technical specifications for installing engineered



Research activities of R&D team in the laboratory

4. Reuse of solid waste (Continued)

stones, including materials that are produced using organic binders, thus are not applicable with cement mortar for bonding and tiling.

The products of the project have been used in some construction works of the Company such as the office building, the 21-storey apartment building, the religious facility in Vinh Yen (Vinh Phuc) and some civil works with a total of 400 tonnes of tile adhesive produced.

“Research on processing waste stone powder to produce unbaked bricks with Geopolymer technology”

The State’s policy on environmental safety requires all building constructions to use 70% of unbaked bricks. Hence, the construction industry’s demand for unbaked bricks is increasing. In 2020, total volume of bricks used in construction works in Vietnam is expected to reach about 30 billion units, 40% of which are unbaked bricks. According to 2016 data, the total design capacity of unbaked brick manufacturers in Vietnam only reached 7 billion units. Therefore, research on the reuse of waste stone powder to produce unbaked bricks is necessary and appropriate.

Unbaked brick is no longer a new material, as there are many unbaked brick products produced and sold on the market with cement as their adhesive. However, the project distinguishes itself by the reuse of waste from the main production process to produce unbaked bricks with Geopolymer technology – a new type of binder. These unbaked bricks are qualified to be used in constructions, according to standard TCVN 6477:2016.

In 2018, the Company found the suitable materials and technological process and

successfully performed trial production using unbaked brick production equipment with Geopolymer technology, a new technology in the world and Vietnam. The Company plans to execute large-scale production with this technology in 2019 to serve internal construction works and aims to commercialize these products.

“Research on refinement of waste stone powder into pure SiO₂ to use in production of engineered compound stone or other materials”

By using various research approaches, some high-value products have been produced from waste stone powder. This project on refinement of waste stone powder into pure SiO₂ has made a great difference, turning waste into a high-class material. The research results have found the technological process of refining silica from waste stone powder.

Silica with high applicability is used differently in different products. Silica is used as a material in synthetic rubber production or as a thickener, synthetic oil or insulating adhesive. Silica, when used in tires or shoes production, increases tensile strength and expansion of products, giving them good abrasion resistance and reducing production costs. In addition, silica can be used as filler in silicone and the paper industry, helping the global paper industry reach USD 1.72 billion in 2016 and expected to reach USD 3.69 billion in 2022, according to a recent report from Grand View Research, Inc. The market growth is expected to increase considerably thanks to the wide application of silica in rubber, toothpaste and food industry. The increasing demand for rubber products is predicted to boost demand for silica. Rubber is used widely in the fields of automobile, construction, engineering and consumer

goods, in which Asia Pacific was the largest market in 2016, accounting for more than 45% of total consumption.

Thanks to the diverse application and great demand from the market, it is totally feasible to produce silica to supply for other industries.

With the aim to figure out the technique of refining silica from waste stone powder, the Company confirms that reusing waste from the production process of engineered stones is feasible and highly applicable. In 2019, the Company will continue the research on trial refinement on a larger scale.

5. Efficient energy management

5.1 Electricity

In 2018, the Company implemented a series of energy efficiency measures in production and equipment improvement, such as:

- Continuing to replace part of the Halogen lighting system with Led bulbs in warehouses and Technical Department’s workshop; using small-capacity air compressors so as to reduce the operating time of large-capacity ones. Especially at the beginning of 2018, the grid solar system was put into use with an installed capacity of 148.6kWp. After a year in use, the total electricity generated from the system is 305,449,861 kWh. At this capacity, the system is able to meet 75 – 85% of monthly electricity demand of the office building.
- Installing small-capacity air compressors to reduce the operating time of larger-capacity ones. In reality, in 2017, the air compression system’s monthly average power consumption was 195,650kWh for 195,811 m² of output, while in 2018, it was 202,750 kWh for 240,811 m², saving totally 9.5% of electricity consumption.
- Since 2017, the Company has readjusted the product portfolio, increasing the proportion of unique and distinctive product series, leading to an increase in average electricity consumption. However, the Company took measures to keep the power consumption at a stable level, with almost no increase in the consumption per square meter of product.



5.1 Electricity (Continued)

Vicostone's power consumption from 2014 - 2018 is as follows:

Year	Power consumption	M ² of vibrocompression	Average power consumption (KW/m ²)
2014	12,963,852	864,395	15
2015	13,109,274	877,949	14.93
2016	11,290,872	666,352	16.94
2017	12,867,154	801,413	16.06
2018	15,328,100	928,830	16.50

5.2 Gas

- Gas is used in heating oil for stone curing process after vibro-compression and in canteen.
- For stone curing: High-performance incinerators in use are automatically adjusted according to the temperature and pressure of oil burned. Hot oil pipelines are well insulated to prevent heat loss.
- In order to save gas in the production process, the Company maintained effective saving solutions at plants, in particular:
 - › Applying 5S in equipment and machinery operation, maintaining their best operating conditions;
 - › Regularly maintaining and repairing equipment and machinery to ensure their best performance;
 - › Synchronizing with other systems, to ensure no gas burning outside of the stone curing process.
- At the moment, complex product series are constantly being produced, but thanks to synchronized solutions, gas consumption in 2018 is lower than in 2017. The solar water heater system for the canteen is being put in good use to minimize gas consumption.

Vicostone's gas consumption from 2014 - 2018 is as follows:

Year	Gas consumption (Kg)	M ² of warehoused products	Average gas consumption (Kg/1m ²)
2014	193,920	848,578	0.23
2015	182,324	897,075	0.20
2016	160,262	639,027	0.25
2017	184,339	787,199	0.23
2018	209,573	937,889	0.22

5.3 Diesel oil

- Diesel oil is mainly used by forklifts for lifting and transporting in production. It is also used in equipment repair and backup generator operation in case of power outage.
- Diesel efficiency saving measures includes:
 - › Improvement in forklift maintenance to reduce fuel consumption;
 - › Optimization of arrangement and reduction of transport quantity;
 - › Frequent checking and supervision of transport vehicles by specialist engineers in order to maintain their good technical conditions;
 - › Training to improve drivers' driving skills and awareness of diesel oil savings;
 - › Application of setting operating time quota for vehicles in each production stage;
 - › Quality improvement in forklift maintenance and repair by applying 5S;
 - › Gradual adoption of a new technology: installation of rotating devices in the production line to minimize the use of forklifts.

Vicostone's diesel consumption from 2014 - 2018 is as follows:

Year	Diesel consumption (Litre)	M ² of warehouse products	Average diesel consumption (Litre/m ²)
2014	130,933	872,887	0.15
2015	136,915	897,075	0.15
2016	109,150	639,027	0.17
2017	110,243	787,199	0.14
2018	116,379	937,889	0.12

5.4 Efficient water use

Water used in production is treated in closed-loop wastewater treatment system, ensuring 100% of wastewater is treated and discharged back to the line, not discharged into the environment. This method helps save water in the production process and prevents negative impacts on the environment.

Since 2017, the product portfolio has mostly included high-class products which are difficult to polish, with the passed polishing rate reaching only 70% - 75% of that of conventional products. However, thanks to control measures, the Company's water consumption increased insignificantly. Wastewater from the polishing process is treated by Silo system. Sludge generated from closed-loop circulating wastewater treatment is handled by a sludge press machine. Liquid sludge will be pressed into dry, solid state and temporarily stored in a covered storage place before transportation and final treatment.

The Company currently uses clean water supplied by Dong Tien Thanh Investment Co., Ltd from Song Da water plant for production and domestic use.

5.4 Efficient water use (Continued)

Vicostone's water consumption from 2014 - 2018 is as follows:

Year	Water consumption (m ³)	M ² of polishing	Average water consumption (m ³ /1m ²)
2014	48,759	999,056	0.049
2015	41,239	1,083,183	0.038
2016	27,521	861,208	0.032
2017	28,684	813,706	0.035
2018	41,636	940,086	0.045

5.5 Wastewater, emission, dust and waste management system

Wastewater management

Domestic wastewater is treated through state-of-the-art wastewater treatment system with AAO technology using Membrane Bioreactor (MBR). Quality of treated water meets the Column A, QCVN 14:2008/BTNMT standard, which is currently the highest standard for domestic wastewater treatment in Vietnam. In order to meet practical requirements, in 2017, the Company upgraded the domestic wastewater treatment system, with the capacity from 90m³/day to 115m³/day.



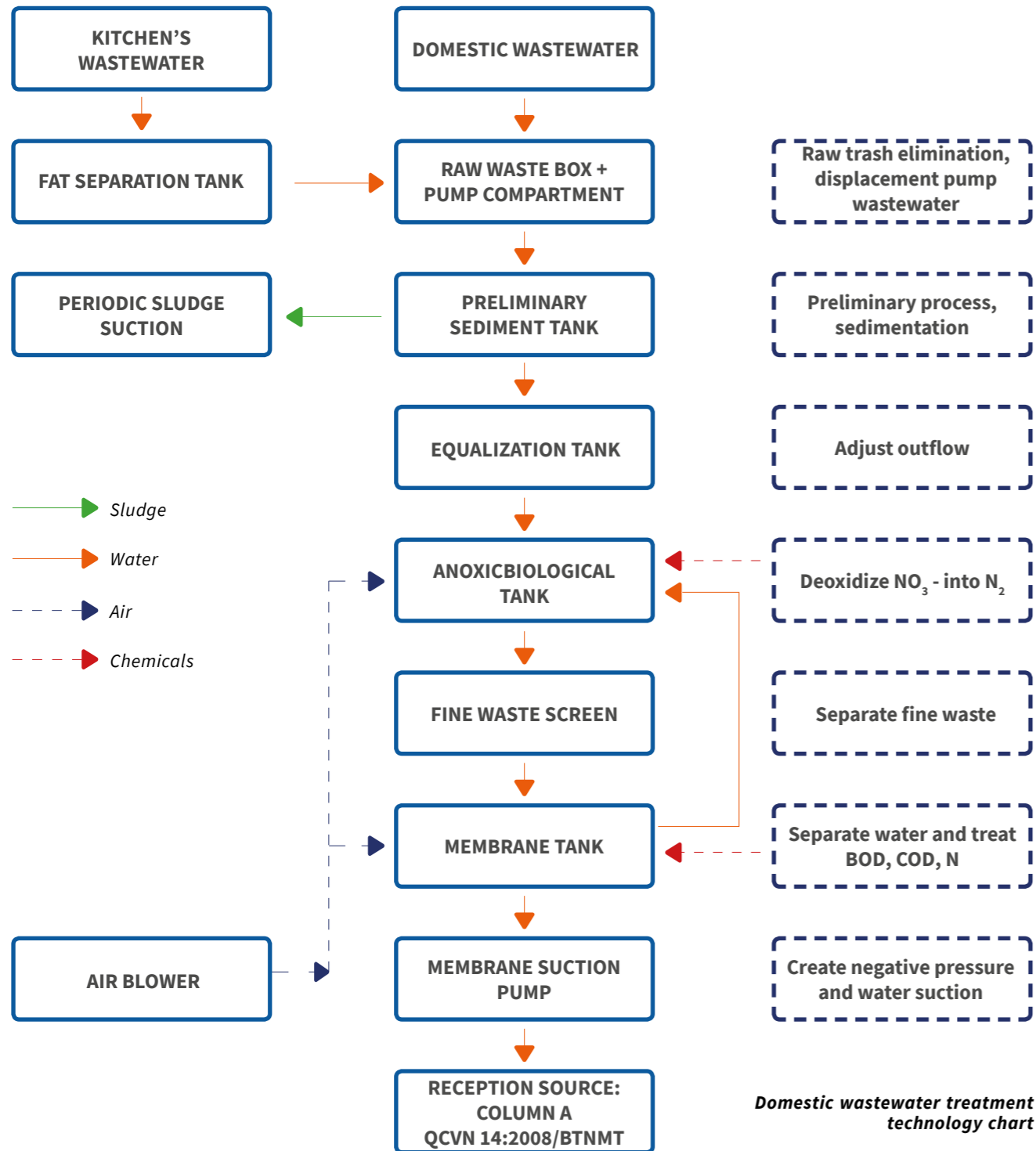
Vicostone's water circulating silo system

