

**VICOSTONE**

*The Art of Quartz*



ANNUAL REPORT 2019

**for** **PROACTIVE TRANSFORMATION**  
**SUSTAINABLE DEVELOPMENT**



## FORWARD - LOOKING STATEMENTS

Vicostone's Annual Report 2019 was prepared in accordance with the guidelines in Appendix 04, Circular No. 155/2015/TT-BTC issued on 6<sup>th</sup> 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 2019 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. This information is 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 global & Vietnam economy;
- Overview of the market and demand for quartz-based stone;
- Competitiveness of Vicostone® products in international markets and in Vietnam;
- Development of production technology and materials substitution;
- Challenges and requirements from markets;
- Financial indicators forecast for 2020.

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.





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## MESSAGE FROM THE CHAIRMAN

Dear valued Shareholders, Investors, Customers, Partners and Stakeholders,

The year 2019 marked the beginning of our five-year strategic plan. Trade wars between countries with the largest economies had created economic instability that continues until today. These changes have affected the economies of different countries bringing both positive and negative influences within each state. Despite this uncertainty, Vietnam continued to grow and remains as one of the fastest rising economies in the world.

Vicostone has demonstrated resilience in the wake of the economic turbulence and shown our ability to detect and react to unexpected changes in a timely and effective manner. In fact, we were able to reach our goals and achieved a level of success that was higher than expected. During this year, in 2019, we have enjoyed the success of hitting the first target in our medium-term plan (2019-2023).

Our success can be attributed to the assertiveness, acumen, and accuracy in forecasting of the Board of Directors and the Board of Management and our ability to propose timely scenarios in response to the ever-changing business environment. The Board of Directors appreciates the efforts, creativity, and sense of responsibility of the leadership and employees. The parent company, the Phenikaa Group—has also demonstrated complete support and a spirit of cooperation during this time which is also highly appreciated.

2020 will be full of challenges for Vicostone. The global economic forecasts predict a slowdown due to unusual events, with a risk of recession looming. For example, the spread of COVID-19 originating from China—could have unpredictable impacts throughout the world. Further examples include concerning

rhetoric regarding trade and a possible price war on oil that has already impacted on the demand for new construction and renovations of homes in major markets. We are aware these threats could strongly impact the demand for surface products including quartz stone. Being mindful of these circumstances, Vicostone will address the challenges to improve our competitiveness and achieve our goals for growth.

The Board of Directors believes the competitiveness of Vicostone products will grow and the Company can create good impressions through following our motto “Responsive transformation and technological innovation to make a difference.” This includes careful planning and careful solutions for each scenario at different risk levels. We believe this will make VICOSTONE® a global leading brand for quartz stone.

On behalf of the Board of Directors, I would like to express my deepest and sincerest appreciation to all our customers, partners, government agencies, the press and media, as well as managers, employees, shareholders and investors of Vicostone and the Phenikaa Group. In the recent years, your confidence and whole-hearted cooperation along with your support and diligence have contributed to our success. Your efforts have helped Vicostone continue to develop strength as we have realized our objectives together successfully in 2019. It is my earnest hope that this successful partnership will be maintained throughout the course of the company’s sustained development.

Wishing you all good health, happiness and success.

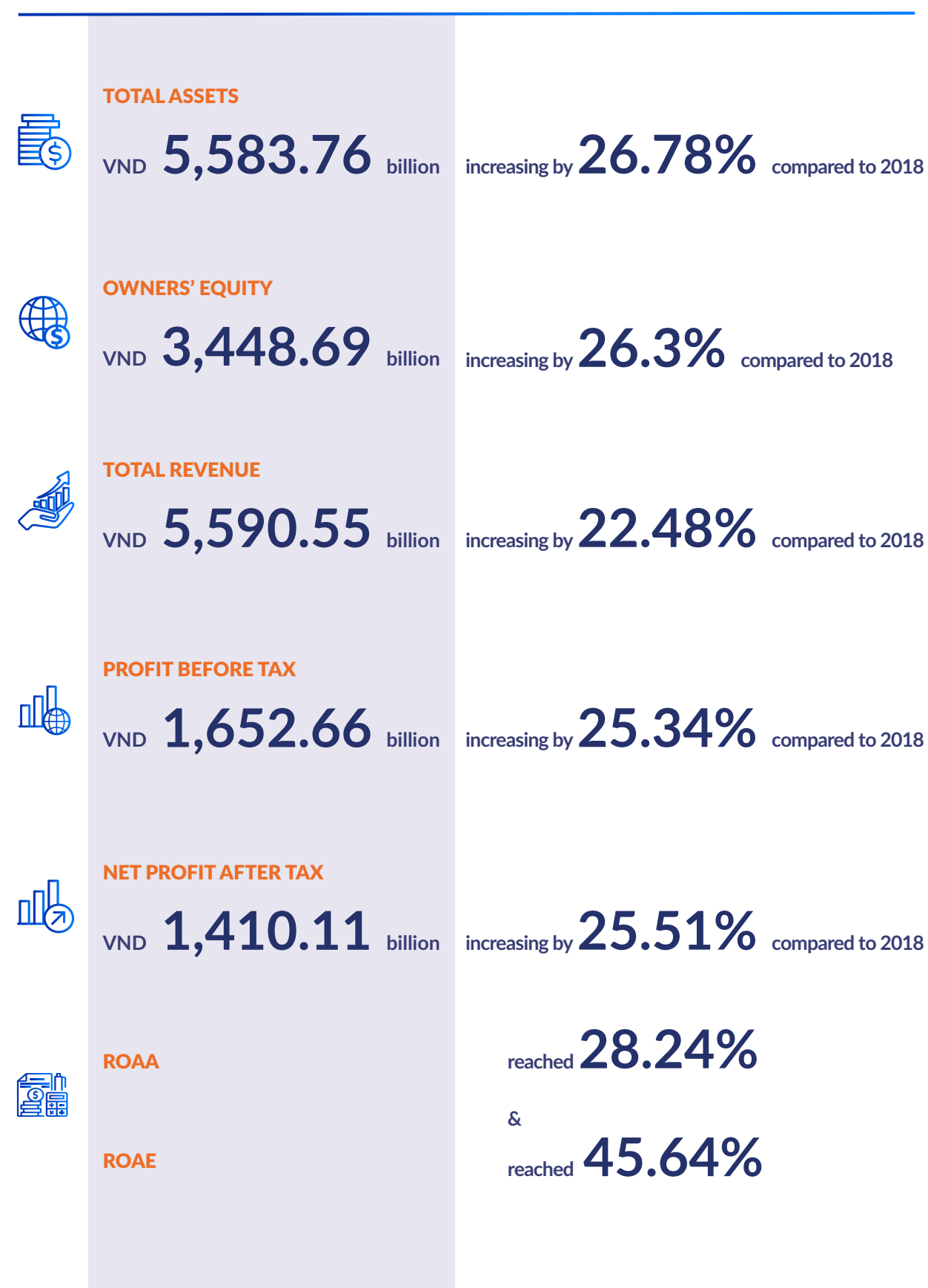
CHAIRMAN OF THE BOARD OF DIRECTORS



HO XUAN NANG



## KEY FINANCIAL INDICATORS



Items	Unit	2019	2018	2017	2016	2015
<b>1. BUSINESS PERFORMANCE</b>						
Net revenue	Billion VND	5,562.76	4,521.60	4,352.52	3,211.49	2,616.16
Cost of goods sold and rendering of services	Billion VND	3,650.65	3,025.95	3,085.31	2,220.06	1,857.54
Gross profit	Billion VND	1,912.11	1,495.64	1,267.21	991.43	758.62
Finance incomes	Billion VND	26.34	41.40	54.38	25.93	25.51
Finance expenses	Billion VND	68.02	69.87	48.81	70.95	169.98
Profits or losses from associated and joint venture companies	Billion VND	-	-	-	3.85	5.72
Selling expenses	Billion VND	154.06	99.93	95.65	76.84	76.97
General and administrative expenses	Billion VND	62.39	46.10	52.20	59.39	55.52
Other incomes	Billion VND	1.45	1.51	1.18	0.87	0.83
Other expenses	Billion VND	2.76	4.15	1.10	1.14	9.00
Profit before tax	Billion VND	1,652.66	1,318.51	1,125.01	813.76	479.21
Current and deferred corporate income tax expenses	Billion VND	242.55	194.97	3.23	137.78	74.58
Net profit after tax	Billion VND	1,410.11	1,123.54	1,121.78	675.98	404.63
Charter capital	Billion VND	1,600.00	1,600.00	800.00	600.00	529.99
Basic earnings per share	VND	8,114	6,460	13,461	10,813	8,637
Diluted earnings per share	VND	8,114	6,460	13,461	10,813	8,637
<b>2. ASSETS AND RESOURCES</b>						
Total assets	Billion VND	5,583.76	4,404.33	3,809.75	3,337.93	2,781.48
• Current assets	Billion VND	4,456.31	3,794.50	3,291.34	2,729.08	2,010.93
<i>In which: Cash and cash equivalents</i>	Billion VND	469.92	427.35	656.28	433.97	295.40
• Non-current assets	Billion VND	1,127.45	609.83	518.41	608.85	770.56
Total liabilities and owners' equity	Billion VND	5,583.76	4,404.33	3,809.75	3,337.93	2,781.48
• Liabilities	Billion VND	2,135.07	1,673.77	1,413.86	1,890.79	1,782.89
• Owners' equity, minority interests	Billion VND	3,448.69	2,730.55	2,395.89	1,447.14	998.59
<b>3. OTHER FINANCIAL DATA</b>						
Capital construction investment	Billion VND	50.65	151.73	62.75	200.10	78.27
Depreciation and amortisation of fixed assets	Billion VND	103.98	73.43	69.63	67.59	68.70
Adjusted EBITDA	Billion VND	1,798.32	1,420.41	1,189.08	929.64	692.38
EBITDA Margin (%)	%	32.33	31.41	27.32	28.95	26.47

(Source: VICOSTONE's audited consolidated financial statements)

## NOTABLE ACHIEVEMENTS OF 2019

01

### FUNDAMENTALLY ACHIEVED LOCALIZATION OF QUARTZ AND CRISTOBALITE INPUTS



Overview of the Phenikaa Hue plant

The official acquisition of a 100% stake in Phenikaa Hue has fundamentally helped Vicostone to localize its Quartz and Cristobalite inputs, giving the Company greater autonomy of raw materials in production of artificial quartz, as well as greater initiative, improved comparative competitiveness and better management of risks.

02

### SIGNIFICANT GROWTH IN EXPORT TURNOVER

In 2019, Vicostone continued to promote the development of key markets and expanded into new and potential markets through its network of agents and investments made in communications, branding, resulting in export turnover increase of 30.3% year-on-year.

For the US market, Vicostone took advantage of opportunities arising from the US - China trade war to see strong growth. Quartz exports from Vietnam to the US grew to 3<sup>rd</sup> place in 2019, contributing to the Company's record business performance.

03

### TOP 10 LARGE-CAP ENTERPRISES WITH THE BEST ANNUAL REPORT IN 2019



Mr. Nguyen Chi Cong – Vice General Director of Vicostone receives the Award for Top Large-cap enterprises with the best Annual Report in 2019 on behalf of the Company

In a ranking of Companies with the best Annual Report of 2019 – jointly compiled by HOSE, HNX, VIR, and Dragon Capital, Vicostone was voted 3<sup>rd</sup> among the top 10 large-cap enterprises with the best Annual Report in 2019. This is Vicostone's 11<sup>th</sup> consecutive recognition since 2008.

04

### VICOSTONE'S RECEPTION OF THE NATIONAL QUALITY AWARD



Mr. Tran Manh Cuong – Chief Quality Officer of Vicostone receives the National Quality Award on behalf of the Company

The National Quality Award is managed by the Directorate for Standards, Metrology and Quality under the Ministry of Science and Technology. The award aims to annually recognize, and give praise at the national level to businesses, organizations that have recorded outstanding achievements in improving the quality of goods and products in manufacturing, sales and services. It also aims to promote the prestige of Vietnamese products, goods and services, raise capacity (particularly international integration) and competitiveness of Vietnamese companies. The awards are presented by the Prime Minister. Vicostone was among the 75 outstanding companies recognized this year.



## NOTABLE ACHIEVEMENTS OF 2019 (Continued)



05

### 2019 WAS A SUCCESSFUL YEAR, A YEAR OF BREAKTHROUGH GROWTH FOR VICOSTONE, EVIDENCED BY MULTIPLE PRESTIGIOUS AWARDS:

- The best Top 50 listed-companies in Vietnam, ranking by Forbes Vietnam.
- Top 10 Company with the Best Corporate Governance: ranking by VCCI, VBF Magazine, the Institute of Business Studies and Development INBUS, Vietnam Association of Accountants and Auditors (VAA), and Vietnam Association of Corporate Directors.
- Top 100 Sustainable Businesses for 2019: ranking by VCCI, VBCSD in continued coordination with MOLISA, MONRE, Vietnam General Confederation of Labor (VGCL).
- No. 4 in the Top 50 Best Performing Companies in Vietnam: ranking by Nhip Cau Dau Tu Magazine and Thien Viet Securities.
- Top 100 Public Listed Companies in Vietnam: survey and ranking by Forbes Vietnam.

- Top 500 Most Profitable Companies in Vietnam: Survey and ranking by Vietnam Report and Vietnamnet.
- Top 500 Company in Vietnam: survey and ranking by Vietnam Report and Vietnamnet.
- Vietnam Strong Brand: Survey and ranking by Vietnam Economic Times.
- Top 10 Most Reputable Building Material Companies 2019: Survey and ranking by Vietnam Report.
- Notable Brand of the Construction Industry Vietnam 2019: By Construction Magazine in coordination with departments, associations in the industry through popular voting.

## KEY RISKS

Vicostone USA Office in Dallas - USA

**VICOSTONE**  
QUARTZ SURFACES

Assessment of key risks for 2019 through the analysis of recent internal feedback metrics and forecasting models of near future predictions, Vicostone has developed the following potential risk portfolio. This analysis is based on the most current information available at the time of the writing of this report.

### I Litigation risks arising from anti-dumping, anti-subsidy charges in the US

American direct imports of quartz slabs using Chinese technology has reach near-zero levels due to the imposition of anti-dumping, anti-subsidy duties imposed on Chinese goods by the Trump administration. This gap has been replaced by the import of a sizable quantity of quartz slabs, mainly manufactured using Chinese technology from India and Turkey from in late 2018 and to the middle of 2019. Anti-dumping and anti-subsidy duties were promptly imposed on imported quartz from these two markets. While investigations have yet to yield final results, data on the import of artificial quartz from these countries into the US has exhibited a sharp decline in December 2020. Vietnam has become the third largest exporter of quartz slabs into the US since December 2020. Previously, quartz slabs exported to the US from Vietnam were primarily manufactured by Vicostone; however, in recent years, several Vietnamese companies have been using Chinese technology and machineries in production. These companies have joined the market, with the aim of producing

lower-cost products. This could potentially lead to a sharp increase in quartz export from Vietnam to the US but with a lower average price. We have concerns that the American government may impose safeguard measures against artificial quartz imported from Vietnam in response to this trend.

Our Company has been conducting periodic reviews of its entire management system, ensuring the traceability and accountability of our sourced products—in an open, professional and scientific manner—to affirm the practicality of all costs, and the transparency and fairness of its business performance.

The Company has also proactively conducted thorough research on the US laws on dumping and anti-dumping practices. We have taken these actions in order to prepare all necessary documents and files to address any potential regulatory investigations or legal actions.

### II Risks from COVID-19

The recent outbreak of the corona virus pandemic (COVID-19) is an important risk factor that can affect end-consumers and the global economy, thereby reducing demand for Vicostone's products, disrupting operations and adversely affecting the Company's business and financial performance.

The continued, hard-to-control spread of the pandemic could heighten the risk of a serious global economic recession, reduce demand to renovate, repair homes or build new residential areas. This could seriously affect the growth of the construction industry in general and in particular, the engineered quartz production industry. The risk of reduced demand of construction materials, including engineered quartz, could lead to fiercer competition among manufacturers, including Vicostone—especially in key markets such as North America, Australia, and Europe. This will in turn impact the Company's revenue and profit.

In addition, COVID-19 may also adversely affect the Company's ability to efficiently manage business and

production in the case of countries limiting travel, trade or reduced access to labor. In these events, Vicostone may face difficulties in transporting of input materials; in export and product installation; as well as in allocation of human resources to ensure the Company's continuous operation and safety for all its employees. COVID-19 has also led to unpredictable fluctuations on the global and domestic stock markets, which could severely and negatively affect the share pricing, and trading volumes for Vicostone and other major corporations.

In response to potential complications from COVID-19, Vicostone has taken the initiative to prevent and control operations in accordance with guidance from the Ministry of Health. This includes setting up a system to monitor and update the health status of all employees, investing in medical equipment, and ensuring a safe working environment. The Company has also developed action plans for contingencies in case of outbreaks to minimize risks and head off challenges.