Analysis about the results of treated domestic wastewater quality in 2018

No.	Criteria	Unit	Quarter I's Result	Quarter II's Result	Quarter III's Result	Quarter IV's Result	QCVN 14:2008/ BTNMT	QCVN 40,2011/ BTNMT
							Column A	Column B
1	pH	-	6.5	7.2	7.3	6.82	5 - 9	6 - 9
2	Chemical oxygen demand (COD)	mg/l	95	49.8	34.6	44.2	-	150
3	Biological oxygen demand (BOD ₅)	mg/l	21.5	17.4	16.2	13.6	30	50
4	Total suspended solids (TSS)	mg/l	24	11.7	10.5	15	50	100
5	Total dissolved solids (TDS)	mg/l	310	350	360	320	500	-
6	Iron (Fe)	mg/l	0.192	0.09	0.121	<0.05	-	5
7	Mercury (Hg)	mg/l	<0.0003	<0.0003	<0.0003	<0.0003	-	0.01
8	Cadimi (Cd)	mg/l	<0.01	<0.01	<0.01	<0.01	-	0.1
9	Arsen (As)	mg/l	<0.0005	<0.0005	<0.0005	<0.0005	-	0.1
10	Lead (Pb)	mg/l	<0.003	<0.003	<0.003	<0.003	-	0.5
11	Coliform	MPN/ 100ml	900	1300	2100	350	3000	5000
12	Sulfide calculated by H ₂ S	mg/l	0.172	0.198	0.447	0.21	1,0	-
13	Ammonia calculated by N (NH ₃)	mg/l	2.53	3.85	4.5	3.82	5	10
14	Nitrate calculated by N (NO ₃ ⁻)	mg/l	29.6	25.6	3.12	22.6	30	-
15	Fat	mg/l	0.86	0.9	4.34	1.34	10	-
16	Total surfactants	mg/l	1.25	0.87	1.69	0.76	5	-
17	Phosphate calculated by P (PO ₄ ³⁻)	mg/l	5.42	4.47	5.07	4.94	6	-

Wastewater management (Continued)

Vicostone's current wastewater treatment technology is described in the following chart:



Emission Management

The Company maintains the emission management system and installs suction cone system at every source of odor and emissions. Emissions are absorbed through activated carbon filters before being released into the air. Treated emissions meet QCVN 20:2009 – The National Technical Regulation on industrial emissions for some organic substances.

Every six months, the Company employs a qualified monitoring team to assess the quality of treated emissions with the aim to ensure and maintain the effectiveness of the system.

Emission quality treated by the system at Plant 1

No.	Parameters	Unit	April 2018	October 2018	QCTĐHN 01:2014/BTNMT	QCVN 20:2009/BTNMT Maximum density
Emissions treated by the dust filtration system						
1	Total dust	mg/Nm3	23.7	25.7	200	-
2	CO	mg/Nm3	<20	<20	1000	-
3	SO ₂	mg/Nm3	<3.4	<3.4	500	-
4	NO ₂	mg/Nm3	<5	<5	850	-
Emissions treated by the odor absorber system						
1	Acetone	mg/Nm3	6.785	7.43	-	-
2	Styrene	mg/Nm3	4.12	5.12	-	100

Emission quality treated by the system at Plant 2

No.	Parameters	Unit	April 2018	October 2018	QCTĐHN 01:2014/BTNMT	QCVN 20:2009/BTNMT Maximum density
Emissions treated by the dust filtration system						
1	Total dust	mg/Nm3	34.7	27.8	200	-
2	CO	mg/Nm3	<20	<20	1000	-
3	SO ₂	mg/Nm3	<3.4	<3.4	500	-
4	NO ₂	mg/Nm3	<5	<5	850	-
Emissions treated by the odor absorber system						
1	Acetone	mg/Nm3	6.45	7.12	-	-
2	Styrene	mg/Nm3	1.33	1.54	-	100

Dust management

Maintaining and improving the dust filtration system using water-resistant and oil-resistant polyester filter bags, installing suction cone system and treatment system in dusty locations. Inorganic emissions from the dust treatment system meet QCVN 19:2009 – The National Technical Regulation on industrial emissions for dust and inorganic substances.

Waste management

The Company is yet to install a standard internal waste treatment system. However, the Company has planned and built a temporary storage place for normal and hazardous wastes discharged from the production process, adhering to all requirements and regulations on waste storage. The storage place for hazardous waste also meets all requirements for hazardous waste storage.

In order to comply with the Government's regulations on hazardous waste to prevent environmental pollution, the Company conducts waste classification at sources and employs capable and licensed companies in this field. In 2018, the Company executed the Contract No. 629/2017/HĐCN/URENCO11-VICOSTONE dated Nov 24, 2017 with Industrial and Urban Environment Joint Stock Company No. 11 – Urenco 11, which is legally licensed for hazardous waste treatment. For normal industrial waste, Vicostone also signed the Contract No. 000261/HĐ/XLCT on Aug 31, 2018 with Hanoi Industrial and Urban Environment Joint Stock Company to transport and treat common industrial waste incurred during the production process;

Furthermore, Vicostone has found a supplier capable of processing some kinds of waste into input materials for thermal power plants.

6. Environmental improvement activities

The Kaizen – 5S program has made a breakthrough and created a green, clean and efficient working environment throughout the Company. In 2018:

- Number of Kaizen initiatives accepted in 2018: 850 initiatives
- Number of completely applied initiatives: 613 initiatives
- Value of benefit: VND 4.91 billion

In addition, the Company also arranged “**Vicostone – Green environment, Healthy life**” program in order to raise employees' environmental awareness, encouraging them to comply with regulations, limit garbage discharging, and voluntarily collect, classify and dispose garbage at prescribed places.

The Company always shows interest in and endorses practical initiatives, improvements and solutions applicable to production. Some outstanding initiatives and technical improvements in 2018 have contributed to boosting productivity and quality, saving energy, reducing costs in production and business activities and serving as the foundation for the Company's sustainable development, including: Designing and putting into use a secondary silo system before vibro-compression machine to eliminate 100% of material defect errors in stone slabs; Designing and putting into use a pre-forming preliminary material pressing system for special products to increase productivity by 30%-40%.

RESPONSIBILITY TOWARDS THE COMMUNITY**I. Creating jobs for local employees**

Vicostone commits to fulfilling its responsibilities towards the community and society by providing high-income jobs for employees, mostly local, contributing to local stability and well-being.

In 2018, the number of local employees was 556 people, accounting for 81.5% of total headcount.

II. Charitable and humanitarian works

Besides focusing on business development and the wellbeing of its employees, Vicostone also places great importance on social activities, considering it as part of Vicostone's culture. In that spirit, such activities are carried out completely voluntarily by the sense of responsibility towards the community and society.

Remarkable activities include:

- Warm spring at the frontier 2019: VND 100,000,000
- Support for families in poverty and difficult situations: VND 70,000,000
- Education sponsorship for My Tho High School, Nam Dinh province: VND 200,000,000
- Education sponsorship for Yen Nghia Primary School, Ha Dong, Hanoi: VND 30,000,000
- Financing the cultural center establishment in Trai Duong hamlet, Nam Dinh province: VND 365,471,821
- Financing the infrastructure construction in Trai Duong hamlet, Nam Dinh province: VND 298,458,424
- Financing the renovation of Tay Thien Temple, Vinh Phuc province: VND 4,245,240,613
- Support for Vicostone kindergarten: VND 1,724,396,871
- Other charitable and humanitarian works: VND 1,153,534,782



Vicostone donated "Great Unity" houses to the poor households and policy families in Thach That District

Vicostone sponsored for the Program "Warm spring at the frontier" in Ha Giang province

SUSTAINABLE HUMAN RESOURCE DEVELOPMENT

Vicostone is currently employing 682 employees, 95% of which are under 45, trained, experienced and competent. They are the Company's invaluable assets and play an important role in building reputation, ensuring revenue and profit growth and bringing value to the Company. Therefore, Vicostone's Management has always focused on human resource development, building the qualified, skilled and loyal labor force to ensure its sustainable development.

This is reflected in Vicostone's recruitment and training policies, competence and performance assessment systems, remuneration, benefits and welfare schemes and various programs to create an engaging working environment.

I. Sustainable human resource development

1. Recruitment policy

High-performing labor force is the groundwork for the Company's sustainable development. Vicostone always places great importance on finding and attracting talents. The Company's recruitment principle is to employ candidates with the right qualification and experience, who are a good fit for the Company's culture, while also respecting the differences, breakthroughs and personal characteristics.

During the recruitment process, Vicostone always respects transparency and fairness. Besides, in order to optimize the available labor force, the Company prioritizes the internal recruitment based on conformity and competence.

In line with the recruitment for production and business, Vicostone also cooperates with Human Resource Division of Phenikaa Group to build the Employer Branding strategy for Vicostone.

Every year, based on the business plan approved by the Company's Management, functional departments work out human resources plans, including monthly and yearly anticipated hires. Year-round recruitment is executed according to the plans approved at the beginning of each year and might be later adjusted to fit the Company's business situation as well as the labor market.

In 2018, Vicostone recruited 93 new employees, of which 81.7% are new hires and 18.3% are internal transfers within Phenikaa Group.

2. Training policy

Considering human as the center of development, Vicostone always gives every employee the opportunity to make the best out of their competence and strengths at work, creating career development opportunities and contributing to each individual's success.



At Vicostone, training is carried out based on the actual training needs of each individual and department. According to the constructed competence description and framework, the managers annually evaluate the performance of their staff. Taking current competence assessment and its relevant benchmarking in consideration, each department will identify the skill gap to implement appropriate training programs in order to enhance employees' skills, thus ensuring the qualified labor force with sufficient capabilities and skills to realize business objectives.

In 2018, the Company issued a new edition of the Training and Development Regulations, with clearer and more specific instructions on training policies, encouraging employees to take part in training to enhance expertise, skills and apply their learned knowledge in work. Human resource training and development focus on improving the key personnel's competencies, especially the competencies and jobs that create core values for the Company.

In addition to the competence training programs for individual employees, in 2018, the Company also launched

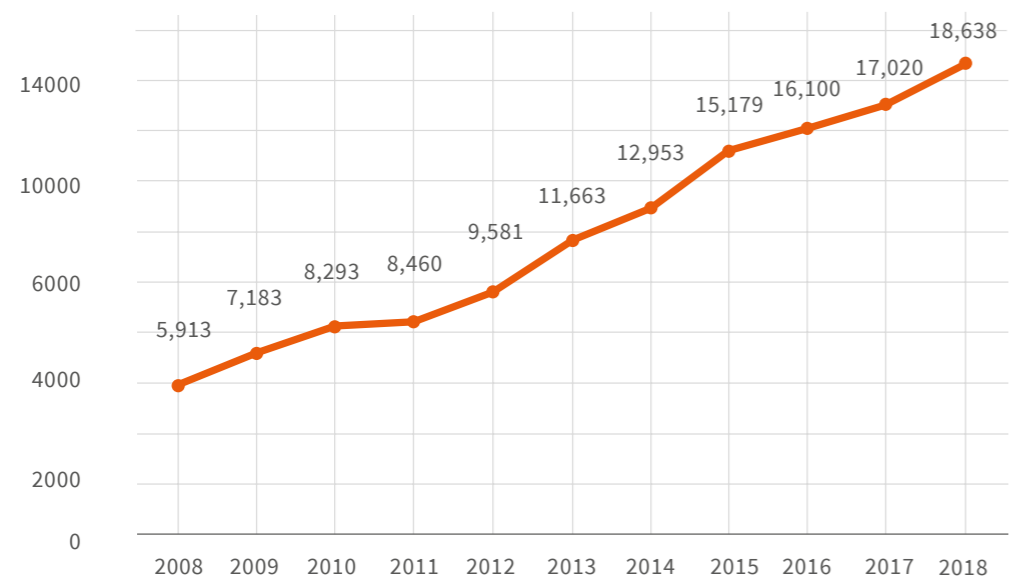
communication skills improvement programs for all engineers, bachelors and direct workers. Training contents focused on soft skills, such as communication and emotional management skills, workload management skills, time management skills, planning skills and teamwork skills. After the course, the Company received many positive feedbacks from the employees about their positive changes after taking part in the course and the recognition from managers about the staff's improvement in workplace communication.

In training activities, Vicostone prioritized core groups of competencies and human resources. In addition to training courses for competence building for managers, the Company also constantly organized soft skills and professional expertise training courses for direct workers and staffs, aiming to be a professional, advanced and modern manufacturing company.

In 2018, the Company arranged 95 internal and external training programs with a total of 10,000 hours of training, 4,559 participants and the external training cost of over VND 770 million.

3. Salary and remuneration policies

Vicostone always encourages employees' long-term commitment with the Company, improves labor productivity, attracts and maintains highly-qualified workforce. In 2018, the average income of employees reached VND 18.6 million/month/person, increasing by 9% compared to 2017.



Average income in 2008-2018 period (Unit: Thousand VND/person/month)

Vicostone's salary policy is built on the 3P method (position, person and performance) to ensure the fairness, competitiveness and rationality. The salary is calculated upon productivity, output of production team and sales volume of domestic sales team. The salary rate is defined upon job position, quantitative performance assessment. The periodic salary increase is implemented to encourage high-performing and skilled employees.

In addition, the Company also offers policy on allowances such as working allowances (petrol, telephone calls, working expenses, etc.) to help employees devote to their work.

The Company's salary and bonus policy is linked to job achievements, production and business performance, such as rewards for achievements, monthly performance, efficient business, technical initiatives, and for units and employees with outstanding achievements (Unit of the Year, Employee of the Year) and contributions to the Company. In addition, Vicostone also has bonus regime in the important holidays (New Year's Day, Lunar New Year, 30/4 and 1/5, National Day 2/9, annual holidays, Company establishment anniversary, etc.)

4. Welfare policy

Vicostone always commits and strictly complies with the State's regulations on regimes and policies for employees. Every year, besides the compulsory insurances (healthcare insurance, social insurance, unemployment insurance), Vicostone also registers the special health insurance package for employees in order to provide their health with best care, minimizing their absence of sickness that cause financial impact.

No.	Type of insurance	Amount (VND)	Notes
1	Social insurance	8,865,192,201	
2	Healthcare insurance	1,600,212,640	
3	Unemployment insurance	759,757,364	Required by the Labor Code
4	Insurance for labor accidents and occupational diseases	90,246,053	
5	Health insurance. in which:	554,286,000	
5,1	Leaders	75,000,000	Not required by the Labor Code
5,2	Managers	95,000,000	
5,3	Employees	384,286,000	
TOTAL		11,869,694,258	



Periodic health checks for Vicostone's employees

4. Welfare policy (Continued)

In 2018, the Company provided employees with additional health care and medical support insurance from PJICO Insurance with a premium of more than VND 550 million.

Since March 2018, the Company has implemented extra-two-day-off policy, giving employees extra two days off a month besides the usual four days off. Reducing workdays and offering more days off helps employees better relax, replenish labor power and create work-life balance, thus leading to higher concentration and productivity. Since the beginning of Jan 2019, Vicostone has applied two-day weekend off policy for all indirect labors and rotating eight-day off for direct labors. This practice is rarely exercised especially at manufacturing companies.

II. Attracting and retaining highly-qualified personnel

Setting an objective to increase revenue and profit by 2020 and pursuing vision 2025, retaining key and high performing employees has always been a challenge to HR department and company's Management team. This requires appropriate remuneration policies and corporate governance as well as fair training, assessment and recognition systems in order to increase employee loyalty and retention.

1. Salary, bonus and welfare policies are fair and commensurate with employees' contributions

One of the four key elements in human resource strategy of Phenikaa Group in general and Vicostone in particular is the salary and bonus policy. By offering competitive salary and bonus policy, Vicostone ensures to recognise and reward outstanding employees who make great efforts and contribution to the company's success.

At Vicostone, employees' fixed income is defined to provide minimum and competitive living standards for the employees. The company set benefit policy upon strategic values that each job segment provides.

In Vicostone, work performance is the decisive factor in recruitment and appointment. With this perspective of human resource management, Vicostone has applied BSC and KPIs, which measure the performance of each employee. These tools help leaders and managers assess the employees' competence fairly, transparently and timely, and orient their work under the defined roadmap and goals.

The 3P compensation system motivates the employees based on its fair and commensurate payment upon their competence. The income is calculated upon business performance that directly promote productivity.



Conference on reviewing production and business activities in 2018, deploying the plan for 2019 and reviewing Trade Union's activities and Employee Conference of 2018

2. Assessment and recognition

Contributions and achievements of employees are recognized in various ways. Every year, the Company voted "Outstanding Performers" and "High Performers". Furthermore, in the Performance Review Conference 2018, the Company honored and awarded four "Departments of the Year", four "Managers of the Year" and 32 "Employees of the Year" with the total award of VND 585 million. The recognition is communicated across the Group's channels: Magazines, Facebook.

In order to recognize the spirit of creativity and continuous improvement, every month, Vicostone awarded the best Kaizen initiatives. In 2018, 850 Kaizen initiatives were accepted and 613 were implemented, bringing a total value of over VND 4.91 billion.

The Company also applied extraordinary bonus policy for departments with outstanding achievements in research and innovation.

Phenikaa Group's quarterly internal journals always spend a space for honoring Unit of the Year, "Manager of the Year" and "Employee of the Year". It is a way for the Group to pay tribute to the employees' efforts and contributions.

II. Attracting and retaining highly-qualified personnel (Continued)

3. Diversification of training programs

Vicostone set top priority to internal training and career development. Promotion and appointment is decided upon how employees keep themselves upgrade with professional knowledge and skills.

Vicostone's training courses are divided into four key areas:

- Improving professional qualifications;
- Developing soft skills, foreign languages;
- Training new employees;
- Management and leadership skills.

In addition to attract talents from outside marketplace, Vicostone understand its proprietary manufacturing technology that requires a strategic and sustainable approach in internal human resource.

Under this orientations, Vicostone established an internal knowledge exchange via library, internal trainers training and employees-led training courses. Vicostone has organized the program "Training for Trainer" and granted the Internal Trainer Certificates to managers and engineers with professional qualifications and good training skills, thus ensuring the development of human resources with high quality, sharing knowledge widely and enhancing the human resources.

Vicostone also holds some training programs designed specifically for its employees such as "Production Manager", "Quality Manager" and "Technical English" training programs. The training programs allow qualified and potential employees to practise duties as production and quality managers to solve the Company's existing difficulties and challenges. This has helped the Company build a core employee team, thereby inspiring the constant learning and training movements to contribute to the Company's development.

The Company focuses on developing the reading and knowledge sharing culture. The library was built on April 2018 with thousands of books of various fields. The book review activity takes place in the monthly briefings between leaders and managers and books are chosen as the birthday presents for managers. Moreover, the Company also uses social media channels to spread the reading culture, sharing interesting books on management, teamwork and life skills.

4. Creating a positive and cohesive workplace

Vicostone's working environment is built on six key factors: **Honesty, respect, courage, cooperation, discipline, and integrity**. Employees are encouraged to raise their opinions and concerns on all fields through the internal forum, annual surveys, direct discussions or emails to the Company's Leaders and managers. All opinions are resolved or recognized as the basis for improving the issued procedures and regulations. In addition, Vicostone appreciates the spirit of criticism and dare to criticize. This is one of the key factors in training and developing the employees.

Vicostone applies ISO 9001, clear process and regulation systems in all work areas; documents and instruction forms are updated by departments and disseminated to each employee at the first stage of employment; the coordination and work steps are clearly defined in the Company's operating regulations. This helps the Company's leaders, managers and employees conduct business activities smoothly, professionally and clearly.

In addition, Vicostone's application of Social Accountability SA 8000 and the Occupational Health and Safety Management System OHSAS 18001 is its commitment to creating a safe working environment for every employee.

Internal communication is also an important factor to building a positive working environment, facilitating two-way communications between the Company's Management and employees. Vicostone implemented integrated channels such as website, email, in-person meetings between the General Director and employees, newsletters, Facebook and briefings in order to increase and update information on new policies, insurance, important events, etc. As a result, the Company has created open and multi-way communication channels between managers and employees and among employees themselves.

5. Creating employees' sense of belonging

Annually, the Company carries out an Employee Happiness Index survey in order to assess and take actions to improve the workforce's quality and increase their engagement and commitment. In 2018, the happiness index of Vicostone's employees reached 70.1%, far surpassing the average index as of 53.9% of the whole Vietnamese market, according to Anphabe's Happiness at Work Report 2017. High happiness index shows high commitment of employees with the Company, always making efforts for the common goals and together striving for a long-term commitment with the Company.

II. Attracting and retaining highly-qualified personnel (continued)

In 2018, team building activities were also regularly organized with the participation of nearly 600 employees in such events as launching the new brand identity and celebrating the Company's anniversary.