## KEY RISKS (Continued)

### III Market development risks

#### 1. Vicostone's revenue mainly comes from major international markets.

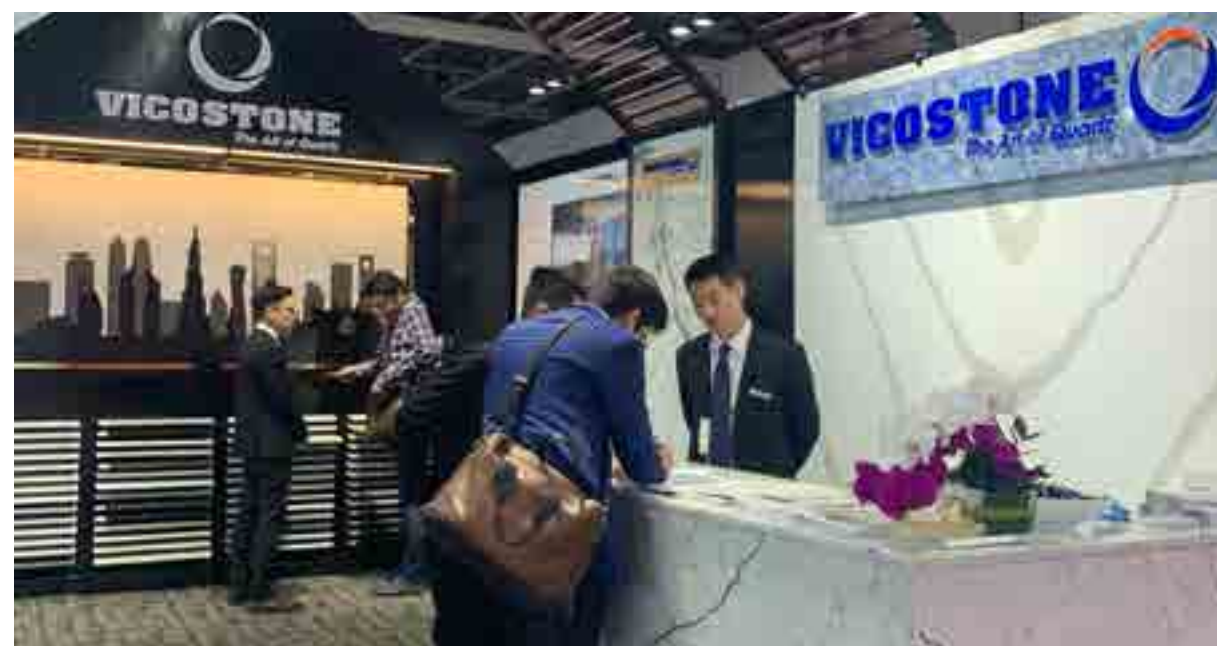
Since 2015, export sales to major markets such as North America, Australia and Europe have accounted for nearly one hundred percent of the Company's total export revenue. Vicostone saw the highest levels of revenue growth in company history from 2015 to 2019. The US market has always been the Company's dominant market, contributing over fifty-percent of total export revenues. The distribution of sales among all markets remained stable from 2015 to 2018; however, there was a substantial shift in sales during 2019. Revenues have shifted to increase in the Americas while decreasing in Australia and Europe.

The concentration of most exports into a few dominant markets could lead to enormous risks in the event of a crisis or decline in demand in these particular markets. Potential risks arising from major fluctuations in key markets may be beyond the Company's control. Vicostone's activities in each market are influenced by local characteristics such as socioeconomic and political change, changes in domestic laws, or policies. Other factors include fluctuations in the level of supply and demand such as the real estate market, the level of investment in home

renovation and repairs, construction of new residential areas, changing consumption trends, market competition, etc. All these issues could impact the Company's business performance operational strategies and plans.

Potential negative impacts may come from increasing import of other engineered-stone manufacturers' products into Vicostone's main markets, particularly in the US, Australia and Canada. The convert of product origin to developing countries by Chinese manufacturers as well as their divestment into other markets will present a significant risk to Vicostone's business operations.

Potential risks that could negatively impact Vicostone's business performance may come from the concentration of revenue from only a few main distributors. In indirect markets, Vicostone's business performance is dependent on the success, and effort made by agents in marketing and sales. Any disruption, and adverse changes (if any) of agents in the Company's distribution network may severely affect Vicostone's operation and business results.



Vicostone exhibit at the Middle East Stone Exhibition, Dubai, UAE



Vicostone exhibit at the Vietbuild International Exhibition, one of the largest construction industry exhibitions in Vietnam

#### 2. Domestic market

The Vietnamese domestic market has not yet accounted for a large portion of Vicostone's revenue but has great potential. Aside from general risks similar to all markets, Vicostone has identified a number of risk factors unique to Vietnam that could impact the Company.

In Vietnam, using natural stone remains the main consumption trend. In order to gain access and a massive market share, the Company will need to invest in communications, and marketing to develop the VICOSTONE® brand and will also need to demonstrate differentiation of its new products and change consumption views, which is otherwise known as "educating" consumers. The inability to change consumption behavior, or consumers' perception, or to "speed up" after a trend has been started, could lead to competitors benefiting from Vicostone's market-educating efforts. In this case, Vicostone could lose its competitive advantage as well as the opportunity to pioneer and lead the market.

In addition, new challenges also arise from the market entry of other quartz-based engineered stone manufacturers using low-cost Chinese technology. This could potentially increase market

"saturation" and increase pressure from price competition as a result of lower-quality, lower-priced products. This could create incentives for agents and business partners to intentionally pass off lower-quality, counterfeit products as VICOSTONE® products for greater profits, which will inherently impact customers' confidence and brand reputation.

In order to minimize the negative impacts from these risks, in tandem with continuous improvements to introduce new, unique and distinctive products and improved quality of services, Vicostone will continue to invest in professional and methodical marketing and communication campaigns to raise awareness about the VICOSTONE® brand and its quartz based engineered stone products; expedite the expansion of its distribution system in key domestic markets; establish and grow a network of showrooms, workshops and satellite warehouses in target markets to guarantee the best product quality and fastest order-fulfillment time for end users. The Company will also continue to enhance quality control in all stages, from production to installation, with a strong focus on service quality control at agent and affiliate levels.

## IV Risks from competition pressure

In the engineered stone industry, Vicostone faces competition pressure not only from other quartz manufacturers and natural stone miners, but also from manufacturers of tiling materials alternatives such as laminate, large ceramic slabs, or pressed wood, cement, steel, etc. This may impact the Company's business performance and financial position.

### 1. Competition from other quartz-based engineered stone manufacturers

Vicostone could face market pressure from fierce competition as a result of the growing number of quartz factories. Following the anti-dumping, anti-subsidy duties applied on Chinese quartz imports into the US, several US-based businesses have invested in new production lines in the US. Chinese manufacturers, unable to export directly to the US, have moved production to Vietnam and other developing countries—such as India, Malaysia, and the Philippines to continue their exports to the US. As a result of the anti-dumping, anti-subsidy lawsuit, Chinese quartz-imported into the US fell sharply. Chinese manufacturers channeled large export volumes to the Australian and Canadian markets at substantially lower prices, which led to severe competition in these markets.

Another potential risk is the high possibility of counterfeit designs in the engineered stone industry. Of course, thanks to our trade and technological know-how, counterfeiters find it difficult to achieve comparable quality and sophistication, particularly in terms of design and colors. To offset this particular type of risk, Vicostone has always paid careful attention to respect the copyrights and industrial designs registration regulations of products in key markets. This practice applies to both current and future products; however, these protection measures are geographically limited in nature, and therefore, it is hard to ensure that counterfeit designs are not replicated in markets outside of Vicostone's control.

Another challenge that could reduce the Company's market competitiveness is the issue of sale prices. Due to substantial investment in R&D as well as the application of new technologies, Vicostone's quartz-based engineered stones cannot be sold at low price. Meanwhile, other manufacturers replicating Vicostone's product designs and manufacturing technologies benefit from these counterfeits as a result of not having to invest in R&D. They can easily offer much lower prices than the actual cost of our products. Moreover, the manufacturers that use low cost Chinese technologies are able to sell inferior products, both in terms of physio-mechanical properties and designs, at very low prices, which poses a risk detrimental to Vicostone's market share, revenue, profit and business activities.

### 2. Competition from alternative products

Aside from competition pressure from engineered quartz surface stone manufacturers, Vicostone must also face intense competition from suppliers of natural stone and other alternative surface materials, including laminate, granite, engineered marble, large ceramic slabs, or cement and steel.

These alternative products may not be superior in terms of physio-mechanical properties or aesthetics as compared to engineered quartz surface but do offer certain advantages in certain circumstances such as: more reasonable prices, more diverse application than engineered quartz surface or natural stone. This in turn results in greater ease in meeting customers' needs. This can become a major obstacle to Vicostone's expansion and increased market share.

## V Legal risks

### 1. Risks from changes in environmental production standards

In line with current global trends, many countries not only have stringent requirements concerning environmental safety and friendliness for products, but also pay precise attention to environmental safety issues during the production process, which includes silica dust, which is the chief risk factor for the development of silicosis. Countries particularly concerned with this issue include members of the developed world such as the US, Australia, and countries from the EU.

According to the World Economic Forum's Global Risks Report, 2020, the top 5 global risks in terms of likelihood, and 3 out of the top 5 global risks in terms of impact are all environmentally related. The year 2020 stands to be a year when the world's attention will be focused on the environment. As such, similar to other countries Vietnam will adapt increasingly stringent requirements and regulations related to safety in the production and working environment, as well as the environmental impact of business activities. This could be a risk, and challenge for Vicostone in conquering new markets, and maintaining a presence in current markets.

As a Company that deeply respects the environment, Vicostone strive towards our strategic environmental protection goals through specific actions that has been diligently and professionally executed. Vicostone views this as an opportunity to gain the confidence and affection of its customers,

*Vicostone dust treatment system*





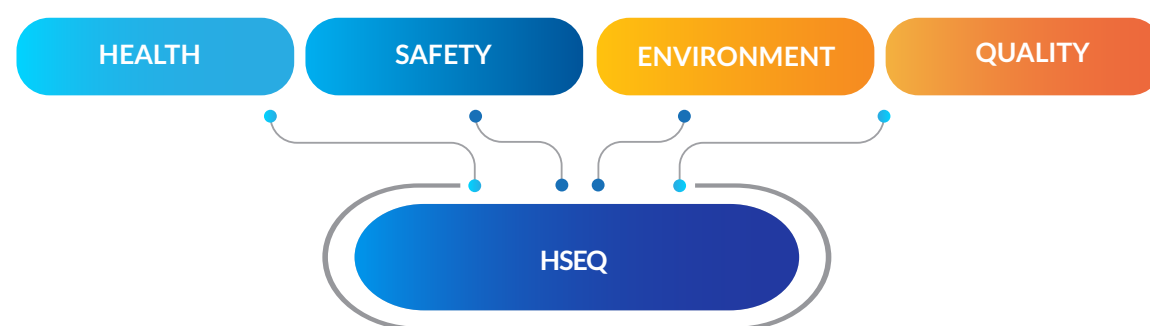
## KEY RISKS (Continued)

partners and the community. In addition, it is the embodiment of Vicostone's corporate responsibility and commitment with a clear sustainable development focus.

As evidenced by monitoring results carried out by both Vicostone and third-parties, silica dust concentrations within Vicostone's factories are within the prescribed thresholds and are in conformity with the national regulations for all of the countries importing our products.

Automated monitoring systems for factories in the Phenikaa Group in general and specifically for Vicostone have been active in controlling emissions and wastewater quality. Automated monitoring systems within factories include: inorganic gas monitoring stations (flow, temperature, pressure, total dust, SO<sub>2</sub>, NO<sub>x</sub>, CO); organic gas monitoring stations (temperature, flow, pressure, toluene, benzene, styrene) and wastewater monitoring stations (temperature, flow, PH, COD, TSS, ammonium, etc.). Thanks to this practice, Vicostone enjoys greater control in regularly monitoring and controlling wastewater, gas, and dust emissions indicators to take timely safeguard measures to prevent potential negative impacts to the health of employees and the environment. This sequentially helps to develop a safe working environment in the Company in accordance with Vietnamese and international standards.

Changes in the production environment standards can also be a risk and a challenge for Vicostone in conducting business in existing and potential markets. Risks may arise from changes in local regulations and/or customers' apprehension due to incomplete understanding, and lack of access to information about the actual situation and scope of the warnings. Vicostone's strategy for 2020—as well as for the next 5 years—is to continue to prioritize the goal of producing eco-friendly and environmentally-friendly materials. Vicostone is continuing the development of new, environmentally friendly products that are safe for users and participants of the production process and we will enhance its corporate social responsibility activities. Vicostone applies the HSEQ (Health – Safety – Environment - Quality) management system that is strictly managed and operated across all activities.



The application of international standards, proactive improvement of production processes, technological innovation to increasingly improve the environment and HSEQ standards is an opportunity for Vicostone to conquer the toughest of markets and take the initiative in adapting to changes in regulations and environmental requirements.

### 2. Legal compliance risk

Vicostone's products are currently sold and distributed in over 40 countries and territories. Keeping abreast of changes in the regulatory framework, in tandem with developing contingency plans and responses across all regions, is a daunting task. As such, Vicostone's business operations are always subjected to potential impacts from regulatory changes. The company is also at risk of inadvertently violating national laws or regional policies as a result of lagging information. Facing with not only changes in international laws, the Company's operation also must contend with inadvertent violation of domestic regulations, due to the relatively fast-changing rules governing business performance such as tax, customs, accounting, securities, and contracts in Vietnam. In instances of noncompliance for any reason, Vicostone face not only fines, but also injury to its corporate image; which could potentially lead to many disadvantages, predominantly the timeliness of business activities.

### VI Exchange rate risks

In 2019, a stable exchange rate helped many businesses cut down on losses due to exchange rate fluctuations, Vicostone also benefited from this stability. However, since the beginning of 2020, due to the COVID-19 outbreak, the exchange rates for many foreign currencies have fluctuated abnormally.

The price of the USD has slumped as a result of investors' concern over the impact of COVID-19 on the global economy, and the 30% decline in oil prices following OPEC's failure to reach an agreement to reduce production outputs.

In addition, with the Fed's decision to cut interest rates, the market expects other major central banks to follow suit and cut interest rates and adjust the exchange rate. Since the end of February, the domestic central rate of VND to USD has continually fallen, dropping to VND 23,195 on March 9<sup>th</sup>, 2020.

Meanwhile, Vietnam's recent inclusion in the US currency manipulator watch list is also a worrying signal. In addition, demand for imported goods from Vietnam this coming year may be affected by the decline in global demand. Thus, foreign currency revenue from exports may not be as positive as in 2019. In such an unstable global economic situation, experts forecast that the exchange rate in 2020 is on a downward trend.

On-the-other-hand, Vietnam's appearance on the US "currency manipulation" watch list is a big risk. This requires the State Bank of Vietnam to be cautious in sharply depreciating the value of the VND.



# 01

## VICOSTONE OVERVIEW

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## 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

Placing smart industrial manufacturing as the core business, where eco-friendly materials and high tech products are driving factors for our quartz based and high-valued composite products.



## CORE VALUE

### Reliability

Vicostone has established a proven culture of "Talk the Talk, and Walk the Walk" 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 the nature and inspire customers to confidently pursue and create personalized living space.



## COMPREHENSIVE QUALITY MANAGEMENT EXCELLENCE

1

The quality of our products is guided by customers. Our customers purchase products and services which meet their needs and expectations at appropriate cost to usage.

2

Comprehensive quality excellence can be the best achieved through prevention rather than repair.

3

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 customer satisfaction; Each employee is responsible for helping others improve their job quality.

4

Comprehensive quality excellence requires continuous improvement in every process. Every employee is encouraged to evaluate their current performance and to find ways to improve.

5

Employees are the brains and take necessary actions to make continuous improvements;

6

Optimal enterprise resource planning, modern technology-based enterprise governance are critical to sustainable development and professionalism.



*Vicostone exhibit at the Quebec Expo Habitat Exhibition, Quebec city, Canada*



## GENERAL INFORMATION



### Stock name

Share of VICOSTONE Joint Stock Company

### Stock code

**VCS**

Par value: 10,000 VND/share

### Number of listed shares

160,000,000 shares in Hanoi Stock Exchange (HNX)

### Number of voting shares in circulation

**160,000,000 Shares**

Vicostone is one of the leading quartz-based 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



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 and registered for the 18 <sup>th</sup> 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
Tel	+84 24 3368 5826
Fax	+84 24 3368 6652
Website	<a href="http://vicostone.com">http://vicostone.com</a>
Email	<a href="mailto:quanhecodong@vicostone.com">quanhecodong@vicostone.com</a>

### Responsible for information disclosure

	MR. PHAM ANH TUAN	
Position:	General Director	
Tell:	(+84) 24 3368 5826	Fax: (+84) 24 3368 6652
Mobile:	+84977 150 881	
Address:	Hoa Lac Hi-Tech Park, Thach Hoa Commune, Thach That District, Hanoi, Vietnam.	

### Independent auditing unit

ERNST & YOUNG Vietnam LTD. CO.