The Company establishes diverse communication channels to provide and exchange information across the Company. Every quarter, the Company issues Phenikaa Magazine in order to provide new knowledge and share work life culture stories to customers, partners and employees' families. The "Phenikaa family" Facebook group with almost 1,000 members instantly updates the latest news and stories of how employees nurture and foster cultural values at Phenikaa in

general and at Vicostone in particular.

In order to maintain mutual understanding and consensus among the Management and all employees, the Company annually arranges year-end and new year meetings between the Management and employees in order to review the achievements and lessons from the previous year and to deliver new years' message and resolution from the Company's Management. Mid-year and year-end performance summaries, as well as awards for high performing managers, employees and teams, are regularly conducted, establishing a mechanism for recognition, honoring and sharing information for all employees within the Company.



Vicostone's employees in team-building program "Connect and Share"



Women's football in a series of events of Phenikaa Group's establishment celebration in 2018



Vicostone's employees in team-building program "Connect and Share"

In order to create more cohesion and interaction among teams and individuals, Vicostone holds annual team building activities, such as:

- Sports activities like men's and women's football and badminton tournament, etc;
- The "Mysterious Circle" contest with the aim of learning more about science, technology, culture and values of the Company;
- Skill competitions to demonstrate Vicostone people's talent and passion.

Throughout the development journey, Vicostone has been making constant efforts to achieve the goal in high-quality human resource development. The Company firmly believes that the best workforce brings the best values to customers, shareholders, partners, the society and Vicostone's employees themselves. With relentless efforts, we are gradually **"realizing all commitments"** to build an ideal working environment, helping employees to stay loyal, devote themselves and create sustainable values for the Company and the society. And in turn the Company will find ways to return all of its sustainable values to its employees, just as the motto of Phenikaa Group.

05

AUDITED FINANCIAL STATEMENT

31 December 2018

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GENERAL INFORMATION

1. The company

Vicostone Joint Stock Company (“the Company”) is a shareholding company incorporated under the Law on Enterprise of Vietnam in pursuant to the Certificate of Business Registration for joint stock company No. 0500469512 dated 02 June 2005 issued by the Department of Planning and Investment of Ha Tay Province (now known as Hanoi City) and its subsequent amendments with the latest is the 18th amendment dated 16 April 2018.

The current principal activities of the Company are to manufacture and distribute quartz-based compound stone related products. The Company’s head office is located at Hoa Lac Hi-Tech Park, Thach Hoa commune, Thach That district, Hanoi City, Vietnam.

2. Board of Directors

Members of the Board of Directors during the year and at the date of this Report are:

Mr. Ho Xuan Nang	Chairman
Mr. Nguyen Quoc Truong	Member
Ms. Nghiem Thi Ngoc Diep	Member
Mr. Pham Anh Tuan	Member
Ms. Nguyen Dieu Thuy Ngoc	Member

3. Board of Supervisors

Members of the Board of Supervisors during the year and at the date of this Report are:

Mr. Luong Xuan Man	Head	
Ms. Tran Lan Phuong	Member	
Ms. Tran Thi Phuong Hoa	Member	Appointed on 15/03/2018

4. Board of Management

Members of the Board of Management during the year and at the date of this Report are:

Mr. Pham Anh Tuan	General Director
Mr. Pham Tri Dzung	Vice General Director
Mr. Luu Cong An	Vice General Director
Mr. Nguyen Chi Cong	Vice General Director

5. Legal representative

The Company’s legal representative during the year and at the date of this report is Mr. Ho Xuan Nang, Chairman. Mr. Pham Anh Tuan is authorised by Mr. Ho Xuan Nang to sign the accompanying financial statements for the year ended 31 December 2018 in accordance with the Letter of Authorisation No. 171/2017/ UQ-Vicostone dated 25 April 2017.

6. Auditor

The auditor of the Company is Ernst & Young Vietnam Limited.

REPORT OF BOARD OF MANAGEMENT

Board of Management of Vicostone Joint Stock Company (“the Company”) is pleased to present this report and the financial statement of the Company for the year ended 31 December 2018.

1. Board of Management’s responsibility in respect of the financial statements

Board of Management is responsible for the financial statements of each financial year which give a true and fair view of the financial position of the Company and of the results of its operations and cash flows for the year. In preparing those financial statements, Board of Management is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue its business.

Board of Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Board of Management confirmed that it has complied with the above requirements in preparing the accompanying financial statements.

2. Statement by Board of Management

Board of Management does hereby state that, in its opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of financial statements.

For and on behalf of Board of Management

General Director
PHAM ANH TUAN

26 February 2019

INDEPENDENT AUDITORS' REPORT

Reference: 60999244/20160258

To: **The shareholders of Vicostone Joint Stock Company**

We have audited the accompanying financial statements of Vicostone Joint Stock Company ("the Company") as prepared on 26 February 2019, and set out on page 5 to 37, which comprise the balance sheet as at 31 December 2018, the income statement and the cash flow statement for the year then ended and the notes thereto.

Board of Management's responsibility

The Company's Board of Management is responsible for the preparation and fair presentation of the financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Company as at 31 December 2018, and of the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of financial statements.

Ernst & Young Vietnam Limited

TRAN PHU SON
Vice General Director

Audit Practising Registration Certificate
No.: 0637-2018-004-1

Ha Noi, Vietnam
26 February 2019

TRINH XUAN HOA
Auditor

Audit Practising Registration Certificate
No.: 0754-2018-004-1

BALANCE SHEET

as at 31 December 2018

Currency: VND

Code	Assets	Notes	Ending balance	Beginning balance
100	A. Current assets		3,794,495,007,360	3,291,343,374,668
110	I. Cash and cash equivalents	4	427,351,751,020	656,279,062,859
111	1. Cash		292,851,751,020	131,779,062,859
112	2. Cash equivalents		134,500,000,000	524,500,000,000
120	II. Short-term investment		-	30,000,000,000
123	1. Held- to-maturity investment		-	30,000,000,000
130	III. Current accounts receivables		1,249,984,440,619	951,290,523,619
131	1. Short-term trade receivables	5	1,219,015,670,542	906,612,938,608
132	2. Short-term advances to suppliers		29,809,324,436	42,045,333,801
135	3. Short-term loan receivables		50,129,329	50,129,329
136	4. Other short-term receivables		2,014,625,084	3,487,430,653
137	5. Provision for doubtful short- term receivables	5	(905,308,772)	(905,308,772)
140	IV. Inventories	6	1,986,792,777,928	1,513,931,435,283
141	1. Inventories		1,991,574,856,306	1,525,067,072,548
149	2. Provision for obsolete inventories		(4,782,078,378)	(11,135,637,265)
150	V. Other current assets		130,366,037,793	139,842,352,907
151	1. Short-term prepaid expenses		1,826,553,049	1,611,134,018
152	2. Value-added tax deductible		128,539,484,744	96,848,824,774
153	3. Tax and other receivables from the State	12	-	41,382,394,115
200	B. Non-current assets		609,832,297,541	518,411,252,031
210	I. Long-term receivables		30,000,000	30,000,000
216	1. Other long-term receivables		30,000,000	30,000,000
220	II. Fixed assets		548,662,662,740	483,762,757,473
221	1. Tangible fixed assets	7	537,227,636,517	470,008,133,033
222	Cost		1,255,459,757,371	1,179,779,154,597
223	Accumulated depreciation		(718,232,120,854)	(709,771,021,564)
227	2. Intangible fixed assets	8	11,435,026,223	13,754,624,440
228	Cost		27,088,415,497	27,088,415,497
229	Accumulated amortisation		(15,653,389,274)	(13,333,791,057)
240	III. Long-term assets in progress		40,498,242,919	20,669,627,555
242	1. Construction in progress	9	40,498,242,919	20,669,627,555
260	IV. Other long-term assets		20,641,391,882	13,948,867,003
261	1. Long-term prepaid expenses	10	20,641,391,882	13,948,867,003
270	TOTAL ASSETS		4,404,327,304,901	3,809,754,626,699

Currency: VND

Code	Resources	Notes	Ending balance	Beginning balance
300	C. Liabilities		1,673,774,768,632	1,413,864,163,277
310	I. Current liabilities		1,673,444,027,380	1,413,416,219,225
311	1. Short-term trade payables	11	334,440,208,138	431,409,986,668
312	2. Short-term advances from customers		9,757,675,757	7,093,786,275
313	3. Statutory obligations	12	64,577,863,183	1,011,270,925
314	4. Payables to employees		229,287,988	3,771,949,853
319	5. Other short-term payables	13	89,425,707,048	531,594,464
320	6. Short-term loan and finance lease obligations	14	1,150,561,555,555	955,024,601,355
322	7. Bonus and welfare fund	15	24,451,729,711	14,573,029,685
330	II. Non-current liabilities		330,741,252	447,944,052
343	1. Scientific and technological development fund		330,741,252	447,944,052
400	D. Owners' equity		2,730,552,536,269	2,395,890,463,422
410	I. Capital	16	2,730,552,536,269	2,395,890,463,422
411	1. Share capital		1,600,000,000,000	800,000,000,000
411a	• Shares with voting rights		1,600,000,000,000	800,000,000,000
412	2. Share premium		60,800,000	60,800,000
415	3. Treasury shares		(240,431,166,590)	-
418	4. Investment and development fund		88,958,137,122	88,958,137,122
421	5. Undistributed earnings		1,281,964,765,737	1,506,871,526,300
421a	• Undistributed earnings by the end of prior year		497,902,309,476	534,648,902,854
421b	• Undistributed earnings for current year		784,062,456,261	972,222,623,446
440	TOTAL LIABILITIES AND OWNERS' EQUITY		4,404,327,304,901	3,809,754,626,699

Preparer
NGUYEN PHUONG ANH

Chief Accountant
NGUYEN THI NGA

General Director
PHAM ANH TUAN

26 February 2019

INCOME STATEMENT

for the year ended 31 December 2018

Currency: VND

Code	Items	Notes	Current year	Previous year
01	1. Revenue from sale of goods	18.1	4,522,435,184,761	4,352,524,092,876
02	2. Deductions	18.1	839,071,951	-
10	3. Net revenue (10 = 01 - 02)	18.1	4,521,596,112,810	4,352,524,092,876
11	4. Cost of goods sold	19	3,025,953,450,218	3,085,309,497,515
20	5. Gross profit from sale of goods (20 = 10 - 11)		1,495,642,662,592	1,267,214,595,361
21	6. Finance income	18.2	41,397,309,947	54,377,404,040
22	7. Finance expenses	20	69,868,203,492	48,814,490,753
23	In which:		32,204,626,279	40,596,080,433
25	8. Selling expenses	21	99,926,387,202	95,648,232,925
26	9. General and administrative expenses	21	46,095,744,750	52,199,633,236
30	10. Operating profit {30 = 20 + (21 - 22) - (25 + 26)}		1,321,149,637,095	1,124,929,642,487
31	11. Other income		1,509,915,834	1,178,903,601
32	12. Other expenses		4,148,980,489	1,096,988,069
40	13. Other (loss)/profit (40 = 31 - 32)		(2,639,064,655)	81,915,532
50	14. Accounting profit before tax (50 = 30 + 40)		1,318,510,572,440	1,125,011,558,019
51	15. Current corporate income tax expenses	23.1	194,966,717,351	3,233,701,436
60	16. Net profit after tax (60 = 50 - 51)		1,123,543,855,089	1,121,777,856,583
70	17. Basic earnings per share	26	6,548	6,520
71	18. Diluted earnings per share	26	6,548	6,520

Preparer
NGUYEN PHUONG ANH

Chief Accountant
NGUYEN THI NGA

General Director
PHAM ANH TUAN

26 February 2019

CASH FLOW STATEMENT

for the year ended 31 December 2018

Currency: VND

Code	Items	Notes	Current year	Previous year
	I. Cash flows from operating activities			
01	Profit before tax		1,318,510,572,440	1,125,011,558,019
	Adjustments for:			
02	Depreciation of tangibles fixed assets and amortisation of intangible fixed assets		73,311,383,678	69,515,393,902
03	Reversal of provisions		(6,353,558,887)	(9,351,468,914)
04	Unrealised foreign exchange losses/(gains) arisen from revaluation of monetary accounts denominated in foreign currency		14,558,364,655	(2,542,157,433)
05	Profits from investing activities		(10,788,956,248)	(32,427,146,147)
06	Interest expense	20	32,204,626,279	40,596,080,433
08	Operating profit before changes in working capital		1,421,442,431,917	1,190,802,259,860
09	Increase in receivables		(338,745,283,287)	(253,598,141,064)
10	Increase in inventories		(466,507,783,758)	(46,261,328,719)
11	Decrease in payables		(104,162,599,172)	(12,968,875,438)
12	(Increase)/decrease in prepaid expenses		(6,907,943,910)	3,250,173,887
14	Interest paid		(32,204,626,279)	(40,596,080,433)
15	Corporate income tax paid	12	(90,110,382,305)	(88,050,389,739)
17	Other cash outflows from operating activities		(61,771,915,626)	(45,254,691,969)
20	Net cash flows from operating activities		321,031,897,580	707,322,926,385
	II. Cash flows from investing activities			
21	Purchase, construction of fixed assets and other long-term assets		(151,732,739,001)	(83,893,283,198)
22	Proceeds from disposals of fixed assets and other long-term assets		91,909,000	110,000,000
23	Loans to other entities		(2,200,000,000)	(32,200,000,000)
24	Collections from borrowers and proceeds from sale of debt instruments of other entities		32,200,000,000	2,200,000,000
26	Proceeds from sale of investments in other entities		-	40,487,040,000
27	Interest and dividends received		10,705,402,612	12,271,399,748
30	Net cash flows used in investing activities		(110,935,427,389)	(61,024,843,450)

Currency: VND

Code	Items	Notes	Current year	Previous year
	III, Cash flows from financing activities			
32	Capital redemption		(240,431,166,590)	-
33	Drawdown of borrowings		1,774,781,625,802	1,651,455,987,647
34	Repayment of borrowings		(1,582,405,125,369)	(1,956,498,149,142)
36	Dividends paid to equity holders		(388,181,228,100)	(120,012,199,500)
40	Net cash flows used in financing activities		(436,235,894,257)	(425,054,360,995)
50	Net (decrease)/increase in cash for the year		(226,139,424,066)	221,243,721,940
60	Cash and cash equivalents at the beginning of the year		656,279,062,859	433,971,607,316
61	Impact of exchange rate fluctuation		(2,787,887,773)	1,063,733,603
70	Cash and cash equivalents at the end of the year	4	427,351,751,020	656,279,062,859

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

I. Corporate information

Vicostone Joint Stock Company ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam in pursuant to the Certificate of Business Registration for joint stock company No. 0500469512 dated 02 June 2005 issued by the Department of Planning and Investment of Ha Tay Province (now known as Hanoi City) and its subsequent amendments with the latest is the 18th amendment dated 16 April 2018.

The current principal activities of the Company are to manufacture and distribute quartz-based compound stone related products.

The Company's normal course of business cycle is 12 months.

The Company's head office is located at Hoa Lac Hi-Tech Park, Thach Hoa commune, Thach That district, Hanoi City, Vietnam.

The Company's total number of employees as at 31 December 2018 is 682 (31 December 2017: 640).

Preparer
NGUYEN PHUONG ANH

26 February 2019

Chief Accountant
NGUYEN THI NGA

General Director
PHAM ANH TUAN



II. Basis of preparation

1. Accounting standards and system

The Company's financial statements, expressed in Vietnam Dong ("VND"), are prepared in accordance with the Vietnamese Enterprise Accounting System and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 1);
- Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);
- Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4);
- Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 5).

Accordingly, the accompanying financial statements, including their utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

2. Applied accounting documentation system

The Company's applied accounting documentation system is the General Journal system.

3. Fiscal year

The Company's fiscal year applicable for the preparation of its financial statements starts on 01 January and ends on 31 December.

4. Accounting currency

The Company maintains its accounting records in Vietnam Dong ("VND") which is also the Company's accounting currency.

III. Summary of significant accounting policies

1. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at banks, short-term investments with an original maturity of no more than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

2. Inventories

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

The perpetual method is used to record inventories, which are valued as follows:

Raw materials, tool and equipment and merchandise goods	cost of purchase on a weighted average basis.
Finished goods and work-in process	cost of direct materials and labour plus attributable manufacturing overheads based on the normal operating capacity on a weighted average basis.

Provision for obsolete inventories

An inventory provision is created for the estimated loss arising due to the impairment of value (through diminution, damage, obsolescence, etc.) of raw materials, finished goods, and other inventories owned by the Company, based on appropriate evidence of impairment available at the balance sheet date.

Increases or decreases to the provision balance are recorded into the cost of goods sold account in the income statement.

3. Receivables

Receivables are presented in the financial statements at the carrying amounts due from customers and other debtors, after provision for doubtful debts.

The provision for doubtful debts represents amounts of outstanding receivables at the balance sheet date which are doubtful of being recovered. Increases or decreases to the provision balance are recorded as general and administrative expenses in the income statement.

III. Summary of significant accounting policies (Continued)

4. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset comprises its purchase price and any directly attributable costs of bringing the tangible fixed asset to working condition for its intended use.

Expenditures for additions, improvements and renewals are added to the carrying amount of the tangible fixed assets and expenditures for maintenance and repairs are charged to the income statement as incurred.

When tangible fixed assets are sold or retired, and any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the income statement.

5. Leased assets

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised in the balance sheet at the inception of the lease at the fair value of the

leased assets or, if lower, at the net present value of the minimum lease payments. The principal amount included in future lease payments under finance leases are recorded as a liability. The interest amounts included in lease payments are charged to the income statement over the lease term to achieve a constant rate on interest on the remaining balance of the finance lease liability.

Capitalised financial leased assets are depreciated using straight-line basis over the shorter of the estimated useful lives of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Rentals under operating leases are charged to the income statement on a straight-line basis over the lease term.

6. Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortization.

The cost of an intangible fixed asset comprises its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use.

Expenditures for additions, improvements are added to the carrying amount of the intangible fixed assets and other expenditures are charged to the income statement as incurred.

When intangible fixed assets are sold or retired, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the income statement.

7. Depreciation and amortisation

Depreciation of tangible fixed assets and amortisation of intangible fixed assets are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Buildings and structures	6 - 15 years
Machinery and equipment	3 - 15 years
Means of transportation	6 - 10 years
Office equipment	3 - 7 years
Others	5 - 8 years
Computer software	5 - 12 years

8. Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs are recorded as expense during the year in which they are incurred, except to the extent that they are capitalized as explained in the following paragraph.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial year of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset.

9. Prepaid expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses on the balance sheet and amortised over the year for which the amounts are paid or

the year in which economic benefits are generated in relation to these expenses.

The following types of expenses are recorded as long-term prepaid expenses and are amortised to the income statement.

- Tools and consumables with large value issued into production;
- Substantial expenditure on fixed asset overhaul;
- Other prepaid expenses.

Prepaid land rental

The prepaid land rental represents the unamortised balance of advance payment made in accordance with the lease contract signed with Bac Phu Cat Industrial Zone on 30 May 2008 for a period of 48 years, 7 months and 19 days. Such prepaid rental is recognised as a long-term prepaid expense for allocation to the income statement over the remaining lease period according to Circular 45/2013/TT-BTC dated 25 April 2013.

10. Investments

Held-to-maturity investments

Held-to-maturity investments are stated at their acquisition costs. After initial recognition, held-to-maturity investments are measured at recoverable amount. Any impairment loss incurred is recognised as expense in the financial statements and deducted against the value of such investments.

11. Payables and accruals

Payables and accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

III. Summary of significant accounting policies (Continued)

12. Foreign currency transactions

Transactions in currencies other than the Company's reporting currency of VND are recorded at the actual transaction exchange rates at transaction dates which are determined as follows:

- Transactions resulting in receivables are recorded at the buying exchange rates of the commercial banks designated for collections.
- Transactions resulting in payables are recorded at the selling exchange rates of the commercial banks designated for payments; and
- Transactions for purchasing assets or expenses which were immediately settled (not recorded via liabilities) are recorded at the buying exchange rates of the commercial banks designated for payments.

At the end of the year, monetary items denominated in foreign currencies are re-translated at the actual transaction exchange rates at the balance sheet date which are determined as follows:

- Monetary items which are classified as assets are translated at buying exchange rate of the commercial bank where the Company conducts regular transactions;
- Monetary items which are classified as liabilities are translated at selling exchange rate of the commercial bank where the Company conducts regular transactions.

All foreign exchange differences incurred during the year and arising from the revaluation of monetary accounts denominated in foreign currency at year-end are taken to the income statement.

13. Appropriation of net profits

Net profit after tax is available for appropriation to shareholders after approval in the Annual General Meeting of Shareholders, and after making appropriation to reserve funds in accordance with the Company and Vietnam's regulatory requirements.

The Company maintains the following reserve funds which are appropriated from the Company's net profit as proposed by the Board of Directors and subject to approval by shareholders at the Annual General Meeting of Shareholders.

13.1. Investment and development fund

This fund is set aside for use in the Company's expansion of its operation or in-depth investments.

13.2. Bonus and welfare fund

This fund is set aside for the purpose of pecuniary rewarding and encouraging, common benefits and improvement of the employees' benefits and presented as a liability on the balance sheet.

13.3. Scientific and technological development fund

This fund is set aside for the purpose of research, experimental of new material, chemical of its operation and trading.

14. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return. The following specific recognition criteria must also be met before revenue is recognised:

14.1. Sale of goods and real estates

Revenue is recognised when the significant risks and rewards of ownership of the goods/real estates have passed to the buyer, usually upon the delivery of the goods/real estates.

14.2. Interest

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

15. Taxation

15.1. Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted as at the balance sheet date.

Current income tax is charged or credited to the income statement, except when it relates to items recognised directly to equity, in which case the current income tax is also dealt with in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Company to set off current tax assets against current tax liabilities and when the Company intends to settle its current tax assets and liabilities on a net basis.