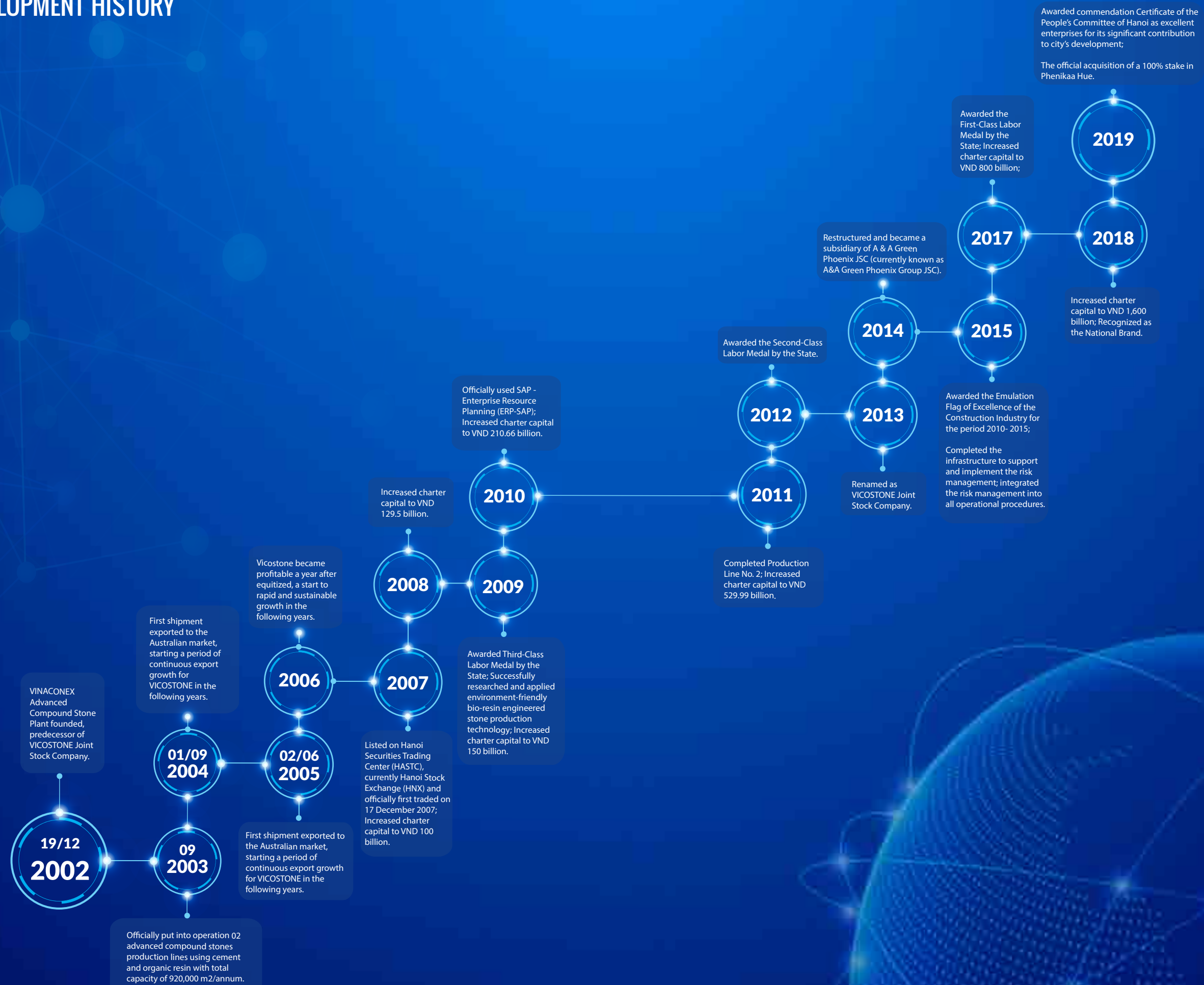
Address: 8<sup>th</sup> Floor, Cornerstone Building, 16 Phan Chu Trinh, Hoan Kiem, Hanoi

Tel: +84 24 3831 5100

To audit VICOSTONE's separated financial statements and consolidated financial statements for 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019

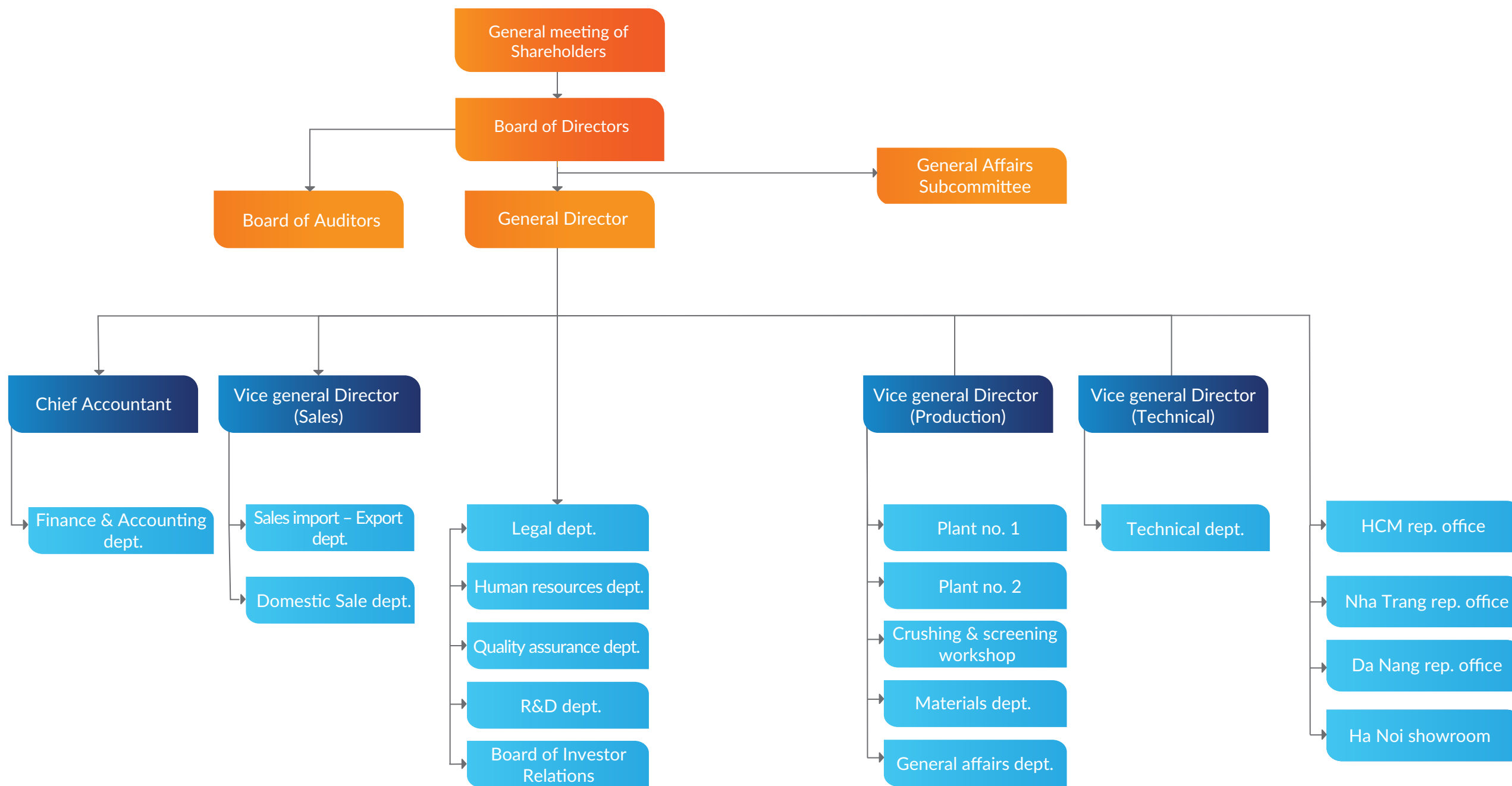


# DEVELOPMENT HISTORY



# GOVERNANCE STRUCTURE, EMPLOYEE STRUCTURE AND MANAGEMENT APPARATUS

**I** Organization chart





# GOVERNANCE STRUCTURE, EMPLOYEE STRUCTURE AND MANAGEMENT APPARATUS (Continued)

## II Labor force structure

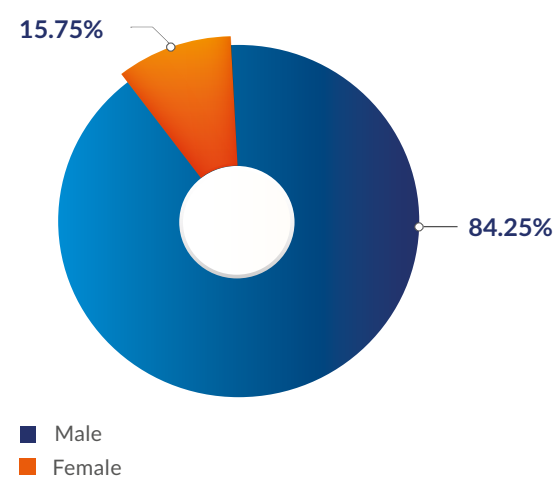
As of 31/12/2019, Vicostone has 692 employees. Workers under 35 years old make up 55.9% of the workforce. Most employees are male (84.2%) and 92% have received vocational training. Direct production workers make up 64.5% of the workforce, an appropriate structure for Vicostone, a company in the construction material industry.

With 29.6% of the employees having a university diploma or higher, and 62.4% being primary, secondary vocational school and technical school graduates, Vicostone's workforce possesses high quality background, enabling the Company to utilize, allocate and train employees to meet the Company's demands and strategic objectives.

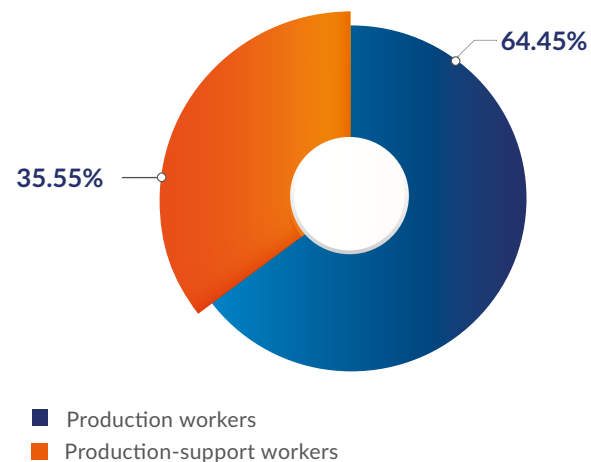
### 1. Labor force structure by educational attainment

No.	Level of education	2017		2018		2019	
		Number of employees	Percentage (%)	Number of employees	Percentage (%)	Number of employees	Percentage (%)
1	Post-graduate	10	1.56	10	1.47	11	1.59
2	University graduate	175	27.34	192	28.15	194	28.03
3	College graduate	77	12.03	93	13.64	90	13.01
4	Primary, secondary vocational school graduate, technical school graduate	351	54.84	348	51.03	342	49.42
5	High school graduate	27	4.22	39	5.72	55	7.95
	<b>TOTAL</b>	<b>640</b>	<b>100</b>	<b>682</b>	<b>100</b>	<b>692</b>	<b>100</b>

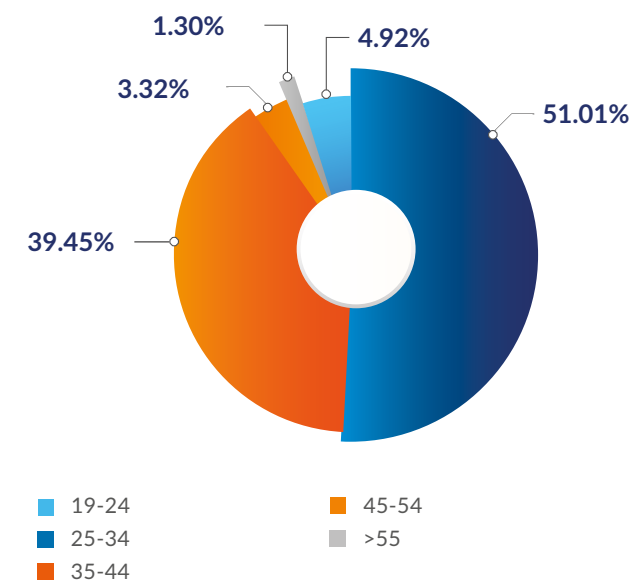
### 2. Labor force structure by gender



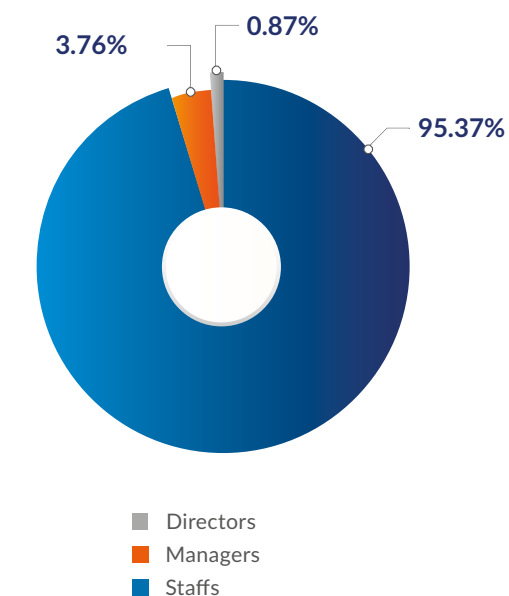
### 3. Labor force structure by job description



### 4. Labor force structure by age



### 5. Labor force structure by professional position



### 6. Management structure

The Board of Directors consists of 5 members

MR. HO XUAN NANG	Chairman
MR. PHAM ANH TUAN	Member
MS. TRAN LAN PHUONG	Member
MS. NGUYEN DIEU THUY NGOC	Member
MS. NGHIEM THI NGOC DIEP	Member

In which: Mr. Ho Xuan Nang, Ms. Tran Lan Phuong, and Ms. Nguyen Dieu Thuy Ngoc are non-executive members. Ms. Nghiem Thi Ngoc Diep is the independent member.

## Board of Directors



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

### Professional qualifications

- Doctorate of Mechanical Engineering
- Master of Business Administration

### Position in other companies

- Chairman of the Board of Directors – CEO of A&A Green Phoenix Group JSC
- Chairman of the Board of Directors of Phenikaa Education Investment JSC
- Chairman of the Board of Directors of Ecovision Vietnam Technology JSC
- Chairman of the Board of Directors of Phenikaa University
- Director of Phenikaa Research and Technology Institute

### Professional experience

- 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 the Board of Directors  
Date of birth: 12/09/1981

### Professional qualifications

- Doctorate of Polymer and Composite Materials

### Position in other companies

- Vice General Director of A&A Green Phoenix Group JSC
- Member of Board of Directors of Vietnam Stone Work-top Fabrication JSC
- Member of the Board of Directors of Phenikaa University.

### Professional experience

- From 15/12/2016 – present: Member of the 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.



**Ms. Tran Lan Phuong**  
Member of the Board of Directors  
Date of birth: 04/10/1988

### Professional qualifications

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

### Position in other companies

- Vice General Director - Director of Human Resource Division of A&A Green Phoenix Group JSC
- Member of Board of Directors of Ha Noi - VPM Project Management Consultant JSC.

### Professional experience

- From 12/04/2019 - present: Member of the Board of Directors of Vicostone JSC;
- From 04/08/2015 - 12/04/2019: 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).



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

### Professional qualifications

- Bachelor of Economics

### Position in other companies

- Chief Accountant of Phenikaa Education Investment JSC

### Professional experience

- From 06/2016 - present: Member of the 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 the Board of Directors  
Date of birth: 14/05/1987

### Professional qualifications

- Bachelor of Foreign Languages

### Position in other companies

- N/A

### Professional experience

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



Board of Management, Chief Accountant



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

(Same as above)



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

**Professional qualifications**

- Dynamics Engineer

**Position in other companies**

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

**Professional experience**

- From 03/2007 – present: Vice General Director of Vicostone JSC;
- From 03/2007 – 04/08/2015: Member of the 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.



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

**Professional qualifications**

- Mechanical Engineer

**Position in other companies**

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

**Professional experience**

- From 03/2007 – present: Vice General Director of Vicostone JSC;
- From 03/2007 – 04/08/2015: Member of the 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.



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

**Professional qualifications**

- Control Engineer

**Position in other companies**

- N/A

**Professional experience**

- 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

**Position in other companies**

- N/A

**Professional experience**

- From 18/07/2015 - present: Chief Accountant of Vicostone JSC.
- From 04/08/2015 - 15/12/2016: Member of the 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.

The Board of Auditors has 02 members



**Ms. Nguyen Dieu Thuy Ngoc**  
Chair of the Board of Auditors  
Date of birth: 12/03/1972

(Same as above)



**Mr. Nguyen Van Toan**  
Member of the Board of Auditors  
Date of birth: 30/01/1991

**Professional qualifications**

- Bachelor of Accounting

**Position in other companies**

- Member of the Board of Auditors of A&A Green Phoenix Group JSC.

**Professional experience**

- From 01/07/2019 - present: member of the Board of Auditors of Vicostone JSC;
- From 07/03/2016 to 01/07/2019: Internal Audit specialist at the Risk management and Internal Audit Dept. of Vicostone JSC;
- From 15/02/2016 to 06/03/2016: Specialist at the Legal affairs and Risk management Dept. of Vicostone JSC.

**Changes in the composition of the Board of Directors, Board of Supervisors, Board of Management and Chief Accountant**

**Board of Directors**

In 2019, the BOD saw the following changes in personnel:

- Mr. Nguyen Quoc Truong concluded his 2014 – 2019 term from 12/04/2019.
- The General Shareholders' Meeting has elected Ms. Tran Lan Phuong to become a Member of the Board of Directors for the 2019 – 2024 term, starting from 12/04/2019.

**Board of Auditors**

At the annual 2019 General Shareholders' Meeting, the Meeting adopted the new company structure as specified in point b clause 1 article 134 of the Enterprise Law of 2014, in which: The Company dissolves the Board of Supervisors, structure the company comprising such management model as: GSM, Board of Directors, General Director, Board of Auditors (under the BOD).

The Board of Directors has also convened and elected new members for the Board of Auditors, specifically:

**MS. NGUYEN DIEU THUY NGOC**

Chair of the Board of Auditors

**MR. NGUYEN VAN TOAN**

Member of the Board of Auditors

**Board of Management**

In 2019, the Board of Management saw no changes in personnel.

**Chief Accountant**

In 2019, the Chief Accountant remained the same. Ms. Nguyen Thi Nga continued to hold the position of Chief Accountant of the Company.



# GOVERNANCE STRUCTURE, EMPLOYEE STRUCTURE AND MANAGEMENT APPARATUS (Continued)

## III Relevant companies

### 1. Parent company - A&A Green Phoenix Group JSC (Phenikaa)



Trading name	A & A Green Phoenix Group Joint Stock Company
Abbreviated name	Phenikaa
Charter capital	3,000,000,000,000 dong (Three trillion Vietnam Dong)
Headquarter	No. 167 Hoang Ngan Street, Trung Hoa Ward, Cau Giay District, Ha Noi, Vietnam
Tel	+84 24 3368 5980
Fax	+84 24 3368 7095
Email	support@phenikaa.com
Website	www.phenikaa.com



## INDUSTRIAL PRODUCTION

- Vicostone JSC (81.63% ownership);
- Style Stone JSC (99.93% ownership);
- Vietnam Stone Work-top Fabrication JSC (60.53% ownership).

## TECHNOLOGY

- Phenikaa Led Lighting (100% ownership);
- Phenikaa Electronics (100% ownership);
- Phenikaa Smart Solutions (80% ownership);
- BusMap JSC (51% ownership).

## SCIENTIFIC RESEARCH

- Phenikaa Research and Technology Institute (100% ownership).

## EDUCATION AND TRAINING

- Phenikaa University (98.7% ownership);
- Phenikaa Education Investment JSC (90% ownership).

## DESIGN AND CONSULTANCY

- Hanoi - VPM Project Management Consultancy JSC (97.82% ownership)

## TRADE AND SERVICES

- Sec G3 Center JSC (99% ownership);
- Stylenquaza LLC. DBA (Vicostone US) established in November 2010, headquartered at 11620 Goodnight Lane, Suite 100, Dallas, Texas, USA. (75% ownership);
- Vicostone Canada INC. established in November 2015, headquartered at 341 Edgeley BLVD Vaughan, ON L4K 3Y2, Canada. (90% ownership).

Vicostone US and Vicostone Canada are subsidiaries of the Phenikaa Group, established and operated outside of Vietnam, and provide direct distribution of quartz-based stones under the VICOSTONE® brand in North America (USA, Canada).

## GOVERNANCE STRUCTURE, EMPLOYEE STRUCTURE AND MANAGEMENT APPARATUS (Continued)

### 2. Subsidiaries and dependents

#### 2.1. Subsidiaries

Phenikaa Hue Mineral Processing & Investment One Member Company Limited (100% ownership)



Trading name	Phenikaa Hue Mineral Processing & Investment One Member Company Limited
Abbreviated name	Phenikaa Hue
Charter capital	50,000,000,000 dong (Fifty billion Vietnam Dong)
Headquarter	Lot CN15 section B, Phong Dien Industrial Park, Phong Hoa Commune, Phong Dien Dist., Thua Thien Hue province, Vietnam
Main business areas	Manufacturing of non-metallic products
Total workforce	Phenikaa Hue Mineral Processing & Investment One Member Company Limited currently has 143 employees. Average income is over 8 million dong/person/month. In 2019, the Company paid over 1.3 billion VND in social insurance, health insurance, and unemployment insurance premiums

#### 2.2 Dependents



Area	Address
Representative office in Ho Chi Minh City	72 Nguyen Co Thach Street, An Loi Dong Ward, District 2, Ho Chi Minh City
Representative office in Nha Trang	No. 2 To Huu, Phuoc Hai Ward, Nha Trang, Khanh Hoa province
Representative office in Da Nang	No. 502-504 Nguyen Huu Tho, Khue Trung Ward, Cam Le Dist., Da Nang
Showroom in Ha Noi	167 Hoang Ngan, Trung Hoa Ward, Cau Giay District, Ha Noi

# PRODUCTS, TECHNOLOGY, MARKET

## Products

VICOSTONE® quartz-based products are manufactured using innovative, state-of-the-art technology in tandem with technological know-how. Therefore, VICOSTONE® products exhibit unique, and impressive designs (patterns and colors) drawing inspiration from the aesthetic of natural stones and natural phenomenon. They possess far superior physio-mechanical properties compared to natural stones and various tiling materials produced using other technologies. The harmonious combination of raw materials, with over 90% from natural quartz, world-leading technology, and unique Technological know-how stemmed from the infinite talent and creativity of Vicostoners have created simply unique products that are trendy and hard to replicate.

VICOSTONE® products are the top choice for consumers and professionals for most of interior the surfaces, such as: kitchen counters, vanity tables, bathtubs, sinks, walls, bar counters, floors and many others. Thanks to tireless innovation and creativity, Vicostone has launched many new products in 2019. Of special note is the unique Sky Collection, which draws inspiration from the timeless beauty of the formations of clouds and the sky. The collection captures the wide range of emotions people experience when observing clouds at different moments: sometimes clear and gentle, reminiscent of floating white clouds; sometimes fierce and strong, a resemblance of dark clouds just before a storm, other times infinitely mysterious, like the night sky in the polar regions. All of these masterpieces have been fully depicted in Vicostone's Sky Collection.

- **Vicostone Gan Eden quartz - BQ8881** is unique with patterns that simulate gentle, clear clouds, randomly arranged but forming a homogeneous overall picture, one that shall trigger the imagination of the viewer.
- **Vicostone Elysian quartz - BQ8884**, is highly applicable with a combination of warm white and gray tones. The stone stripes resemble intense storm clouds randomly arranged to deliver a strong impression of strength.
- **Vicostone Amadeus quartz - BQ8887** is the smooth combination between a black background and golden metallic-tinged lines, creating a unique transparent 3D effect, simulating the polar skies at night, impressive designs.

*Vicostone Amadeus quartz - BQ8887*



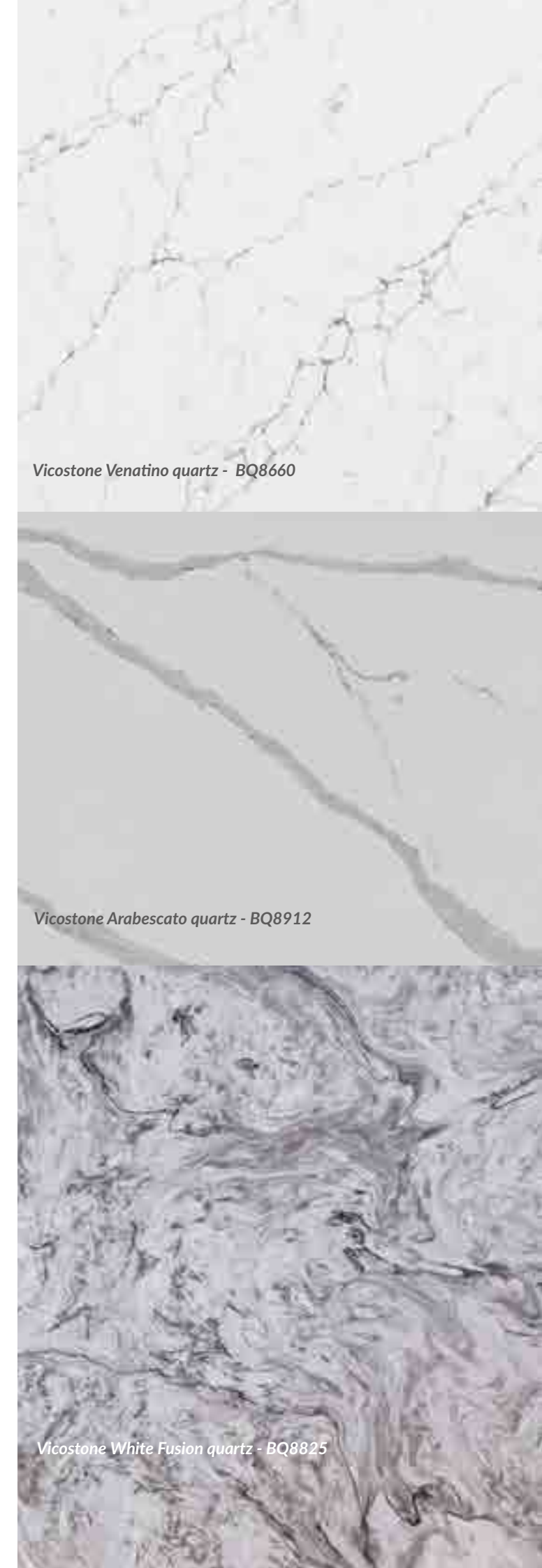
2019 also marked the strong transformation of Vicostone with its successful development of the ultra-thin Quartz line - the world's first with a thickness of 5mm. The product possesses superior characteristics such as slimness, lightness, installation ease and can be used for many surfaces such as kitchen countertops, kitchen cabinets, bathroom cabinets to wall tiles. The novelty and convenience of this product not only bring forth inspiration for your living space but also offer more options for interior designers around the world, especially in modern life when convenience and simplicity are the current mantra. The product was officially launched at the IMM exhibition in Germany in January 2020. Always pioneering and creating trends with innovative, unique and inspirational product lines, each VICOSTONE® product design is comparable to a masterpiece crystallized by knowledge and talent, research and development, and the creativity of Vicostone engineers, along with its unique tech secrets. Notable global VICOSTONE® brands include:

- **Vicostone Venatino quartz - BQ8660:** unique with interweaving grey lines, forming larger details such as big branches, simulating gentle, slender royal poinciana branches.
- **Vicostone Arabescato quartz - BQ8912:** Inspired by the natural beauty of Calacatta marble, the famed Italian marble line - known as the queen of stone, Vicostone Arabescato is an elegant redesign of nature, still on a palette of white; elegant, flexible primary grey veins harmoniously combined with secondary veins.
- **Vicostone White Fusion quartz - BQ8825:** unique with swirling grey veins that blend together to create storm whirls, with soft and natural transitions between the pattern and background.
- **Vicostone Misterio quartz - BQ8815:** unique design using a combination of dual vein layers composed of a light background layer and a thin, linear layer of brown-grey veins, harmoniously matched on a luxurious marble white surface.
- **Vicostone Nero Marquina quartz - BQ8740** stand out with bright, vertical white veins, evocative of powerful lightning strikes that span the entire slab. These veins are more pronounced on a black, mysterious background.

*Vicostone Venatino quartz - BQ8660*

*Vicostone Arabescato quartz - BQ8912*

*Vicostone White Fusion quartz - BQ8825*

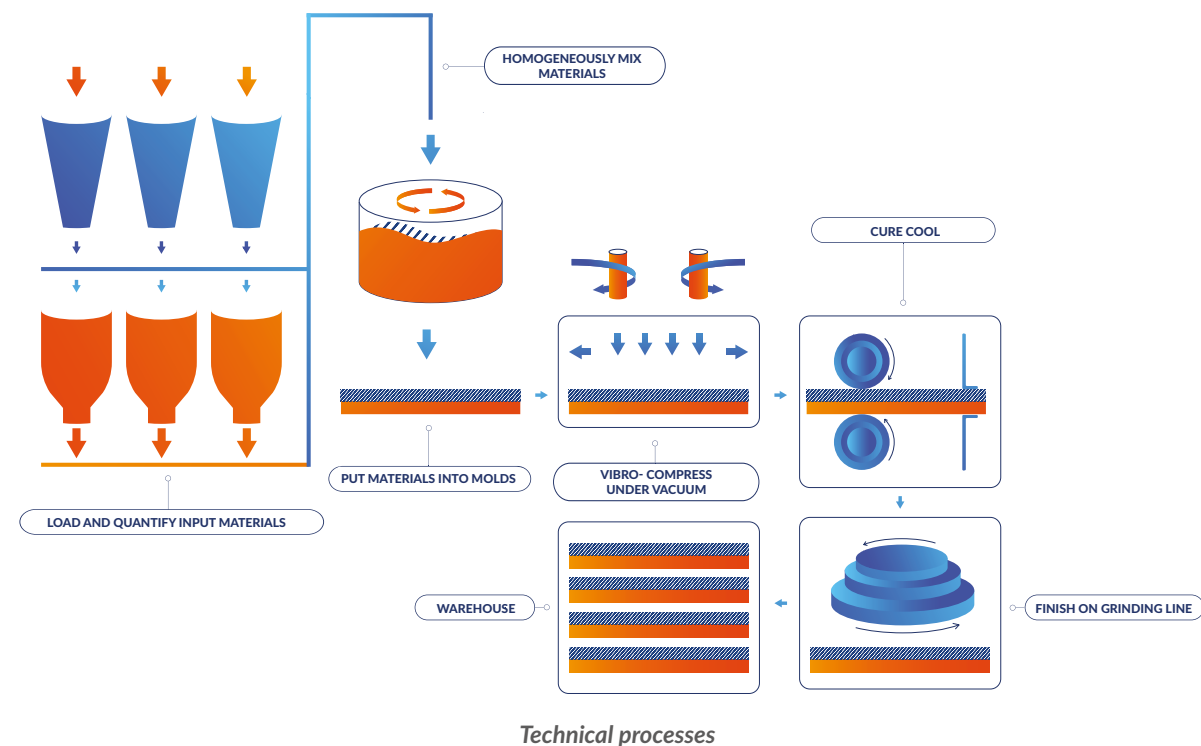




## PRODUCTS, TECHNOLOGY, MARKET (Continued)

### Technology

VICOSTONE® products are manufactured with “Compaction by Vibro-compression under Vacuum” technology using equipment and machinery transferred from Breton S.p.A (Italy) and groundbreaking innovations by Vicostone’s engineer team. Vicostone’s engineered quartz slab manufacturing technology is completely environmentally friendly. A closed-loop wastewater treatment system does not discharge pollution into the environment. Sludge is reused to produce other eco-friendly construction materials such as unbaked brick, and cement-based tile adhesive.



Vicostone’s engineered quartz slab manufacturing technology is completely environmentally friendly:

- Closed production process allows for ease of end-to-end quality control;
- A closed-loop wastewater treatment system does not discharge pollution into the environment;
- Sludge is reused to produce other eco-friendly construction materials such as unbaked brick, cement-based tile adhesive, and block bricks for pavement tiling.



*Vicostone Blue Savoy quartz - BQ8816*

With an advanced, modern and highly automated technological foundation, groundbreaking advancements and pure, safe and eco-friendly raw materials, VICOSTONE® products have far superior characteristics over other natural and engineered stone products manufactured with other technologies.

- **Diverse chromatic spectrum:** thanks to its varied color bands, Vicostone’s products can satisfy all customers’ needs.
- **Uniqueness:** breakthrough and unique designs allows for ease in combination with inspirational interior designs.
- **Highly durable physio-mechanical properties** made from roughly 90% natural quartz--equipped with a hardness rating just behind diamond--Vicostone quartz is waterproof, scratch resistant, corrosive resistant and superior to granite and natural marble.
- **Completely safe for users:** as input materials are checked and guaranteed through strict production processes, final products are safe for users, and are tested and certified by many prestigious international organizations.
- **Easy to maintain:** Unlike most natural stones which need to be refinished or periodically maintained, Vicostone products are easy to clean and require no maintenance. This helps Vicostone stone to preserve its beauty over the years.

## PRODUCTS, TECHNOLOGY, MARKET (Continued)

Thanks to superior product characteristics, VICOSTONE® quartz products are not only durable, but also environmentally friendly, safe for users, and can meet the most stringent requirements of international certification agencies, such as:

- **NSF (National Sanitation Foundation) certification** by NSF International, recognizing that the Company's products are safe to use in the lab, medical facilities, and in food preparation environments.
- **Greenguard and Greenguard Gold certification** by the Greenguard Environmental Institute, certifying that the Company's products are safe for indoor environments, schools and children.
- **CE (EN 15285: 2008 and EN 15286:2013) certification** by SGS (UK), certifies that the Company's products meet European physio-mechanical standards in terms of dimensions, durability, waterproof, abrasion resistance, etc.
- **Microbial Resistance certification** by the Greenguard Environmental Institute, certifying that the Company's products are made from anti-bacterial materials and has anti-bacterial surfaces, guaranteeing safety for consumers and the environment.
- **Declare certification by the International Living Future Institute:** provides transparent information about the origins and composition of products, certifying that Vicostone products are safe for use in construction projects.
- **EPD - Environmental Product Declaration certification** by SCS Global Service: recognition that Vicostone construction materials are safe for the environment.
- **HPD - Health Product Declaration certificate** by SCS Global Service: certifies that Vicostone products are construction materials safe for human and community health.



## Market

Vicostone is one of the leading companies in the world in production of Quartz whose products are exported to over 40 countries across 5 continents.



Export markets of VICOSTONE® quartz products

Argentina	China	Estonia	India	Lebanon	Portugal	South Africa	Thai Lan
Australia	Colombia	Fui	Indonesia	Liechtenstein	Qatar	South Korea	Ukraine
Belgium	Congo	France	Ireland	Mexico	Russia	Spain	United States
Brazil	Cyprus	Germany	Israel	New Caledonia	Singapore	Srilanka	United Arab Emirates (UAE)
Brunei	Czech	Greece	Italy	New Zealand	Serbia	Taiwan	
Canada	England	Hong Kong	Japan	Phillipine	Slovenia		

Vicostone's revenue comes mainly from export activities. Revenue from key markets such as North America, Australia, and Europe accounts for over 98% of total export revenue. In the past two years, Vicostone has taken advantage of favorable conditions to further the momentum of its market share growth in the North American market amid intense US - China trade war.

In the North American market--with support of the Phenikaa Group--besides its extensive sales network through distribution partners, the company has effectively invested in a direct distribution system under the VICOSTONE® brand with 08 distribution centers. Four of these centers are in the US, and four are in Canada.

Throughout 2018 - 2019 multiple fluctuations in the American market were experienced as a result of the US - China trade war. This environment generated and anti-dumping, anti-subsidy duties, as well as lawsuits against quartz products from China, India, and Turkey. With the central mantra, "Proactive transformation for sustainable development." Vicostone has taken the initiative to seize opportunities, boosted commercial operations in the US, played a big role in helping Vietnam to become one of the leading exporters of quartz surfaces to the US. Specifically, quartz surface imports from Vietnam to the US jumped three-fold year-on-year in November 2019 (according to USITC). These are important foundations for Vicostone to continue to expand its direct distribution network in the US and North America soon. In the Vietnamese market, following two years of methodical investment in integrated marketing and communications, Vicostone has strengthened its brand recognition, built trust and gradually become the leading choice for domestic consumers. In line with the positive signals in the economy, in general and of the construction, real estate industry in specifically in 2019, Vicostone's business performance in Vietnam has seen impressive growth, affirming its position as the No.1 quartz surface brand in Vietnam.