III. Summary of significant accounting policies (Continued)

15. Taxation (Continued)

15.2. Deferred tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for the financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporarily differences associated with investments in subsidiaries and associates, and interests in joint ventures where timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised, except:

- Where the deferred tax asset in respect of deductible temporary difference

which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of deductible temporarily differences associated with investments in subsidiaries, associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Previously unrecognised deferred tax assets are re-assessed at the balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted at the balance sheet date.

Deferred tax is charged or credited to the income statement, except when it relates to items recognised directly to equity, in which case the deferred tax is also dealt with in the equity account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right for the Company to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on:

- Either the same taxable entity;
- When the Company intends either settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

16. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Company (after adjusting for the bonus and welfare fund) by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit after tax attributable to ordinary equity holders of the Company by the weighted average

number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

17. Segment information

A segment is a component determined separately by the Company which is engaged in providing products or related services (business segment) or providing products or services in a particular economic environment (geographical segment), that is subject to risks and returns that are different from those of other segments.

Company's business segment is derived mainly from manufacturing and distributing quartz-based compound stone related products. Management defines the Company's geographical segments to be based on the location where the company sells its products.

18. Related parties

Parties are considered to be related parties of the group if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, or when the group and other party are under common control or under common significant influence. Related parties can be enterprise or individual, including close members of the family of any such individual.

IV. Cash and cash equivalents

Currency: VND

	Ending balance	Beginning balance
Cash on hand	884,341,985	502,612,218
Cash at banks	291,967,409,035	131,276,450,641
Cash equivalents	134,500,000,000	524,500,000,000
TOTAL	427,351,751,020	656,279,062,859

Cash equivalents as at 31 December 2018 represent bank deposits in VND with terms of 1 month and earn interest at the rates ranging from 4.96% to 5.5% per annum (31 December 2017: 5% to 5.5% per annum).

V. Short-term trade receivables

Currency: VND

	Ending balance	Beginning balance
Trade receivables from customers	588,695,638,554	586,204,055,465
• Pental Granite & Marble Company	131,437,062,376	233,990,119,790
• Australian Stone Design Marble Work Company	194,563,368,623	195,066,593,236
• Vicostone Canada Inc	152,965,902,228	105,538,605,101
• Other customers	109,729,305,327	51,608,737,338
Trade receivables from related parties (Note 25)	630,320,031,988	320,408,883,143
TOTAL	1,219,015,670,542	906,612,938,608
Provision for short-term doubtful debts	(905,308,772)	(905,308,772)

VI. Inventories

Currency: VND

	Ending balance		Beginning balance	
	Cost	Provision	Cost	Provision
Goods in transit	54,474,340,275	-	56,557,798,286	-
Raw materials	124,253,280,221	-	105,223,708,093	-
Tools and supplies	74,626,818,042	-	43,829,087,955	-
Work in process	14,482,115,768	-	32,146,742,719	-
Finished goods	365,744,912,305	(4,782,078,378)	344,190,041,140	(11,135,637,265)
Merchandise goods	1,357,993,389,695	-	943,119,694,355	-
TOTAL	1,991,574,856,306	(4,782,078,378)	1,525,067,072,548	(11,135,637,265)

Detail of movements of provision for obsolete inventories:

Currency: VND

	Current year	Previous year
Beginning balance	(11,135,637,265)	(20,635,369,482)
Add: Provision created during the year	-	-
Less: Utilisation and reversal of provision during the year	6,353,558,887	9,499,732,217
Ending balance (*)	(4,782,078,378)	(11,135,637,265)

(*) This represents provisions which were made for certain Breston stone products based on the assessments of Material Department, Quality Management Department and Sales Department of the Company. These comprise inventories which are unqualified and out of date products and do not meet with sale requirements and customers' predilection.

VII. Tangible fixed assets

Currency: VND

	Buildings and structures	Machinery and equipment	Means of transportation	Office equipment	Others	Total
Cost						
Beginning balance	156,502,943,525	977,496,108,332	26,677,851,889	13,551,852,755	5,550,398,096	1,179,779,154,597
• New purchase	5,007,363,193	129,216,867,713	465,000,000	3,639,260,839	-	138,328,491,745
• Disposal	(134,177,272)	(56,963,313,603)	-	-	(5,550,398,096)	(62,647,888,971)
Ending balance	161,376,129,446	1,049,749,662,442	27,142,851,889	17,191,113,594	-	1,255,459,757,371
In which: Fully depreciated	47,929,277,676	217,751,332,364	12,594,270,158	6,457,249,173	-	284,732,129,371
Accumulated depreciation:						
Beginning balance	94,744,017,299	579,512,532,898	19,669,836,517	10,294,236,754	5,550,398,096	709,771,021,564
• Depreciation for the year	8,765,064,281	58,038,203,740	2,105,693,128	2,200,027,112	-	71,108,988,261
• Disposal	(134,177,272)	(56,963,313,603)	-	-	(5,550,398,096)	(62,647,888,971)
Ending balance	103,374,904,308	580,587,423,035	21,775,529,645	12,494,263,866	-	718,232,120,854
Net carrying amount:						
Beginning balance	61,758,926,226	397,983,575,434	7,008,015,372	3,257,616,001	-	470,008,133,033
Ending balance	58,001,225,138	469,162,239,407	5,367,322,244	4,696,849,728	-	537,227,636,517

VIII. Intangible fixed assets

Currency: VND

	Computer software	Others	Total
Cost			
Beginning balance	27,050,415,497	38,000,000	27,088,415,497
Ending balance	27,050,415,497	38,000,000	27,088,415,497
<i>In which:</i>			
Fully amortised	1,300,827,400	38,000,000	1,338,827,400
Accumulated amortisation:			
Beginning balance	13,295,791,057	38,000,000	13,333,791,057
• Amortisation for the year	2,319,598,217	-	2,319,598,217
Ending balance	15,615,389,274	38,000,000	15,653,389,274
Net carrying amount:			
Beginning balance	13,754,624,440	-	13,754,624,440
Ending balance	11,435,026,223	-	11,435,026,223

IX. Construction in progress

Currency: VND

	Ending balance	Beginning balance
Construction in progress	40,130,255,856	19,081,401,704
Purchase	367,987,063	1,588,225,851
TOTAL	40,498,242,919	20,669,627,555

X. Long-term prepaid expenses

Currency: VND

	Ending balance	Beginning balance
Land rental fee (*)	6,662,260,726	6,936,993,127
Tools and equipment	4,410,483,626	2,523,846,756
Fixed asset overhauls	2,038,767,637	1,275,170,015
Other long-term prepaid expenses	7,529,879,893	3,212,857,105
TOTAL	20,641,391,882	13,948,867,003

(*) This represents the 2nd payment of land rental fee for 27,451 m² of land in Block 2A, Bac Phu Cat Industrial Zone under operating lease contract No.10/VC/HDKT-TLDCNCBPC dated 30 May 2008 with the lease term of 48 years, 7 months and 19 days from the contract's signing date. The total contract value and related information is presented in Note 7.

XI. Short-term trade payables

Currency: VND

	Ending balance		Beginning balance	
	Amount	Amount payable	Amount	Amount payable
Trade payables to suppliers				
• SHCP Pte, Ltd.	29,466,524,250	29,466,524,250	93,652,537,500	93,652,537,500
• Eternal Materials Co., Ltd.	32,059,652,768	32,059,652,768	60,847,424,000	60,847,424,000
• Other suppliers	109,631,361,356	109,631,361,356	151,422,979,862	151,422,979,862
Trade payables to related parties (Note 25)	163,282,669,764	163,282,669,764	125,487,045,306	125,487,045,306
TOTAL	334,440,208,138	334,440,208,138	431,409,986,668	431,409,986,668
Overdue amount	-	-	-	-

XII. Statutory obligations and other payables/and receivables from the state

Currency: VND

	Beginning balance	Payable for the year	Payment made in the year	Ending balance
Corporate income tax	(41,382,394,115)	194,966,717,351	(90,110,382,305)	63,473,940,931
Export, import tax	65,787,561	8,311,305,588	(7,890,912,969)	486,180,180
Personal income tax	945,483,364	10,927,216,971	(11,254,958,263)	617,742,072
Other tax payables	-	124,848,107,280	(124,848,107,280)	-
TOTAL	(40,371,123,190)	339,053,347,190	(234,104,360,817)	64,577,863,183
<i>In which:</i>				
Payables	1,011,270,925			64,577,863,183
Receivables	(41,382,394,115)			-

XIII. Other short-term payables

Currency: VND

	Ending balance	Beginning balance
Short-term		
Dividend payable	1,481,757,825	465,891,925
Others	341,043,223	65,702,539
Other payables to related parties (Note 25)	87,602,906,000	-
TOTAL	89,425,707,048	531,594,464

XIV. Loans and finance leases

Currency: VND

	Beginning balance		During the year		Ending balance	
	Amount	Amount payable	Increase	Decrease	Amount	Amount payable
Short-term loans	955,024,601,355	955,024,601,355	1,777,942,079,569	1,582,405,125,369	1,150,561,555,555	1,150,561,555,555

Detail of short-term loan is as follow:

Currency: VND

Name of lenders	Ending balance		Principal and interest repayment term
	VND	Original amount (USD)	
Indovina Bank Ltd.- Thien Long Branch	342,369,376,253	14,725,565	Monthly interest payables and principal repayment from January 2019 to October 2019
Bao Viet Joint Stock Commercial Bank – Transaction Center	185,177,173,838	7,968,037	Monthly interest payables and principal repayment from January 2019 to August 2019
BNP Paribas – Hanoi Branch	181,703,312,148	7,808,479.25	Weekly interest payables and principal repayment from February 2019 to July 2019
Joint Stock Commercial Bank for Foreign Trade of Vietnam – Thanh Cong Branch	171,851,188,301	7,393,039	Monthly interest payables and principal repayment from January 2019 to July 2019
Military Commercial Joint Stock Bank – Hoang Quoc Viet Branch	139,917,826,780	6,019,266	Monthly interest payables and principal repayment from January 2019 to July 2019
Asian Commercial Joint Stock Bank - Ha Thanh Branch	59,036,009,400	2,539,183	Monthly interest payables and principal repayment from January 2019 to August 2019
Vietnam Joint Stock Commercial Bank for Industry and Trade – Hanoi Branch	30,516,864,875	1,313,118	Weekly interest payables and principal repayment from February 2019 to July 2019
Joint Stock Commercial Bank for Investment and Development of Vietnam – Thach That Branch	30,988,913,200	1,333,430	Weekly interest payables and principal repayment from April 2019 to May 2019
Joint Stock Commercial Bank for Investment and Development of Vietnam – Thach That Branch	8,070,268,200	-	Monthly interest payables and principal is payable in February 2019
Vietnam Joint Stock Commercial Bank for Industry and Trade – Lang Hoa Lac Branch	930,622,560	40,044	Monthly interest payables and principal is payable in July 2019
TOTAL	1,150,561,555,555	49,140,161.25	

Short-term loans as at 31 December 2018 are unsecured loans.