# 02

## REPORT OF THE BOARD OF MANAGEMENT

54 The market in 2019 and outlook for 2020

62 Vicostone business performance in 2019





## THE MARKET IN 2019 AND OUTLOOK FOR 2020

### **1** The market context in 2019

#### 1. The political – economic context in 2019

The global political and economic context in 2019 saw many complex changes. The US - China trade war, Japan - South Korea trade tensions, the Brexit deadlock, fluctuating oil prices ... have had far-reaching impacts on the global economy. Compared to forecasts in early 2019, most of the World Bank (WB), International Monetary Fund (IMF), Organization for Economic Co-operation and Development (OECD) figures show economic growth in 2019 slowed, to only roughly 3%<sup>1</sup>, at the lowest level since the global financial crisis in 2008 and significantly lower than the average of 3.83% in the 2010 - 2018 period<sup>2</sup>.

Economic recession was widespread with a trend of slower growth in most major economies. According to UN estimates, about two-thirds of countries over the world had lower GDP growth in 2019 than in 2018. The decline in GDP growth rate in developed and developing countries in 2019 is mainly due to weakened trade and waning domestic investment. A decline in industrial production, evident by the global manufacturing Purchasing Managers' Index (PMI) falling to its lowest level since 2012. However, personal consumption was relatively good across most countries in 2019 thanks to a stable labor market and modest inflation.

In the context of decelerating global economic growth, Vietnam's economy in 2019 had a good year. According to data from the General Statistics Office, GDP for 2019 grew 7.02%, exceeding the National

<sup>1</sup><https://www.imf.org/en/Publications/WEO>

<sup>2</sup><https://www.un.org/development/desa/dpad/publication/world-economic-situation-and-prospects-2020/>

Assembly's set target of 6.6% to 6.8%. While lower than 2018 (7.08%), it was the second consecutive year Vietnam saw growth of above 7%. Vietnam also leads the ASEAN region in terms of GDP growth. The main driving force behind 2019's economic growth was the processing and manufacturing industry (up 11.29%) and market service industries. Vietnam's average CPI in 2019 only increased by 2.79% compared to the average in 2018. This was below the target set by the National Assembly and the lowest annual average increase over the past 3 years<sup>3</sup>. 2019 was also the second consecutive year, all 12 of the National Assembly's socio-economic development targets exceeded their set target. This is a solid foundation for Vietnam's economic development in 2020 and the years to come.

In recent years, Vietnam has recorded many important achievements in economic development as the result of the promotion of an open economy, international economic integration, and active participation in the network of multi-layered free trade agreements. In 2019, Vietnam had saw 05 trade agreements signed/formally came into effect, including:

- 1** The Free Trade Agreement between Vietnam and the European Union (EVFTA) signed on June 30, 2019;
- 2** Vietnam - Cuba Trade Agreement signed on November 9, 2019;
- 3** The Trade in Goods Agreement between ASEAN and Hong Kong (AHKFTA) signed in 2017, officially came into effect on May 16, 2019;
- 4** The Agreement on Promoting Bilateral Trade between Vietnam and Cambodia signed on February 26, 2019;
- 5** The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CP TPP) officially came into effect for Vietnam from January 14, 2019.

Vietnam's inking and participation in trade agreements will have major impacts on its economy through expanding import and export markets. Accordingly, import and export turnover to partner countries will increase, traditional markets can be consolidated, potential markets can be opened up on the basis of promoting relations with strategic economic partners.

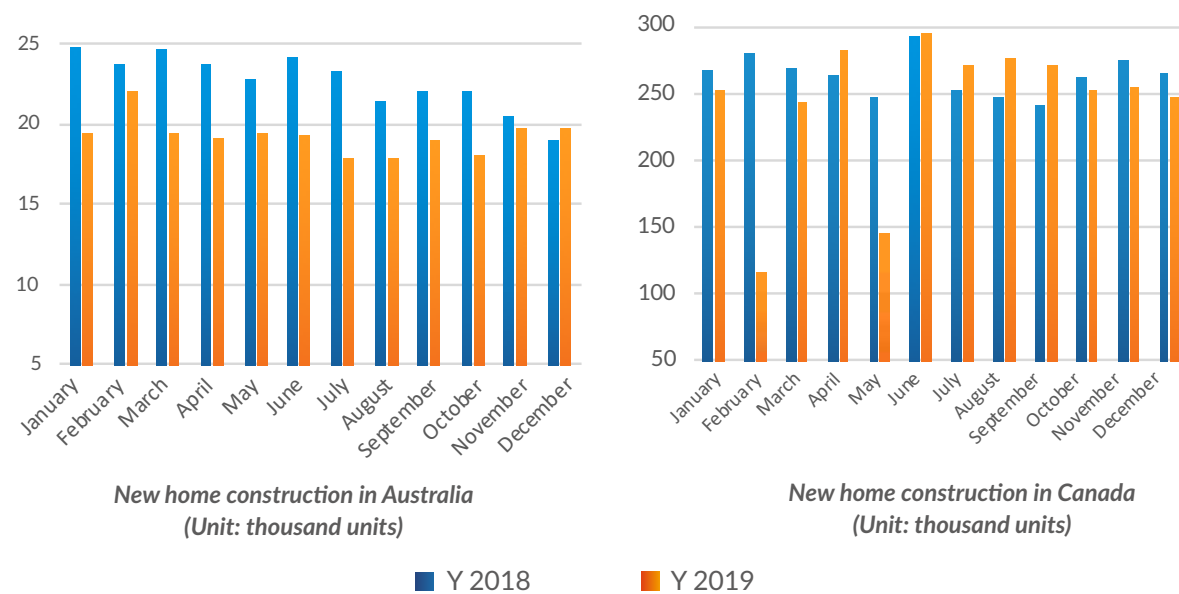
<sup>3</sup><https://baodautu.vn/lam-phat-nam-2019-la-279-thap-nhat-trong-3-nam-d113705.html>

# THE MARKET IN 2019 AND OUTLOOK FOR 2020 (Continued)

## 2. The construction industry in 2019

The complex economic context of 2019 has had significant impacts on the global construction industry. The decline of the construction industry in major economies and underwhelming growth of emerging countries such as the Middle East, Southeast Asia ... has dragged global growth down to 2.7% in 2019 - the lowest level in a decade, according to GlobalData, a leading data and analytics firm<sup>4</sup>.

In Vicostone's key markets, the construction industry was relatively dreary. The US construction industry in 2019 decreased by 3.7% year on year due to market instabilities, lower-than-expectations economic performance and the US-China trade war<sup>5</sup>. The number of new homes in Canada in 2019 was 2.3 million units, down 10% year on year. The same statistics is down to 20% in the Australian market with the number of new construction in 2019 at only 170 thousands, compared to 212,000 units in 2018.



Conversely, Vietnam's construction industry was a prominent point in 2019. The industry saw 9-9.2% growth<sup>6</sup>. It is expected to continue positive signals, experience good growth in 2020 thanks to a series of policies or more reasonable market segmentation. In addition, the current Housing Law allowing foreigners and businesses to own homes in Vietnam and the strong increase in demand for offices in big cities have made the construction industry much busier in 2019. However, the real estate sector has not seen such optimistic growth. Despite good controls over "real estate bubble", and being in the industrial recovery and growth cycle, the housing market in big cities has shown signs of decline in terms of supply of projects and housing units and number of transactions.

<sup>4</sup><https://www.globaldata.com/global-construction-output-growth-will-decline-to-2-7-in-2019/>

<sup>5</sup> <https://ccorpinsights.com/summary/>

<sup>6</sup><http://baochinhphu.vn/Hoat-dong-Bo-nganh/Toc-do-tang-truong-nganh-xay-dung-nam-2019-dat-tu-992/383622.vgp>

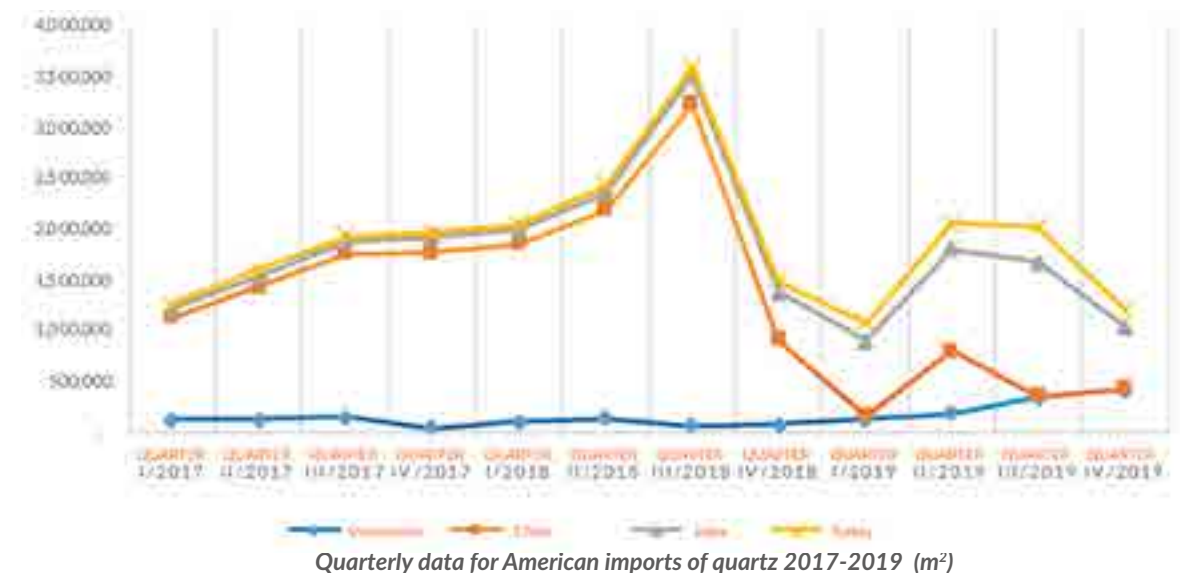


Vicostone Ultrathin quartz - BQ5290

## 3. Highlights of the quartz surface market in 2019

The anti-dumping and countervailing lawsuit against quartz products from China, India and Turkey into the US has caused many fluctuations to the market in 2019. Department of Commerce announced on May 15<sup>th</sup> its determination of anti-dumping and countervailing duties on Chinese quartz products, whereby the industry-wide anti-dumping rate is 336.69% and the countervailing duty is 45.32%. Such high rates have caused Chinese products to "struggle" in the US market as this has been the largest export market for Chinese quartz surface products in recent years.

On December 5, 2019, USITA (US International Trade Administration) announced the preliminary determination of countervailing and anti-dumping duties on quartz surface products from India and Turkey into the United States. Accordingly, the total duty for quartz surface products from India and Turkey was set at 83.79% and 8.67% respectively. The investigation has not yet reached the final conclusion but data on quartz surface product imports from India into the US in December 2019 has begun to decline sharply.



The decline of Chinese and Indian quartz in the US market has created a "gap" and growth opportunities for other suppliers. In the spirit of "adapting quickly, transforming timely", Vicostone has seized the opportunity to achieve good growth in 2019, especially in the US market.



# THE MARKET IN 2019 AND OUTLOOK FOR 2020 (Continued)



## II Market prospects for 2020

### 1. Global economy outlook for 2020

Global growth is forecasted to grow at 3.3% for 2020, lower than previous forecasts as the result of unpromising economic signals from emerging economies, including Brazil, India, Mexico, Russia and Turkey. However, on the positive side, market sentiments have rallied with signs that global manufacturing and trade are bottoming out, and monetary housing policy is changing, the US and China have reached agreement for the first phase, and more promising signs of Brexit agreements... Nevertheless, these prospects have not been evidenced in economic data<sup>7</sup>.

In the US, growth is expected to reach about 2% in 2020<sup>8</sup>. The Eurozone is expected to grow at 1.3%, with France and Italy growth remaining roughly constant, Germany with a slight decrease due to lagging production, and Spain also lagging due to declining domestic demand and export volume. Goldman Sachs forecasts that Asia will grow at around 4.7% to 4.9% in 2020 by the decrease of trade tensions and relaxation of financial requirements<sup>9</sup>.

In early 2020, the global economy was affected by an acute respiratory disease caused by a new strain of the Corona virus (aka COVID-19). China - the second largest economy in the world, was seriously affected during the first half of 2020. Economic experts forecast that China's GDP will be lower (from 0-5.5%) than the current expectation of 5.9%<sup>10</sup>. Experts have also predicted that the outbreak will lower global economic growth to 0.2-0.3%. However, with the continued outbreaks across the world, it is still too early to holistically assess the consequences of COVID-19 on the global economy. Real

statistics may drop below the forecasted level of 0.2-0.3% and will depend on countries' ability to control the disease. According to a World Bank study, a serious pandemic could wipe out nearly 5% of the global GDP, equivalent to over US \$ 3 trillion, while smaller outbreaks, such as the 2009 swine flu outbreak, reduced the global GDP by 0.5%.

Vietnam's economy entered in 2020 with a solid foundation but COVID-19 may be a major disadvantageous factor. In November 2019, the National Assembly passed its Resolution on socio-economic development plan for 2020, setting the target for GDP growth of 6.8%<sup>11</sup>; average CPI of below 4%. However, according to preliminary estimates by the Ministry of Planning and Investment, growth for 2020 will depend on the subsequent development and the domestic ability to control the COVID-19 epidemic. Therefore, Vietnam's growth in 2020 may be reduced from 0.5% to nearly 1% as comparing to the target of 6.8%. In 2020, Vietnam will officially assume the role of ASEAN Chairman and non-permanent member of the United Nations Security Council. This is the chance to take advantage of the many opportunities to promote FDI inflows from abroad into Vietnam. The development and integration of Vietnam into the ASEAN Economic Community and the world will grow ever deeper.

<sup>7</sup><https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020>

<sup>8</sup><https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020>

<sup>9</sup><https://www.goldmansachs.com/insights/pages/asia-outlook-2020.html>

<sup>10</sup><https://forbesVietnam.com.vn/tin-cap-nhat/tang-truong-kinh-te-toan-cau-2020-se-giam-03-vi-dich-benh-covid19-9249.html>

<sup>11</sup><https://conghuong.vn/tac-dong-cua-dich-covid-19-doi-voi-nen-kinh-te-trong-thach-thuc-co-co-hoi-132710.html>

# THE MARKET IN 2019 AND OUTLOOK FOR 2020 (Continued)

## 2. The construction industry in 2020

The global construction industry in general is still recovering. According to GlobalData's forecast, with this momentum, the construction industry will grow by 3% in 2020, higher than the 2.7% in 2019. The major city of this growth will be driven by USA, China and India. Due to the current struggles of the Chinese capital markets, other Asia countries arise as interesting targets for investors. Moreover, European and American construction companies shift their focus to Africa and the Middle East.

In Vietnam, the regulation for real estate market is increasingly completed towards more stable and sustainable development. Therefore, in 2020, the market will continue to see stable growth, without the risk of a "real-estate bubble". Foreign investors will continue to seek opportunities and invest robustly in Vietnam's real estate market. In addition, the strong growth of the tourism industry in recent years has boosted the resort real estate market. This will create more growth opportunities for high-end products such as that of Vicostone.

## 3. Forecast for the engineered quartz surface market in 2020

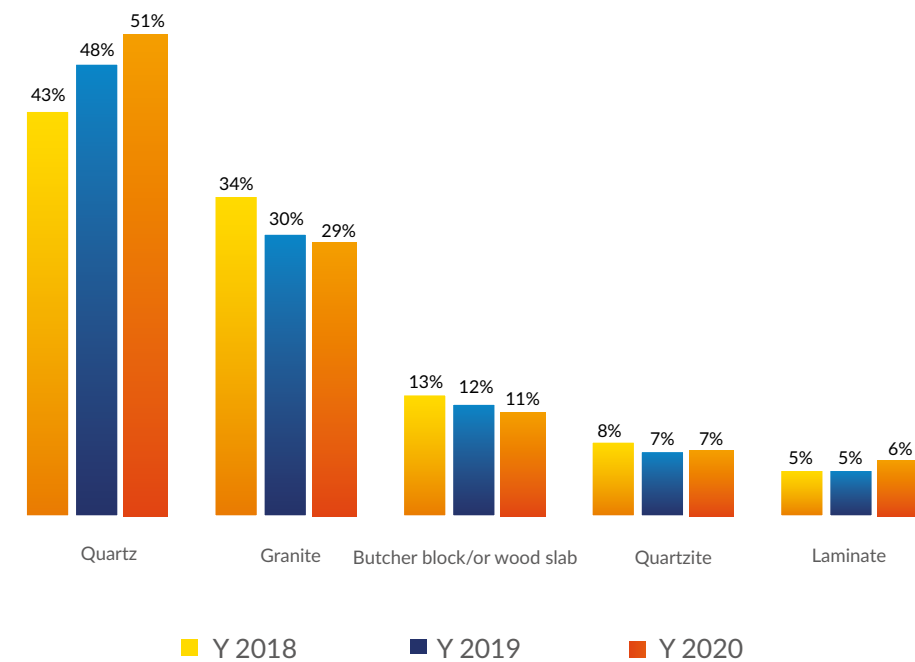


Vicostone Greylac quartz - BQ8738

According to Freedonia's Global Countertops 2019 Report (a US MarketResearch.com subsidiary with years of experience and reports on the countertops industry), demand in the global market for countertops is estimated at nearly 500 million meters square in 2020 and is expected to reach 540 million meters square by 2023 with a growth rate of 2.6% per annum during this period. This forecast takes into account many factors such as increasing income leading to increased construction, home repairs demand; increased government budget for renovation projects that use surface materials; and the increased demand for non-residential projects such as hotels, schools, hospitals..., especially in the Asia Pacific.

The report revealed that there is a strong shift from the use of traditional materials such as laminated wood, synthetic resin, natural stone ... to engineered quartz products because of their durability and versatile design. Therefore, in surface materials, engineered quartz is forecasted to have the fastest growth rate in the near future.

According to the 2020 US Houzz House Kitchen Trends Study Findings (from a survey of 2,598 U.S. homeowners about their recent or planned kitchen renovation projects), engineered quartz continued to be the darling over other surface materials.



Top materials in upgraded countertops

This will open up development opportunities for quartz stone manufacturers in general and Vicostone in particular. Following its strong development in 2019, Vicostone will continue to seize opportunities as well as take the initiative to manage risks and make new breakthroughs in 2020.