XV. Bonus and welfare funds

Currency: VND

	Current year	Previous year
Beginning balance	14,573,029,685	17,301,473,378
Created during the year (Note 16.1)	71,650,615,652	42,526,248,276
Utilised during the year	(61,771,915,626)	(45,254,691,969)
Ending balance	24,451,729,711	14,573,029,685

XVI. Owners' equity

1. Increase and decrease in owners' equity

Currency: VND

	Share capital	Share premium	Treasury shares	Investment and development fund	Undistributed earnings	Total
Previous year						
Beginning balance	600,000,000,000	60,800,000	-	61,780,736,819	774,797,318,296	1,436,638,855,115
• Investment and development fund appropriation	-	-	-	27,177,400,303	(27,177,400,303)	-
• Bonus and welfare funds appropriation	-	-	-	-	(42,526,248,276)	(42,526,248,276)
• Stock dividends	200,000,000,000	-	-	-	(200,000,000,000)	-
• Interim dividend for the year 2017	-	-	-	-	(120,000,000,000)	(120,000,000,000)
• Net profit for the year	-	-	-	-	1,121,777,856,583	1,121,777,856,583
Ending balance	800,000,000,000	60,800,000	-	88,958,137,122	1,506,871,526,300	2,395,890,463,422
Current year						
Beginning balance	800,000,000,000	60,800,000	-	88,958,137,122	1,506,871,526,300	2,395,890,463,422
• Bonus and welfare funds appropriation (*)	-	-	-	-	(71,650,615,652)	(71,650,615,652)
• Treasury shares (**)	-	-	(240,431,166,590)	-	-	(240,431,166,590)
• - Stock dividends (*)	800,000,000,000	-	-	-	(800,000,000,000)	-
• Dividend declared for the year 2017 (*)	-	-	-	-	(160,000,000,000)	(160,000,000,000)
• Interim dividend for the year 2018 (***)	-	-	-	-	(316,800,000,000)	(316,800,000,000)
• Net profit for the year	-	-	-	-	1,123,543,855,089	1,123,543,855,089
Ending balance	1,600,000,000,000	60,800,000	(240,431,166,590)	88,958,137,122	1,281,964,765,737	2,730,552,536,269

(*) The appropriation of funds, stock dividends and cash dividends from the after-tax profit for the year 2017 was carried out in accordance with the Resolution of the Annual General Meeting of Shareholders 2018 No. 01/2018/NQ/VCS-DHDCD dated 15 March 2018.

(**) According to the Resolution No. 22/2018 NQ/VCS-QHCD dated 09 October 2018 of the Company's Board of Directors, the Company has redeemed 3,200,000 treasury shares, this transaction was completed on 21 November 2018.

(***) The interim dividend for the year 2018 is carried out in accordance with Resolution No. 19/2018 NQ/VCS-HDQT dated 2 July 2018 and Resolution No. 24/2018 NQ/VCS-HDQT dated 26 November 2018 of the Company's Board of Directors.

XVI. Owners' equity (Continued)

2. Share capital

Currency: VND

	Ending balance			Beginning balance		
	Amount (VND)	Ordinary shares	Preferred shares	Amount (VND)	Ordinary shares	Preferred shares
Share capital	1,600,000,000,000	160,000,000	-	800,000,000,000	80,000,000	-
Contributed by A&A Green Phoenix Group Joint Stock Company	1,280,000,000,000	128,000,000	-	640,000,000,000	64,000,000	-
Contributed by other shareholders	320,000,000,000	32,000,000	-	160,000,000,000	16,000,000	-
Share premium	60,800,000	-	-	60,800,000	-	-
Treasury shares	(240,431,166,590)	(3,200,000)	-	-	-	-
TOTAL	1,359,629,633,410	156,800,000	-	800,060,800,000	80,000,000	-

3. Dividends

Currency: VND

	Current year	Previous year
Dividends declared during the year	1,276,800,000,000	320,000,000,000
Dividends on ordinary shares	1,276,800,000,000	320,000,000,000
Interim dividends for 2017 (VND 2.000 per share)	-	120,000,000,000
Stock dividends for 2016 (issuance rate 20.000.000,60.000.000 par value,share)	-	200,000,000,000
2nd cash dividends for 2017 (VND 1.000 per share)	160,000,000,000	-
1st interim cash dividends for 2018 (VND 1.000 per share)	160,000,000,000	-
2nd interim cash dividends for 2018 (VND 1.000 per share)	156,800,000,000	-
Stock dividends for 2017 (issuance rate 1:1)	800,000,000,000	-

4. Shares

Currency: VND

	Ending balance Quantity	Beginning balance Quantity
Authorized shares	160,000,000	80,000,000
Issued shares	160,000,000	80,000,000
Issued and paid-up shares	160,000,000	80,000,000
• Ordinary shares	160,000,000	80,000,000
• Preferred shares	-	-
Treasury shares	(3,200,000)	-
Number of shares held by the Company	(3,200,000)	-
Ordinary shares	(3,200,000)	-
Preferred shares	-	-
Shares in circulation	156,800,000	80,000,000
Ordinary shares	156,800,000	80,000,000
Preferred shares	-	-

Par value of outstanding share: VND 10,000/share (31 December 2017: VND 10,000/share).

XVII. Off balance sheet items

Item	Ending balance	Beginning balance
Foreign currencies		
US Dollar (USD)	9,146,284	2,163,103
Euro (EUR)	382,588	421,691
Canada Dollar (CAD)	2,343,235	2,890,692

XVIII. Revenues

1. Revenues from sale of goods

Currency: VND

	Current year	Previous year
Gross revenue	4,522,435,184,761	4,352,524,092,876
Sale of goods	4,522,435,184,761	4,074,619,913,299
Sale of real estates	-	277,904,179,577
Sales deductions	(839,071,951)	-
Trade discounts	(839,071,951)	-
Net revenue	4,521,596,112,810	4,352,524,092,876

2. Finance income

Currency: VND

	Current year	Previous year
Gain from disposal of investment in associate	-	20,055,746,400
Foreign exchange gain	30,691,907,335	22,050,257,892
Interest income	10,705,402,612	12,271,399,748
TOTAL	41,397,309,947	54,377,404,040

XIX. Cost of goods sold

Currency: VND

	Current year	Previous year
Cost of finished goods sold	2,315,440,431,776	2,198,573,059,545
Cost of raw materials and consumables sold	717,156,455,867	640,433,817,748
Cost of real estate sold	-	277,904,179,577
Import tax refunds	-	(19,436,473,292)
Utilisation of provision for obsolete inventories	(6,353,558,887)	(9,499,732,217)
Others	(289,878,538)	(2,665,353,846)
TOTAL	3,025,953,450,218	3,085,309,497,515

XX. Finance expenses

Currency: VND

	Current year	Previous year
Loan interest	32,204,626,279	40,596,080,433
Foreign exchange losses	37,663,577,213	8,156,543,240
Others	-	61,867,080
TOTAL	69,868,203,492	48,814,490,753

XXI. Selling expenses and general and administrative expenses

Currency: VND

	Current year	Previous year
Selling expenses incurred during the year		
• Loading and delivery costs	61,349,671,652	66,361,469,288
• Packaging costs	10,720,258,475	8,311,680,933
• Others	27,856,457,075	20,975,082,704
TOTAL	99,926,387,202	95,648,232,925
General and administrative expenses for the year		
• Labour costs	19,949,346,036	23,122,103,509
• Depreciation	8,528,020,127	8,455,641,887
• Others	17,618,378,587	20,621,887,840
TOTAL	46,095,744,750	52,199,633,236

XXII. Production and operating costs

Currency: VND

	Current year	Previous year
Raw materials and merchandises	2,900,241,008,682	2,705,328,421,952
Cost of real estates sold	-	277,904,179,577
Labour costs	84,207,910,711	84,860,973,789
Depreciation and amortisation of fixed assets	73,311,383,678	69,515,393,902
Expenses for external services	109,586,601,787	106,245,762,064
Others	14,959,385,461	17,376,448,211
TOTAL	3,182,306,290,319	3,261,231,179,495

XXIII. Corporate income tax

The Company is obliged to pay corporate income tax ("CIT") as follows:

In regards to sale of finished goods of Factory No.1 as the initial investment project:

The CIT rate applicable to the Company is 15% of taxable profits for 12 years starting from first year of operating from 2005 to 2016, and 20% of taxable profits in the subsequent years.

The Company is entitled to an exemption from CIT for 3 years starting from the first year of earning profits (from 2006 to 2008) and a 50% CIT reduction in the following 7 years (from 2009 to 2015). Accordingly, CIT rate applied for taxable profit for the current year is 20%.

In regards to sale of finished goods of Factory No.2 as the business expansion:

Factory No.2 project meet the statutory requirements as business expansion in accordance with Circular 96/2015/TT-BTC issued by the Ministry of Finance on 22 June 2015 ("Circular 96"). Accordingly, the Company is entitled to CIT exemption, reduction applicable for a new project located in the same area, specifically CIT is exempted for 4 years commencing from the first year of earning taxable profits and is a 50% reduction in the following 9 years. The first year of earning taxable profits of the Factory No. 2 is 2014. However, Circular 96 is only applied from 2015 onwards and thus, an exemption period is from 2015 to 2017 and CIT reduction of 50% in the following 9 years (from 2018 to 2026). Accordingly, the Company is entitled to CIT rate of 10% of profit from sale of finished goods of Factory No.2 in the current year.

In regards to trading activities:

CIT rate applicable to this business activity is 20% of taxable profit.

The tax returns filed by the Company are subject to examination by the tax authorities. As the application of tax laws and regulations is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the tax authorities.

1. CIT expenses

Currency: VND

	Current year	Previous year
Current tax expenses	193,231,308,456	112,471,382,572
Adjustments for under/(over) accruals of CIT in prior years	1,735,408,895	(109,237,681,136)
TOTAL	194,966,717,351	3,233,701,436

2. Current tax

The current CIT payable is based on the estimated taxable profit for the current year. The taxable profit of the Company differs from the profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Reconciliation between CIT expense and the accounting profit multiplied by CIT rate is presented below:

Currency: VND

	Current year	Previous year
Accounting profit before tax	1,318,510,572,440	1,125,011,558,019
CIT expenses at CIT rate applicable to the Company	263,702,114,488	225,002,311,604
<i>Adjustment to increase:</i>		
Administrative penalties	564,609,039	1,206,231
Adjustment for under accrual of tax from prior years (*)	1,735,408,895	-
Non-deductible expenses	2,358,444,397	105,491,909
<i>Adjustments to decrease:</i>		
Reversal of unrealised foreign exchange rate difference of previous year which were realized in the current year	-	(88,277,997)
Tax exempted. reduction	(73,393,859,468)	(112,549,349,175)
Adjustments for over accrual of CIT in previous years	-	(109,237,681,136)
CIT expense	194,966,717,351	3,233,701,436

(*) This is the amount of CIT arrearred from 2015 to 2017 according to the conclusion of the Hanoi General Department of Taxation in Decision No. 1655/QD-TCT on 10 October 2018.

XXIV. Segment information

The primary segment reporting format is determined to be geographical segments as the Company's risks and rates of return are affected predominantly by differences in the locations where the Company sells its products.