# VICOSTONE'S BUSINESS PERFORMANCE IN 2019



## Overview of business performance in 2019

### 1. Variance analysis of business performance in 2019

No.	Items	Unit	Actual 2018	Target 2019	Actual 2019	% Target	% Growth
1	Total revenue	Billion VND	4,564.50	5,309.89	5,590.55	105.29%	22.48%
2	Profit before tax	Billion VND	1,318.51	1,564.63	1,652.66	105.63%	25.34%

### 2. Production and business activities

#### 2.1. Main business items

No.	Items	Unit	2017	2018	2019	2019's growth compared to that of 2018 (%)
1	Total business and production value	Million VND	1,993,499	2,453,366	2,758,537	12.44%
2	Export and import turnover	Million USD	186.90	204.63	224.46	9.69%
	In which:					
	Import turnover	Million USD	47.73	64.38	42.21	(34.43%)
	Export turnover	Million USD	139.17	140.25	182.25	29.95%
3	Gross revenue	Million VND	4,408,080	4,564,503	5,590,552	22.48%
4	Profit before tax	Million VND	1,125,012	1,318,511	1,652,663	25.34%
5	Net profit after tax	Million VND	1,121,778	1,123,544	1,410,115	25.51%
6	Paid to State budget	Million VND	172,137	234,104	365,572	56.16%
7	Depreciation & amortisation of fixed assets	Million VND	69,627	73,429	103,979	41.61%

No.	Items	Unit	2017	2018	2019	2019's growth compared to that of 2018 (%)
8	Owners' equity at the end of the reporting period	Million VND	2,395,890	2,730,553	3,448,686	26.30%
9	Investment in capital construction	Million VND	62,746	151,733	50,651	(66.62%)
10	Employees & Salary					
	Employees available at the end of the reporting period	Person	640	682	832	21.99%
	Per capita income	1,000 VND	17,020	18,678	21,073	12.82%

(Source: VICOSTONE's audited consolidated financial statements)

Thanks to the strong and constant guidance and executive decisions of the Board of Directors, risks management capacity, proactivity in the face of changes and the tireless efforts of the whole Vicostone team, despite the fluctuations of the global economy in 2019, Vicostone has exceeded its set plan, launching the company's rapid and sustainable development:

- Total revenue in 2019 reached 105.29% of the plan, up 22.48% compared to 2018.
- Profit before tax reached 105.63% of the plan, up 25.34% compared to 2018.

Main factors contributing to Vicostone's achievement in exceeding the plan:

- **Objective factors:** Since October 2018, the US imposed anti-dumping duties on engineered quartz from China, leading to a drop in Chinese imports into the US market. This was an opportunity to increase sales in the US market for engineered-quartz exporters from other countries, including Vietnam.
- **Subjective factors:** Vicostone's sustainable foundation and proactivity in the face of volatility, such as:
  - » Brand value and reputation: During this past year, the Company's brand continued to develop in both the domestic and international markets and has become one of the top choices for experts and consumers. This is a competitive advantage and a favorable condition for Vicostone to increase revenue.
  - » The internal strength of the Company is strengthened and improved in term of: Human resource, systems, technology, financing...
  - » Effective implementation of corporate governance, especially in risk management, including: Risk identification and management to be ready for prompt responses and proactive transition with flexible and acute solutions. Cost cutting and controlling are also uniformly implemented in all activities through technological, and innovative solutions while meeting standards at optimum cost.




# VICOSTONE'S BUSINESS


## PERFORMANCE IN 2019 (Continued)


### 2.2. Key financial ratio


Items	2017	2018	2019
<b>1. LIQUIDITY</b>			
Current ratio:			
Current assets/Current liabilities	2.33	2.27	2.37
Quick ratio:			
(Current assets - Inventory)/Current liabilities	1.26	1.08	1.35
<b>2. CAPITAL STRUCTURE</b>			
Debt To total assets ratio	0.37	0.38	0.38
Debt-to-equity ratio	0.59	0.61	0.62
<b>3. OPERATION ABILITY</b>			
Inventory turnover days:			
360*Average inventory/Cost of goods sold	173	208	192
Turnover days			
360*(Average receivables - Average advances from customers)/Net revenue	65	84	100
Account payable turnover days			
360*(Average payables - Average advances to suppliers)/Cost of goods sold	54	41	31
Net revenue/Total assets	1.14	1.03	1.00
<b>4. PROFITABILITY</b>			
Return on Sales (ROS)	0.26	0.25	0.25
Return on Equity (ROE)	0.47	0.41	0.41
Return on Assets (ROA)	0.29	0.26	0.25
Net profit margin	0.26	0.29	0.30


This past year, the Company did not incur bad debts, or bad debts expenses that could affect its production and business results.


- 

Current ratio and quick ratio indicators for 2019 were higher than 2018 as the result of the faster thanks to the faster growth rate of short-term assets to short-term liabilities;
- 

Total debt to total assets ratio and total debt to equity for 2019 remained stable year on year;
- 

Inventory turnover days for 2019 decreased 16 days compared to 2018. Thanks to high revenue in 2019, Vicostone has been able to free up part of its old inventory;
- 

Account receivables turnover days for 2019 increased 19 days compared to 2018, due to higher end-of-year revenues, accounts receivable for end of 2019 increased 55.18% year on year. Deferred payment customers are all traditional, credit-worthy customers;
- 

Return on sales, net profit margin, return on equity for 2019 continued to remain high. This is proof of the effective performance of Vicostone's cost management;
- 

Return on Assets for 2019 was lower year on year due to profit after tax growth was lower than total assets growth.

As such, most indicators related to liquidity and profitability for 2019 are higher compared to 2018. This is evidence of the effectiveness of Vicostone's management.

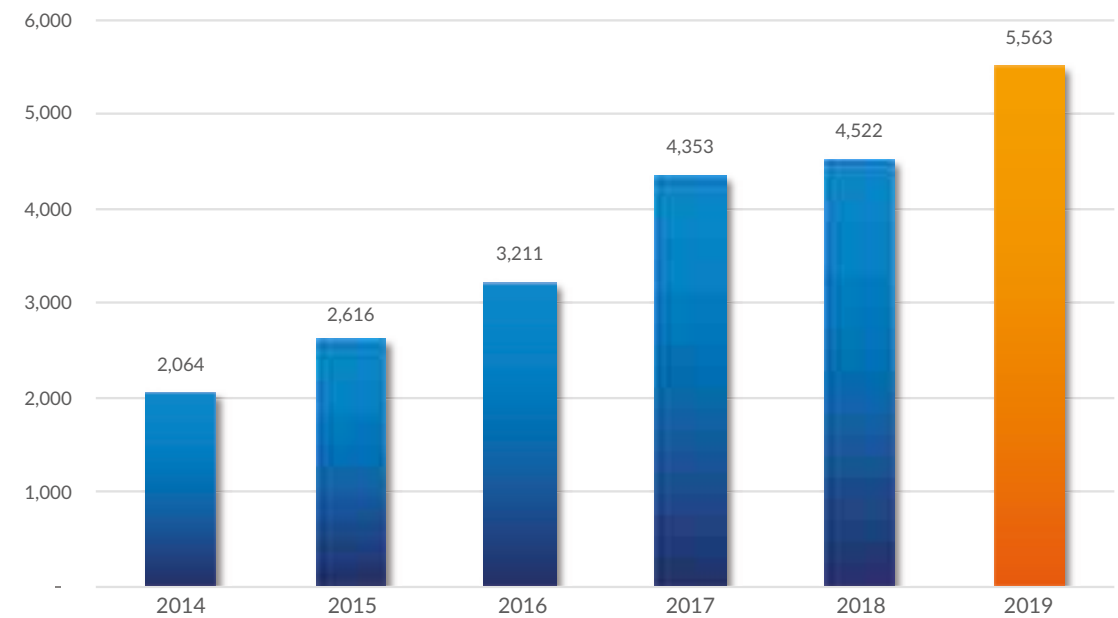
# VICOSTONE'S BUSINESS PERFORMANCE IN 2019 (Continued)

## 3. Business performance in markets

As the result of the volatility in the world economy in 2019, global GDP in 2020 will see grow slowly, about 3%, significantly lower than the average of 3.83% in the period from 2010 - 2018<sup>1</sup>. Recession on a large scale coupled with the trend of slowing growth in most major economies, especially in the US, Australia, Canada, China, the UK... will have a significant impact on the construction industry in general and the demand for surface materials (countertop) in particular.

In the US, total import of engineered quartz in the first 11 months of 2019 was 11.9 million meter square, down 8% compared to 2018. In Canada, the number of new homes built in 2019 decreased by 10.1% compared to 2018. This figure is nearly 20% in the Australian market. This partly reflects the difficulties of the construction industry in 2019<sup>2</sup>.

Despite market volatilities in 2019, thanks to the timely and practical guidance of Vicostone's Board of Directors, along with its team of professional and experienced employees, tirelessly striving and innovating, with confidence and bravery in the face of changes, fast and proactive in transition, and always seizing the initiative, Vicostone has seen good growth business performance. Net revenue in 2019 from the sales reached VND 5,563 billion.



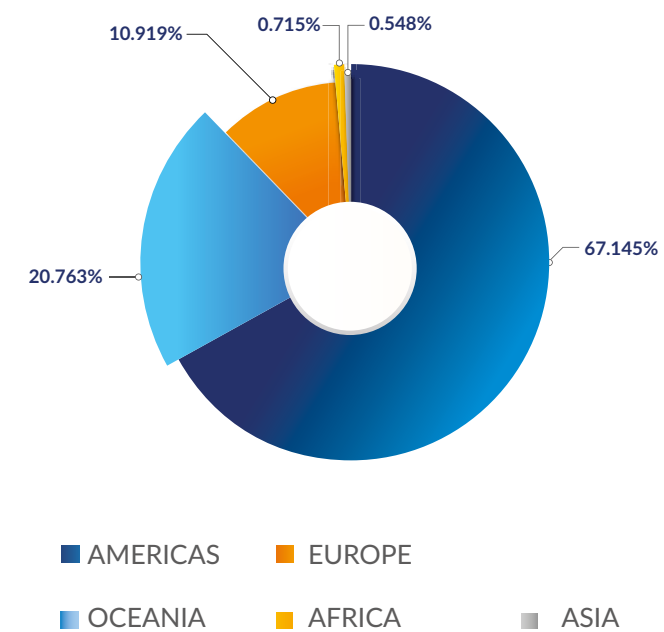
Vicostone net revenue from sales  
(Unit: billion VND)



Vicostone booth at IMM Exhibition Cologne, Germany

### 3.1 Export market

Vicostone's revenue mainly comes from the exporting of VICOSTONE® quartz stone products, which is focused on major markets including North America, Australia and Europe. Revenue from these markets accounted for 98.08% of Vicostone's total export revenue during 2014-2019.



Vicostone export revenue structure for 2014-2019 period

<sup>1</sup> <https://www.un.org/development/desa/dpad/publication/world-economic-situation-and-prospects-2020/>

<sup>2</sup>US: <https://www.usitc.gov/>

Canada: <https://tradingeconomics.com/canada/housing-starts>

Australia: <https://www.abs.gov.au/ausstats/abs@.nsf/mf/8731.0>

## VICOSTONE'S BUSINESS

### PERFORMANCE IN 2019 (Continued)

Vicostone's main export markets has major purchasing power, at the same time has very stringent requirements in terms of quality and product designs. These markets have many experienced competitors as well.

In 2019, in light of market volatilities, Vicostone has employed sharp, flexible and innovative business tactics. Thanks to this, Vicostone has consolidated its position with growing market share in key markets. Specifically:

- In the US market, following over 10 years development, Vicostone now has roughly 7.5% of the market share (based on Vicostone's export data and Freedonia market demand data). This has contributed to Vietnam's rise as a major exporter of quartz surface products to the US after India, and Spain.
- In Canada, despite being a latecomer to the market (since 2016), Vicostone, VICOSTONE® quartz surface products now account for about 5% of Canadian engineered quartz market (according to the Vicostone data and import and export data of Statistics Canada);

Given the fierce competition in the market, with hundreds of engineered quartz companies exporting to North America, the above data is proof of the positive performance of Vicostone in this market.

In addition to key markets, in 2019, Vicostone has expanded business activities in potential new markets such as Brunei, Mexico, the United Arab Emirates (UAE). Continuing to maintain and develop in existing markets and expanding to new markets are the foundations for ensuring sustainable development and fulfilling Vicostone's business goals in 2020.

Through 17 years of development, Vicostone has been able to affirm its position on the international market, becoming one of the four largest companies in the world in terms of production capacity of premium engineered quartz using Breton technology (Italy). With a solid financial foundation, production capacity, human resources, and technology... Vicostone is gradually realizing its vision of becoming the top 3 engineered quartz brands in the world

#### 3.2 Domestic market

2019 continued to be a year of success for Vicostone in the Vietnamese market. Thanks to integrated marketing communications activities, market expansion, and consolidation of its distribution system... sales revenue from Vicostone products in 2019 has tripled compared to 2017 – a milestone marking Vicostone's redirected focus on the domestic market following its successful pursuit in foreign markets. CAGR for this period was 75.5%/annum - a particularly impressive figure.

During 2018 - 2019, Vicostone focused on brand promotion activities to increase brand awareness about the superior properties of its products in the Vietnamese market. Aiming to become the number one brand in Vietnam in premium engineered quartz, key marketing projects during this period included a methodical integrated marketing & communications campaign to bring VICOSTONE® products - having conquered such markets as the US, Canada, Australia, and Europe... - to Vietnamese consumers. After an IMC campaign lasting nearly 2 years, from a relatively unknown brand, Vicostone has become the most recognized brand in the industry, contributing to Vicostone's revenue growth in the Vietnamese market.

In addition to increasing brand awareness, during this period, the company also opened additional networks of representative offices, showrooms and distribution agents in key, potential areas. Today, Vicostone has built an extensive distribution network of nearly 1,000 agents nationwide, focused

mainly on the Ha Noi and Ho Chi Minh City markets. To best support this network, in 2018, Vicostone established its representative offices and showrooms in 4 major cities: Ha Noi, Ho Chi Minh City, Da Nang, and Nha Trang. In addition, with investment from Phenikaa Group, a factory in Dong Nai has gone into operation to ensure Vicostone's commitment of "the fastest and best delivery" to customers in Ho Chi Minh City and the Southern region.

Thus, with home field advantage and a sound business strategy, after just 2 years from its brand launch in the Vietnamese market (December 2017), Vicostone has gradually become "the No. 1 engineered quartz brand" in the domestic market. This is a major success for Vicostone, and is the prerequisite for the company to continue to develop and position itself for breakthroughs to better serve Vietnamese consumers.



Prime Minister Nguyen Xuan Phuc touring Vicostone's pavilion at the "Achievements in industry and sciences - 60 years onward" exhibition



# VICOSTONE'S BUSINESS PERFORMANCE IN 2019 (Continued)

## 4. Marketing activities

### Sponsorship for The show "Morning Coffee with VTV3"



52

Episodes of Morning Coffee were aired on VTV3 showcasing Vicostone engineered quartz products

### "Amazing Tet Holiday with Vicostone" campaign

OVER 80,000

Interactions across its digital channels following the communications campaign called "Amazing Tet Holiday with Vicostone"



### The "True Happiness" campaign

NEARLY 3,000,000 VIEWS ON VIRAL VIDEO

NEARLY 24,000 VISITORS TO VICOSTONE BOOTHS

NEARLY 3,600,000 SITE VISITS



The "True Happiness" campaign was to highlight the true value of happiness in life. VICOSTONE® engineered quartz accompanies customers in every moment of the day and helps make them feel truly happy at their home.

The campaign started with a video "What is happiness" and concluded with Finding Happiness events in Ha Noi and Ho Chi Minh city.



## VICOSTONE'S BUSINESS PERFORMANCE IN 2019 (Continued)

### FANPAGE "VICOSTONE VIETNAM"

INCREASE OF NEARLY **1,000%**

Increase of nearly 1,000% (from 5,000 to nearly 50,000 subscribers). Exponential growth in subscribers to "VICOSTONE Vietnam" fanpage

**PR ARTICLES** Articles about VICOSTONE on print media and e-magazines.  
NEARLY **300**

### ACTIVITIES FOR ARCHITECTS

**15**

Activities for architects, expanding awareness about VICOSTONE® brand to over 1,500 industry professionals.

**FANPAGE FOR ARCHITECTS**  
OVER **20,000**  
FOLLOWERS

## "Dream home kitchen" campaign

NEARLY **38,000,000**  
HITS

"Dream home kitchen" is a project co-hosted by VICOSTONE and VnExpress for audiences to share love messages. It opens opportunities for contestants to renovate their kitchen, so that the kitchen is truly a place to keep the cozy atmosphere in the family.

3 apartments were selected to renovate and become the best version of modern and comfortable kitchen. Each unit costed up to VND 300 million.

The campaign has participation of celebrities: Actor Lam Vy Da, director Hong Anh... The campaign attracted the attention of millions.



## "The art of Quartz" campaign

OVER **8,500,000**  
DIGITAL VIEWS

NEARLY **19,000,000**  
VIEWS ON TV

The campaign received 3,600 media broadcast and exceeded communication goals set across all channels, particularly on TV.



## VICOSTONE booth at Vietbuild 2019

**3** EXHIBITIONS      **1,200** INTERESTED CUSTOMERS WITH CONTACT DETAILS      NEARLY **5,000** VISITS

VICOSTONE booth at Vietbuild 2019 - the largest exhibition for the construction, building materials and interior design industry in Hanoi, Ho Chi Minh City, and Da Nang.



Vicostone booth at VietBuild exhibition



# VICOSTONE'S BUSINESS PERFORMANCE IN 2019 (Continued)

## “Perfect Harmony” series



**12**  
ARCHITECTURE EPISODES

**12**  
TALK SHOWS

**OVER 2,000,000**  
MILLION HITS

### “Perfect Harmony” series

This is the first series in Vietnam about the outstanding works of Vietnamese architects. It is a hub for leading architects, designers and community in Vietnam. Viewers can experience, and interact with guests - reputable industry experts - to gain better understanding of the creative process, their concerns and the effort that went into the finished products.



## 5. Notable events international markets

Having opted to export to big and particular markets, Vicostone constantly strives to take solid steps, position itself as a Vietnamese brand in the international market. In addition to the development of its distribution and marketing networks in these markets, participation in prestigious international exhibitions are also effective channels for communication and promotion of the Vicostone brand.

In Canada, Vicostone took part in four industry exhibitions: Interior Design Show (IDS) in Vancouver and IDS in Toronto, Sidim-Salon Du Design in Montreal and Quebec Expo Habitat. At these exhibitions, Vicostone has created its own mark and gained awareness to international customers.



Vicostone booth at SIDIM - Salon du Design, Montreal, Canada

In the United States, Vicostone took part in the KBIS - the largest trade show in the industry in February 2019 in Las Vegas and received positive feedback and acclaimed from professionals and customers, particularly its product lines inspired by natural marble. The show received great participation of professionals including architects, distributors, manufacturers ...

In tandem with the goal of market expansion and development of distribution channels, Vicostone also had its first booth at the Middle East Stone exhibition in November 2019 in the UAE. At the event, Vicostone gained access to hundreds of customers from different countries who intimated important suggestions that will pave the way for the opening of its business in the UAE market in particular and the Middle East in general in 2020.



Vicostone booth at the Dubai exhibition



# VICOSTONE'S BUSINESS

## PERFORMANCE IN 2019 (Continued)

### II Implementation of key projects in 2019

#### 1. Upgrade of Calibrating and polishing line No.1

##### Project necessity

Vicostone's goal is constant research, create breakthrough new products with quality-intensive in the finishing stage. With the goal of maximizing capacity, improving grinding quality and technology, the Company has decided to conduct renovation and upgrade of Calibrating and polishing line No. 1.

With the operation of the new grinding line, the capacity of the existing grinding line has increased about 200,000 square meter per year. The new line can now sharpen products of higher difficulty, improve product quality and production capacity, help to increase revenue, especially revenue from new high value-added products, and meet the Company's sustainable development demands.

Total approved investment	VND 49 billion
Source of investment	Equity capital
Investment objective	Enhance production capacity, increase the capacity of polishing lines, grind products of higher difficulty, meet delivery schedules and improve sales.
Project duration	From Quarter I to Quarter IV, 2019.
Project location	Hoa Lac Hi-Tech Park, Thach Hoa Commune, Thach That District, Ha Noi city.
Project status	Completed. Currently in use.
Final value of the project is roughly	VND 32.7 billion

#### 2. Vibro - compression line No.3

##### Project necessity

Having identified its strategy of focusing on developing new and unique products, particularly hi-tech products, Vicostone understands that improvements and upgrading of its equipment lines, especially its vibrocompression line is an important task.

Vicostone's technological upgrade of Plant No. 1 aims to increase the efficiency of the vibrocompression line and molding of new products, and increase capacity for bigger-sized products (jumbo, super jumbo). These are high volume products currently being supplied to the market.

The installation of vibrocompression line No. 3 adjacent to line No. 1 is feasible and suit to the practical needs of production to ensure the company's products meet market demands. Once in operation, line 3 will help increase production volume, manufacture new products requiring more advanced technology, and improve production capacity and revenue.

Estimated total investment	VND 220 billion (Roughly USD 10 million)
Source of investment	Equity capital
Investment objective	Put the line into operation together with the existing line, using the most advanced technology from Breton (Italy). New capacity to produce jumbo size and newer products.
Project duration	Quarter IV/2019 – Quarter III/2020
Project location	Same venue as line 1
Project status	Under way

##### Investment plans for 2020

Continue to carry out projects from 2019:

Project	Vibrocompression line No.3
Total investment	VND 220 billion (Roughly USD 10 million)
Funding	Equity capital
Project duration	Quarter IV/2019 – Quarter III/2020

Upon completion, Vicostone will have 3 production lines, covering stages from vibrating to finish using Breton technology (Italy). Design capacity of 1.5 - 1.8 million m<sup>2</sup>/year.

### III Financial situation in 2019

#### 1. Profitability and liquidity

No.	Items	Unit	2015	2016	2017	2018	2019
1	Profit before tax/Net revenue	%	18.32	25.34	25.85	29.16	29.71
2	Profit after tax/Net revenue	%	15.47	21.05	25.77	24.85	25.35
3	Profit before tax/Total assets	%	17.23	24.38	29.53	29.94	29.60
4	Return on Average Equity (ROAE)	%	45.35	55.28	58.38	43.83	45.64
5	Return on Average Assets (ROAA)	%	14.91	22.09	31.39	27.36	28.24
6	Current ratio	Time	1.56	1.77	2.69	2.63	2.62
7	Liquidity Ratio	Time	1.38	1.59	2.33	2.27	2.37
8	Quick ratio	Time	0.61	0.74	1.26	1.08	1.35
9	Earnings per Share (EPS)	VND	8,637	10,813	13,461	6,548	8,114
10	Book value	VND/stock	23,547	24,119	29,949	17,414	21,554

(Source: VICOSTONE's audited consolidated financial statements)

## VICOSTONE'S BUSINESS PERFORMANCE IN 2019 (Continued)

Year on year for 2019, profit before tax, profit after tax indicators increased, pretax earnings and post tax earnings also climbed. The factors contributing to better year on year performance are detailed below:

On May 23, 2019, the Company completely transferred of capital of A&A Green Phoenix Group JSC at Phenikaa Hue Mineral Processing & Investment One Member Limited. Accordingly, starting May 23, 2019, Phenikaa Hue is a Vicostone subsidiary. Therefore, interest expenses, sales costs and administrative fees all increased in 2019 year on year, specifically as follows:

- Sales increased, resulting in net revenue increased of VND 1,041,166,88 million, equivalent to 23.03% and gross profit increased 416,468.75 million dong;
- Finance income decreased by VND 15,056.24 million, mainly due to the decrease of VND 8,580.96 million in interests on deposits; gains from foreign exchange decreased by VND 6,675.55 million;
- Finance expenses decreased by VND 1,849.12 million due to foreign exchange losses of VND 29,640.25 million; interest expenses increased by VND 27,791.13 million;
- Selling expenses increased by VND 54,135.82 million, mainly due to increase in labor costs of VND 5,948.70 million; increase in the cost of materials and goods of VND 5,848.52 million; outsource services and other cash expenses increased by VND 41,999.70 million together with increase in revenue;
- General and Administrative expenses increased by VND 16,298.65 million. The main cause was increase in labor costs of VND 8,900.89 million, office stationeries of VND 717.50 million, Depreciation and amortisation of fixed assets increase of VND 703.52 million, outsourced services increased of VND 4,313.72 million.

These factors contributed to the profit before tax increased of VND 334,152 million, profit after tax increased of VND 286,571 million year on year; pretax earnings and post tax earnings were higher year on year.

- ROAE, ROAA indicators for 2019 continued to remain high, which is evidence of the high efficiency of capital use.
- Current ratio and liquidity remain high at 2.62 and 2.37.

Factors affecting: Liquidity are as follows:

Increase in current assets	661,810	Million VND
Due to:		
Increase in cash and cash equivalents	42,568	Million VND
Decrease in inventories	(73,048)	Million VND
Increase in trade receivables	665,459	Million VND
Increase in VAT deductible and statutory receivables	23,483	Million VND
Increase in other current assets	3,348	Million VND

Increase in current liabilities	208,718	Million VND
Due to:		
Increase in short-term trade payables and advance from customers	19,453	Million VND
Decrease in statutory obligations	(31,846)	Million VND
Increase in payables to employees	13,313	Million VND
Increase in short-term loans and finance lease obligations	266,992	Million VND
Decrease in other payables	(59,194)	Million VND

- Quick ratio in 2019 was 1.35, higher than 2018 due to (Current assets - Inventory) increase of VND 734,857.8 million and current liabilities increase of VND 208,717.84 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 2019 increased compared to 2018 by an absolute value of	718,133	Million VND
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Book value per share in 2019 increased by VND 4,140.05 compared to 2018, mainly due to fluctuations leading to increase in equity:

Net profit after tax in 2019	1,410,115	Million VND
Decrease in retained earnings after dividend payment	(627,200)	Million VND
Decrease in retained earnings after payment of bonus and welfare fund	(83,585)	Million VND
Issuing treasury shares	253	Million VND
Increase as consolidated business	18,551	Million VND

# VICOSTONE'S BUSINESS PERFORMANCE IN 2019 (Continued)

## 2. Book value

Unit: VND

No.	Items	Ending balance (31/12/2015)	Ending balance (31/12/2016)	Ending balance (31/12/2017)	Ending balance (31/12/2018)	Ending balance (31/12/2019)	Increase/decrease in 2019 compared with 2018 (+/-)
A	<b>ASSETS</b>						
1	<b>Current assets</b>	<b>2,010,925,147,284</b>	<b>2,729,081,767,293</b>	<b>3,291,343,374,668</b>	<b>3,794,495,007,360</b>	<b>4,456,305,278,663</b>	<b>661,810,271,303</b>
1.1	Cash and cash equivalents	295,395,072,292	433,971,607,316	656,279,062,859	427,351,751,020	469,919,515,100	42,567,764,080
1.2	Short-term investments	6,153,333,333	-	30,000,000,000	-	-	-
1.3	Account receivables	496,457,054,880	699,403,325,617	951,290,523,619	1,249,984,440,619	1,915,443,533,555	665,459,092,936
1.4	Inventories	1,122,033,575,196	1,458,170,374,347	1,513,931,435,283	1,986,792,777,928	1,913,745,246,413	(73,047,531,515)
1.5	Other current assets	90,886,111,583	137,536,460,013	139,842,352,907	130,366,037,793	157,196,983,595	26,830,945,802
2	<b>Non-current assets</b>	<b>770,555,114,830</b>	<b>608,848,996,604</b>	<b>518,411,252,031</b>	<b>609,832,297,541</b>	<b>1,127,451,451,166</b>	<b>517,619,153,625</b>
2.1	Long-term receivables	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	-
2.2	Fixed assets	597,265,777,339	548,377,023,352	483,762,757,473	548,662,662,740	1,058,231,180,457	509,568,517,717
2.3	Construction in progress	123,070,832,393	4,674,389,078	20,669,627,555	40,498,242,919	47,698,857,585	7,200,614,666
2.4	Long-term investments	35,207,382,225	38,248,003,359	-	-	-	-
2.5	Other long-term assets	14,981,122,873	17,519,580,815	13,948,867,003	20,641,391,882	21,491,413,124	850,021,242
2.6	Goodwill	-	-	-	-	-	-
	<b>TOTAL ASSETS</b>	<b>2,781,480,262,114</b>	<b>3,337,930,763,897</b>	<b>3,809,754,626,699</b>	<b>4,404,327,304,901</b>	<b>5,583,756,729,829</b>	<b>1,179,429,424,928</b>
B	<b>RESOURCES</b>						
1	<b>Liabilities</b>	<b>1,782,888,942,313</b>	<b>1,890,794,978,521</b>	<b>1,413,864,163,277</b>	<b>1,673,774,768,632</b>	<b>2,135,070,735,316</b>	<b>461,295,966,684</b>
1.1	Current liabilities	1,457,948,384,373	1,714,188,084,146	1,413,416,219,225	1,673,444,027,380	1,882,161,864,194	208,717,836,814
1.2	Non-current liabilities	324,940,557,940	176,606,894,375	447,944,052	330,741,252	252,908,871,122	252,578,129,870
2	<b>Owners' Equity</b>	<b>998,362,316,520</b>	<b>1,447,135,785,376</b>	<b>2,395,890,463,422</b>	<b>2,730,552,536,269</b>	<b>3,448,685,994,513</b>	<b>718,133,458,244</b>
2.1	Capital	998,362,316,520	1,447,135,785,376	2,395,890,463,422	2,730,552,536,269	3,448,685,994,513	718,133,458,244
2.2	Other sources and funds	-	-	-	-	-	-
C	<b>NON-CONTROLLING INTERESTS</b>	<b>229,003,281</b>	-	-	-	-	-
	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>2,781,480,262,114</b>	<b>3,337,930,763,897</b>	<b>3,809,754,626,699</b>	<b>4,404,327,304,901</b>	<b>5,583,756,729,829</b>	<b>1,179,429,424,928</b>

(Source: VICOSTONE's audited consolidated financial statements)



## VICOSTONE'S BUSINESS PERFORMANCE IN 2019 (Continued)

Total assets in 2019 increased compared to 2018: VND **1,179,429.42** million of which.

Current assets increased: VND **661,810.27** million; Non-current assets increased: VND **517,619.15** million:

Current assets increased due to:

- Increase in cash and cash equivalents: VND **42,567.76** million.
- Increase in short-term trade receivables VND **665,459.09** million specifically:

Currency: VND

	Opening balance	Ending balance	Movement
Short-term trade receivables	1,219,015,670,542	1,890,709,549,117	671,693,878,575
Short-term advance to supplier	29,809,324,436	21,282,711,304	(8,526,613,132)
Short-term loan receivables	50,129,329	50,129,329	-
Other short-term receivables	2,014,625,084	4,306,452,577	2,291,827,493
Provision for doubtful short-term receivables	(905,308,772)	(905,308,772)	-
<b>TOTAL</b>	<b>1,249,984,440,619</b>	<b>1,915,443,533,555</b>	<b>665,459,092,936</b>

Short-term trade receivables increased by VND 671,693.88 million from VND 1,219,015.67 million at the beginning of the year to VND 1,890,709.55 million at the end of the year. Deferred payment customers are all traditional, credit-worthy customers, with on-time payment track record.

Short-term advance to suppliers decreased by VND 8,526.61 million from VND 29,809.32 million at the beginning of the year down to 21,282.71 million at the end of the year.

Other short-term receivables increased by VND 2,291.83 million due to other receivables from employees increased by VND 1,920.91 million; employee advances increased by VND 370.92 million.

Decrease in Inventories	(73,047.53)	Million VND
Including:		
Decrease in purchased goods in transit	(11,460.49)	Million VND
Increase in raw materials	68,503.07	Million VND
Decrease in tools and supplies	(547.08)	Million VND
Increase in work in process products	14,478.78	Million VND
Decrease in finished goods	(144,021.81)	Million VND

Raw materials, tools and supplies increased by VND 56,495.5 million to cater to production, necessary repair and maintenance plans. Inventory of finished products decreased VND 144,021.81 million as sales revenue increased, the Company has freed up part of its old inventory.

Decrease in other current assets	26,831	Million VND
Due to:		
• Increase in short-term prepaid expenses	3,348	Million VND
• Increase in value-added tax deductible	23,483	Million VND

Increase in non-current assets	517,619	Million VND
<b>Increase in fixed assets</b>	<b>509,569</b>	<b>Million VND</b>
Due to:		
• Decrease in depreciation	(103,979)	Million VND
• Increase in newly purchase or construction in progress transferred	50,433	Million VND
• Increase in consolidated business	563,115	Million VND
<b>Increase in construction in progress</b>	<b>7,201</b>	<b>Million VND</b>
Reason:		
• Decrease in construction projects	(14,551)	Million VND
• Increase in new purchase	(21,752)	Million VND
<b>Increase in other non-current assets</b>	<b>850</b>	<b>Million VND</b>
Due to:		
• Increase in long-term prepaid expenses	850	Million VND

## VICOSTONE'S BUSINESS PERFORMANCE IN 2019 (Continued)

Capital to offset the increase in assets due to:		
<b>Increase in liabilities</b>	461,296	Million VND
In which:		
• Increase in short-term trade payables and advance from customers	19,453	Million VND
• Increase in long-term loans and finance lease obligations	252,695	Million VND
• Increase in short-term loans and finance lease obligations	266,992	Million VND
• Decrease in tax and statutory obligations	(31,846)	Million VND
• Decrease in payable dividends	(86,312)	Million VND
• Increase in remaining liabilities	40,314	Million VND
<b>Increase in owners' equity</b>	718,133	Million VND
In which:		
• Profit from operating activity in 2019	1,410,115	Million VND
• Issuing treasury shares	253	Million VND
• Decrease in retained earnings after appropriation for dividend payment	(627,200)	Million VND
• Decrease in retained earnings after appropriation for bonus and welfare fund	(83,585)	Million VND
• Increase as consolidated business	18,551	Million VND

Thus, Assets increased due to the increase of both Current assets and Non-current assets, the increase is offset by increases in Liabilities and Equity.