The operating businesses are organised and managed separately according to the locations where the Company operates, with each segment representing a strategic business unit that offers different products.

The current principal activities of the Company are to manufacture and trade quartz-based compound stone related products. Information about revenue and assets of Company's geographical segment is presented below:

Currency: VND

	Domestic operating activities	Export activities	Total
As at 31 December 2018 and for the year then ended			
Revenue			
Sales to external customers	1,295,941,289,723	3,225,654,823,087	4,521,596,112,810
Inter-segment sales	-	-	-
Total revenue	1,295,941,289,723	3,225,654,823,087	4,521,596,112,810
Results			
Segment gross profit	255,220,404,353	1,245,891,534,409	1,501,111,938,762
Unallocated cost of goods sold	-	-	(5,469,276,170)
Gross profit	-	-	1,495,642,662,592
Unallocated income. expenses	-	-	(177,132,090,152)
Net profit before tax	-	-	1,318,510,572,440
Corporate income tax expense	-	-	(194,966,717,351)
Net profit for the year	-	-	1,123,543,855,089
Assets and liabilities			
Segment assets	389,347,159,095	828,763,202,675	1,218,110,361,770
Unallocated assets	-	-	3,186,216,943,131
Total assets	-	-	4,404,327,304,901
Unallocated liabilities	-	-	1,673,774,768,632
Total liabilities	-	-	1,673,774,768,632
Other segment information			
Capital expenditure of tangible fixed assets	-	-	138,328,491,745
Depreciation	-	-	73,428,586,478

Currency: VND

	Domestic operating activities	Export activities	Total
As at 31 December 2017 and for the year then ended			
Revenue			
Sales to external customers	1,195,757,526,414	3,156,766,566,462	4,352,524,092,876
Inter-segment sales	-	-	-
Total revenue	1,195,757,526,414	3,156,766,566,462	4,352,524,092,876
Results			
Segment gross profit	134,438,202,433	1,118,634,579,440	1,253,072,781,873
Unallocated cost of goods sold	-	-	14,141,813,488
Gross profit	-	-	1,267,214,595,361
Unallocated income. expenses	-	-	(142,203,037,342)
Net profit before tax	-	-	1,125,011,558,019
Corporate income tax expense	-	-	(3,233,701,436)
Net profit for the year	-	-	1,121,777,856,583
Assets and liabilities			
Segment assets	98,903,181,595	806,804,448,241	905,707,629,836
Unallocated assets	-	-	2,904,046,996,863
Total assets	-	-	3,809,754,626,699
Unallocated liabilities	-	-	1,413,864,163,277
Total liabilities	-	-	1,413,864,163,277
Other segment information			
Capital expenditure of tangible fixed assets	-	-	5,012,945,100
Depreciation	-	-	69,627,210,979

Unallocated cost of goods sold mainly include reversal of provision for obsolete inventories and others cost of goods sold which cannot be allocated in geographical segment.

Income and expenses except for cost of goods sold, assets except for trade receivables and related provision for bad debts, and payables, are not allocated into geographical segment due to not being clearly identified for each segment.

XXV. Transactions with related parties

Significant transactions with related parties during the year were as follows:

Currency: VND

Related parties	Relationship	Transactions	Current year	Previous year
A&A Green Phoenix Group JSC	Parent company	Purchase of merchandise	801,260,219,582	756,383,493,613
		Sales of material, consumables	386,304,091,533	338,429,222,103
		Sales of real estates	-	277,904,179,577
		Dividend payables	384,000,000,000	91,986,686,000
Style Stone JSC	Affiliate	Purchase of merchandise	643,099,680,793	736,866,689,064
		Sales of materials, consumables, finished goods	358,584,601,812	318,339,938,228
Stylenquaza LLC.	Affiliate	Sales of finished goods	641,403,162,286	515,991,134,652
Vietnam Stone Work - Top Fabrication JSC	Affiliate	Sales of consumables, finished goods	249,991,849,598	170,631,123,642
		Purchase of finished goods, consumables	308,784,413,377	136,934,436,287
Tran Long Industry JSC	Affiliate	Sales of goods, consumables	109,296,498,384	55,237,585,536
		Purchase of merchandise	39,207,226,392	-
VPM Hanoi Project Management Consultancy JSC	Affiliate	Construction cost	4,738,060,895	22,164,815,001
Sec G3 Center JSC	Affiliate	Purchase of merchandise, stationery	4,725,742,644	2,966,142,532
		Site rental fee	1,794,659,400	1,798,163,526
		Sales of finished goods	-	306,730,809
Phenikaa Hue Mineral Processing & Investment One Member Company Limited	Affiliate	Sales of finished goods, consumables	11,008,126,440	1,076,552,343

1. Terms and conditions of transactions with related parties

The Company sold/purchased goods, real estates, services with related parties at the agreed price on terms equivalent to those that prevail in arm's length transactions.

Outstanding receivables and payables as at year end are unsecured, interest free and will be settled in cash or offset. Receivables from related parties as disclosed in Note 5 have the payment terms from 3 to 12 months. For the year ended 31 December 2018, the Company has not made any provision for doubtful debts relating

to amounts owed by related parties. This assessment is undertaken each financial year through the examination of the financial position of the related party and the market in which the related parties operate.

As at 31 December 2018, amounts due from and due to related parties were as follows:

Currency: VND

	Relationship	Transactions	Current year	Previous year
Short-term trade receivables from related parties (Note 5)				
Stylenquaza Co., LLC.	Affiliate	Receivables from sales of finished goods	283,227,452,416	237,703,684,130
Vietnam Stone Work - Top Fabrication JSC	Affiliate	Receivables from sales of consumables, finished goods	184,089,313,453	18,025,132,459
Tran Long Industry JSC	Affiliate	Receivables from sales of consumables, finished goods	152,760,686,798	63,495,858,977
Phenikaa Hue Mineral Processing & Investment One Member Company Limited	Affiliate	Receivables from sales of consumables, finished goods	10,242,579,321	1,184,207,577
			630,320,031,988	320,408,883,143
Advances to related parties				
VPM Hanoi Project Management Consultancy JSC	Affiliate	Advance for construction work	-	1,195,967,453
			-	1,195,967,453
Trade payables to related parties (Note 11)				
Style Stone JSC	Affiliate	Purchase of finished stone products	45,307,057,052	83,643,900,069
A&A Green Phoenix Group JSC	Parent company	Purchase of finished stone products	116,013,165,671	40,920,714,433
VPM Project Management Consultancy JSC	Affiliate	Payables for construction work	-	46,577,742
Global Sitetech Design	Affiliate	Payables for design consultant fee	-	72,720,000
Consultant and Technology JSC	Affiliate	Purchase of stationery, consumables	1,962,447,041	803,133,062
			163,282,669,764	125,487,045,306
Other trade payables (Note 13)				
A&A Green Phoenix Group JSC	Parent company	Dividend payables	87,602,906,000	-
			87,602,906,000	-

Currency: VND

XXV. Transactions with related parties (Continued)

2. Transactions with other related parties

Remuneration to members of the Board of Directors and Board of Management:

Currency: VND

	Current year	Previous year
Salaries and bonus	13,707,461,339	12,016,367,526
TOTAL	13,707,461,339	12,016,367,526

XXVI. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations.

Currency: VND

	Current year	Previous year (Restated)
Net profit after tax	1,123,543,855,089	1,121,777,856,583
Distribution to bonus and welfare fund (*)	78,648,069,856	78,524,449,961
Net profit attributable to ordinary shareholders adjusted for the effect of dilution	1,044,895,785,233	1,043,253,406,622
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution (**)	159,574,777	160,000,000
Earnings per share		
Basic earnings per share	6,548	6,520
Diluted earnings per share	6,548	6,520

(*) The profit used to calculate the dividends for the year ended 31 December 2017 has been revised in comparison with the figures presented in the financial statements for the year ended 31 December 2017 to reflect actual distributed amount to bonus and welfare fund from undistributed profit is 7% of profit after tax, of which, the temporary appropriation for 2017 is VND 29.5 billion and the additional appropriation in 2018 was VND 48.9 billion. Distribution of bonus and welfare fund for the fiscal year ended 31 December 2018 is based on the Resolution of the Annual General Meeting of Shareholders 2018 No. 01/2018/NQ/VCS-DHĐC dated 15 March 2018, of which, the temporary distribution in 2018 was VND 22.7 billion.

(**) During the year, the Company completed issuing additional 80,000,000 shares to pay dividends and redeemed 3,200,000 treasury shares as presented in note 16. Accordingly, the weighted average number of shares has been adjusted to reflect these transactions.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

XXVII. Commitments and contingencies

1. Operating lease commitment

The Company leases land under operating lease arrangements. The minimum lease commitment as at the balance sheet date under the operating lease agreement is as follows:

Currency: VND

	Ending balance	Beginning balance
Less than 1 year	226,210,950	226,210,950
Less than 1 year	904,843,800	904,843,800
More than 5 years	1,809,687,600	2,035,898,550
TOTAL	2,940,742,350	3,166,953,300

In addition, the Company also leases a 27,451 m² land area at Plot 2A, Bac Phu Cat Industrial Zone under operating lease contract No. 10/VC/HĐKT-TLĐKCNBPC dated 30 May 2008 with the lease term of 48 years, 7 months and 19 days commencing from the contract's date. The total rental fees for land and infrastructure on land are VND 14,686,208,747 (including 10% VAT) and management service charge of VND 3,500/m²/year. Up to 31 December 2018, outstanding lease payment being payable by the Company is VND 4,343,104,373 which will be settled upon the completion of the hand over and other administration procedures for land transfer.

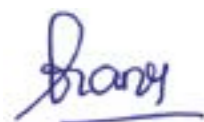
2. Litigation

May 2013, the Company received a complaint from Cambria Co., Ltd. ("Cambria"), a company incorporated in the United States, in which the Company was accused to infringe intellectual property rights in relation to the sales of certain of products in the U.S. market. The lawsuit has been handling by Minnesota District Court.

The Company has appointed Sapiaientia Law Group PLLC as its legal representative on this lawsuit. On 6 November 2013, the Minnesota District Court ordered the stay of litigation and the Company's Board of Directors assessed that there has not been pertinent evidence to recognize a provision of potential compensation expenses, if any, for this lawsuit as at 31 December 2018 and at the date of this financial statements.

XXVIII. Events after the balance sheet date

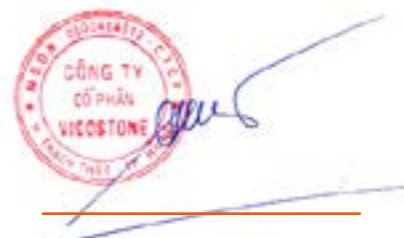
There is no matter or circumstance that has arisen since the balance sheet date that requires adjustment or disclosure in the financial statements of the Company.



Preparer
NGUYEN PHUONG ANH



Chief Accountant
NGUYEN THI NGA



General Director
PHAM ANH TUAN

26 February 2019

VICOSTONE 
The Art of Quartz

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