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# VICOSTONE'S BUSINESS PERFORMANCE IN 2019 (Continued)

## 3. Selling expenses, General and administrative expenses

Unit: VND

Items	2015	2016	2017	2018	2019
<b>Net revenue</b>	2,616,164,952,027	3,211,489,780,383	4,352,524,092,876	4,521,596,112,810	5,562,762,994,808
<b>Total selling expenses and General and administrative expenses</b>					
Labor costs	28,672,664,199	26,918,224,498	27,380,348,589	25,513,576,940	40,363,160,819
Rate %	1.10%	0.84%	0.63%	0.56%	0.73%
Materials, production tool costs	8,773,098,358	9,358,263,710	13,321,939,880	18,734,670,015	25,300,690,295
Rate %	0.34%	0.29%	0.31%	0.41%	0.45%
Depreciation expenses	8,157,887,278	8,188,359,761	8,494,440,007	8,744,006,369	9,786,432,991
Rate %	0.31%	0.25%	0.20%	0.19%	0.18%
Warranty expenses	-	-	-	-	-
Rate %	0.00%	0.00%	0.00%	0.00%	0.00%
Taxes, fees, charges	311,740,940	344,118,401	362,583,440	357,541,897	1,044,489,700
Rate %	0.01%	0.01%	0.01%	0.01%	0.02%
Provisions, trademark, goodwill	737,209,696	163,670,575	280,673,174	58,320,012	127,361,667
Rate %	0.03%	0.01%	0.01%	0.00%	0.00%
Expenses for external services	70,582,464,832	72,610,662,579	81,005,720,128	80,062,121,096	119,633,436,185
Rate %	2.70%	2.26%	1.86%	1.77%	2.15%
Other expenses	15,254,938,718	18,652,619,067	17,002,160,943	12,551,895,623	20,201,037,280
Rate %	0.58%	0.58%	0.39%	0.28%	0.36%
<b>Total selling expenses and General and administrative expenses</b>	<b>132,490,004,021</b>	<b>136,235,918,591</b>	<b>147,847,866,161</b>	<b>146,022,131,952</b>	<b>216,456,608,938</b>
<b>Rate %</b>	<b>5.06%</b>	<b>4.24%</b>	<b>3.40%</b>	<b>3.23%</b>	<b>3.89%</b>

(Source: VICOSTONE's audited consolidated financial statements)



## VICOSTONE'S BUSINESS

### PERFORMANCE IN 2019 (Continued)

As mentioned above, on May 23, 2019, the Company completely transferred of capital of A&A Green Phoenix Group JSC at Phenikaa Hue Investment and Mineral Processing Single-Member LLC. Accordingly, starting May 23, 2019, Phenikaa Hue is a Vicostone subsidiary. Therefore, interest expenses, selling expenses and General and administrative expenses increased in 2019 year on year, specifically as follows:

Selling expenses and General and administrative expenses in 2019 increased VND 70,434.48 million year on year; accordingly, ratio to net revenue increased from 3.23% to 3.89%. Details are as follows:

- Labor costs increased by VND 14,849.58 million equivalent to 58.20%; ratio to net revenue increased from 0.56% to 0.73%. The Company strives to maintain employees' income growth. Employee average income increased from VND 18.68 million/month to VND 19.66 million/month.

- Materials, production tool costs increased by VND 6,566.02 million equivalent to 35.05%. Ratio to net revenue increased from 0.41% to 0.45%, due to increases in sales during the year, which led to corresponding increases in raw materials costs. In addition, domestic sales were encouraged throughout the year, resulting in higher total expenses year on year.
- Depreciation and amortization of fixed assets increased by VND 1,042.43 million equivalent to 11.92%. Ratio to net revenue decreased from 0.19% to 0.18%.
- Expenses for external services increased by VND 39,571.32 million equivalent to 49.43%; ratio to net revenue increased from 1.77% to 2.15%.
- Other expenses cost increased by VND 7,649.14 million equivalent to 60.94%; ratio to net revenue increased from 0.28% to 0.36%.

#### Liabilities

Unit: VND

Items	Ending balance of 2015	Ending balance of 2016	Ending balance of 2017	Ending balance of 2018	Ending balance of 2019	Increase/decrease in 2019 compared with 2018
Short-term loans and finance lease obligations	1,178,560,448,863	1,083,352,550,815	955,024,601,355	1,150,561,555,555	1,417,553,641,838	266,992,086,283
Other short-term liabilities	279,387,935,510	630,835,533,331	458,391,617,870	522,882,471,825	464,608,222,356	(58,274,249,469)
Non-current liabilities	324,940,557,940	176,606,894,375	447,944,052	330,741,252	252,908,871,122	252,578,129,870
<b>TOTAL LIABILITIES</b>	<b>1,782,888,942,313</b>	<b>1,890,794,978,521</b>	<b>1,413,864,163,277</b>	<b>1,673,774,768,632</b>	<b>2,135,070,735,316</b>	<b>461,295,966,684</b>

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

Increase in short-term loans and finance lease obligations	266,992,086,283	VND
Increase in short-term loans	213,793,068,879	VND
Increase in long-term loans due to date	53,199,017,404	VND

Decrease in other current liabilities	(58,274,249,469)	VND
Increase in short-term trade payables	15,027,911,006	VND
Increase in short-term advances from customers	4,424,883,655	VND
Decrease in statutory obligations	(31,845,685,412)	VND (*)
Increase in payables to employees	13,313,067,922	VND
Decrease in other short-term payables	(78,546,805,510)	VND (**)
Increase in bonus and welfare funds	19,352,378,870	VND

Increase in non-current liabilities	252,578,129,870	VND
Increase in long-term loan and non-current liabilities	252,695,332,670	VND
Decrease in scientific and technological development fund	(117,202,800)	VND

(\*) This change was mainly due to CIT payable. At the end of 2019, the Company had CIT payable of VND 29.79 billion, while at the end of 2018, the Company had CIT payable of VND 63.47 billion.

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

## VICOSTONE'S BUSINESS PERFORMANCE IN 2019 (Continued)

Unit: VND

### 4. Inventories

Items	2015	2016	2017	2018	2019
Cost of goods sold	1,857,540,589,728	2,220,055,820,303	3,085,309,497,515	3,025,953,450,218	3,650,651,586,771
Goods in transit	36,923,516,159	26,704,251,421	56,557,798,286	54,474,340,275	43,013,849,103
Raw materials	162,387,381,159	110,092,084,679	105,223,708,093	124,253,280,221	192,756,347,566
Tools and supplies	31,008,735,399	27,377,003,498	43,829,087,955	74,626,818,042	74,079,740,327
Work in process	30,595,300,853	318,277,186,910	32,146,742,719	14,482,115,768	28,960,892,798
<i>In which: Expense of building apartments for employees</i>		275,356,571,531	-	-	-
Finished goods	894,876,239,640	996,355,217,321	1,287,309,735,495	1,723,738,302,000	1,579,716,494,997
Entrusted goods for sale					
Provision for obsolete inventories	(33,757,598,014)	(20,635,369,482)	(11,135,637,265)	(4,782,078,378)	(4,782,078,378)
<b>Total</b>	<b>1,122,033,575,196</b>	<b>1,458,170,374,347</b>	<b>1,513,931,435,283</b>	<b>1,986,792,777,928</b>	<b>1,913,745,246,413</b>

(Source: VICOSTONE's audited consolidated financial statements)

Inventory end of 2019 decreased by VND 73,048 million year on year, of which finished goods (including produced and purchased) decreased by VND 144,022 million due to increased sales revenue. Raw materials, tools and supplies increased by VND 56,495 million to cater to production, necessary repair and maintenance plans.

### 5. Inventory turnover ratio

Items	2015	2016	2017	2018	2019
Inventory turnover ratio	1.83	1.72	2.08	1.73	1.87

The Company's inventory turnover ratio in 2019 was higher than that of 2018.

### 6. Changes in shareholder's equity

Unit: Billion VND

	2015 (*)	2016	2017	2018 (*)	2019
Shareholder's equity	423.99	600.00	800.00	1,568.00	1,600.00

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

Total shares by category: As of end of December 31, 2019, total number of shares in circulation was 160,000,000 shares



# VICOSTONE'S BUSINESS PERFORMANCE IN 2019 (Continued)

## 7. Analysis of Income Statement items

### 7.1 Income Statement over years

Unit: VND

ITEMS	2015	2016	2017	2018	2019
Revenue from sale of goods and rendering of services	2,618,277,734,889	3,211,964,848,407	4,352,524,092,876	4,522,435,184,761	5,568,613,461,812
Deductions	2,112,782,862	475,068,024	-	839,071,951	5,850,467,004
Net revenue from sale of goods and rendering of services	2,616,164,952,027	3,211,489,780,383	4,352,524,092,876	4,521,596,112,810	5,562,762,994,808
Cost of goods sold	1,857,540,589,728	2,220,055,820,303	3,085,309,497,515	3,025,953,450,218	3,650,651,586,771
<b>Gross profit from sale of goods and rendering of services</b>	758,624,362,299	991,433,960,080	1,124,929,642,487	1,321,149,637,095	1,912,111,408,037
Finance incomes	25,512,052,408	25,934,115,295	54,377,404,040	41,397,309,947	26,341,074,370
Finance expenses	169,979,978,711	70,953,282,040	48,814,490,753	69,868,203,492	68,019,078,673
In which: Interest expense	81,066,518,606	50,242,971,449	40,596,080,433	32,204,626,279	59,995,756,140
Share of profit/loss of associates	5,724,536,337	3,854,482,424	-	-	-
Selling expenses	76,966,485,013	76,843,762,966	95,648,232,925	99,926,387,202	154,062,211,849
General and administrative expenses	55,523,519,008	59,392,155,625	52,199,633,236	46,095,744,750	62,394,397,089
<b>Operating profit</b>	487,390,968,312	814,033,357,168	1,124,929,642,487	1,321,149,637,095	1,653,976,794,796
Other incomes	826,873,115	869,766,648	1,178,903,601	1,509,915,834	1,447,542,683
Other expenses	9,004,133,907	1,140,985,779	1,096,988,069	4,148,980,489	2,761,669,460
<b>Other profit</b>	(8,177,260,792)	(271,219,131)	81,915,532	(2,639,064,655)	(1,314,126,777)
<b>Accounting profit before tax</b>	479,213,707,520	813,762,138,037	1,125,011,558,019	1,318,510,572,440	1,652,662,668,019
Current and deferred corporate income tax expenses	74,582,447,525	139,608,246,117	3,233,701,436	194,966,717,351	242,548,054,943
Deferred corporate income tax expenses	(2,118,943)	(1,827,825,932)	-	-	-
<b>Net profit after tax</b>	404,633,378,938	675,981,717,852	1,121,777,856,583	1,123,543,855,089	1,410,114,613,076
<b>Net profit after tax attributable to shareholders of the parent company</b>	404,633,378,938	675,981,717,852	1,121,777,856,583	1,123,543,855,089	1,410,114,613,076
<b>Net profit after tax attributable to non-controlling interests</b>	-	-	-	-	-
Basic earnings per share	8,637	10,813	13,461	6,548	8,114

(Source: VICOSTONE's audited consolidated financial statements)

# VICOSTONE'S BUSINESS

## PERFORMANCE IN 2019 (Continued)

### 7.2. Other financial data

Unit: VND

ITEMS	2015	2016	2017	2018	2019
<b>1. Net profit after tax (1)</b>	404,633,378,938	675,981,717,852	1,121,777,856,583	1,123,543,855,089	1,410,114,613,076
<b>2. Current and deferred corporate income tax expenses (2)</b>	74,580,328,582	137,780,420,185	3,233,701,436	194,966,717,351	242,548,054,943
<b>3. Depreciation and amortisation of fixed assets (3)</b>	68,702,778,929	67,588,776,716	69,627,210,979	73,428,586,478	103,979,030,170
<b>4. Finance expenses</b>	169,979,978,711	70,953,282,040	48,814,490,753	69,868,203,492	68,019,078,673
In which:					
• Interest expense (4)	81,066,518,606	50,242,971,449	40,596,080,433	32,204,626,279	59,995,756,140
• Loss on realised and unrealized foreign exchange rate differences (5)	88,913,460,105	20,710,310,591	8,156,543,240	37,663,577,213	8,023,322,533
• Loss on disposal of investments (6)					
• Other financial expenses (7)			61,867,080	-	-
<b>5. Finance incomes</b>	25,512,052,408	25,934,115,295	54,377,404,040	41,397,309,947	26,341,074,370
In which:					
• Deposits and loans interest income (8)	9,940,115,018	5,365,302,094	12,271,399,748	10,705,402,612	2,124,441,929
• Realised and unrealised foreign exchange gains (9)	15,571,937,390	17,297,046,372	22,050,257,892	30,691,907,335	24,016,357,892
• Gains from disposal of investments (10)			20,055,746,400	-	-
• Other finance incomes (11)					200,274,549
<b>6. Adjusted EBITDA (9)=(1)+(2)+(3)+(4)+(5)+(6)+(7)-(8)-(9)-(10)-(11)</b>	692,384,412,752	929,641,848,327	1,189,075,855,711	1,420,410,052,463	1,798,319,702,492
<b>7. EBITDA Margin (%)</b>	26.47%	28.95%	27.32%	31.41%	32.33%

EBITDA is earnings before interest, tax and depreciation/amortization and is seen as an indicator to evaluate Vicostone'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 compared profitability between periods and among companies easier, by showing differences in capital structure (affecting interest expense), foreign exchange rate (affecting financial income/expense), corporate income tax

(affecting each period and each sector has different tax rate), fixed asset value (affecting depreciation expense). Adjusted EBITDA excludes gains and losses due to investment disposals as it is believed by the Company that it compares profitability of core business through periods better.

Adjusted EBITDA is usually employed by securities investment analysts, debt holders and other parties for evaluating a company. This ratio cannot be replaced by 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

# VICOSTONE'S BUSINESS

## PERFORMANCE IN 2019 (Continued)

### 8. Business performance over years

The following table shows the business performance by rate/net revenue over years

(Unit: Billion VND)

As shown in the tables, Vicostone's EBT margin has continually increased year on year, and remained respectively high in 2015, 2016, 2017, 2018, and 2019 at 18.32%, 25.34%, 25.85%, 29.16%, and 29.71%. This reflects Vicostone's strong business performance.

ITEMS	2015		2016		2017		2018		2019	
	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	2,618.28		3,211.96		4,352.52		4,522.44		5,568.61	
Deductions	2.11		0.48		-		0.84		5.85	
Net revenue from sale of goods and rendering of services	2,616.16		3,211.49		4,352.52		4,521.60		5,562.76	
Cost of goods sold and rendering of services	1,857.54		2,220.06		3,085.31		3,025.95		3,650.65	
<b>Gross profit from sale of goods and rendering of services</b>	<b>758.62</b>	<b>29.00%</b>	<b>991.43</b>	<b>30.87%</b>	<b>1,267.21</b>	<b>29.11%</b>	<b>1,495.64</b>	<b>33.08%</b>	<b>1,912.11</b>	<b>34.37%</b>
Finance incomes	25.51	0.98%	25.93	0.81%	54.38	1.25%	41.40	0.92%	26.34	0.47%
Finance expenses	169.98	6.50%	70.95	2.21%	48.81	1.12%	69.87	1.55%	68.02	1.22%
In which: Interest expense	81.07	3.10%	50.24	1.56%	40.60	0.93%	32.20	0.71%	60.00	1.08%
Share of profit/loss of associates	5.72	0.22%	3.85	0.12%	-	0.00%	-	0.00%	-	0.00%
Selling expenses	76.97	2.94%	76.84	2.39%	95.65	2.20%	99.93	2.21%	154.06	2.77%
General and administrative expenses	55.52	2.12%	59.39	1.85%	52.20	1.20%	46.10	1.02%	62.39	1.12%
<b>Operating profit</b>	<b>487.39</b>	<b>18.63%</b>	<b>814.03</b>	<b>25.35%</b>	<b>1,124.93</b>	<b>25.85%</b>	<b>1,321.15</b>	<b>29.22%</b>	<b>1,653.98</b>	<b>29.73%</b>
Other incomes	0.83	0.03%	0.87	0.03%	1.18	0.03%	1.51	0.03%	1.45	0.03%
Other expenses	9.00	0.34%	1.14	0.04%	1.10	0.03%	4.15	0.09%	2.76	0.05%
<b>Other profit</b>	<b>(8.18)</b>	<b>-0.31%</b>	<b>(0.27)</b>	<b>-0.01%</b>	<b>0.08</b>	<b>0.00%</b>	<b>(2.64)</b>	<b>-0.06%</b>	<b>(1.31)</b>	<b>-0.02%</b>
<b>Profit before tax</b>	<b>479.21</b>	<b>18.32%</b>	<b>813.76</b>	<b>25.34%</b>	<b>1,125.01</b>	<b>25.85%</b>	<b>1,318.51</b>	<b>29.16%</b>	<b>1,652.66</b>	<b>29.71%</b>
Current corporate income tax expenses	74.58	2.85%	139.61	4.35%	3.23	0.07%	194.97	4.31%	242.55	4.36%
Deferred corporate income tax expenses	(0.00)	0.00%	(1.83)	-0.06%	-	0.00%	-	0.00%	-	0.00%
<b>Net profit after tax</b>	<b>404.63</b>	<b>15.47%</b>	<b>675.98</b>	<b>21.05%</b>	<b>1,121.78</b>	<b>25.77%</b>	<b>1,123.54</b>	<b>24.85%</b>	<b>1,410.11</b>	<b>25.35%</b>
<b>Net profit after tax attributable to non-controlling interests</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>
<b>Net profit after tax attributable to shareholders of the parent company</b>	<b>404.63</b>	<b>15.47%</b>	<b>675.98</b>	<b>21.05%</b>	<b>1,121.78</b>	<b>25.77%</b>	<b>1,123.54</b>	<b>24.85%</b>	<b>1,410.11</b>	<b>25.35%</b>
Basic earnings per share (VND)	8,637		10,813		13,461		6,548		8,114	

(Source: VICOSTONE's audited consolidated financial statements)



# VICOSTONE'S BUSINESS

## PERFORMANCE IN 2019 (Continued)

### 9. Liquidity and capital

Vicostone's main revenue in 2019 stemmed from sales of trading goods and finished goods, value-added tax refund and short-term loans disbursed by credit institutions.

Vicostone's main capital needs in 2019 were to finance working capital, make loan repayments, clear trade payables and make dividend payments to shareholders. Vicostone'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.

Vicostone's inventory strategy is to maintain a sufficient level of inventories to immediately meet production and sales demands. With the motto of supplying goods as fast as possible, the Company always maintains sufficient quantity of finished goods and trading goods to respond immediately to customer's orders. The level of inventories is significantly affected by sales in Vicostone's main markets such as the US, Australia and Canada. In the near future, the Company will continue to maintain this inventory policy and continue to focus on meeting demands for quantity and quality by putting in place procedures that will guarantee improved efficiency of planning and production management.

Based on current business plan, cash and cash equivalents, cash flow from operating activities and loans available under short and long-term credit contracts, the Company is confident that it can meet the capital needs for production and business activities in 2020 and following years.

The following table indicates the main components of cash flows used and generated in operation, investment and financing activities in different periods:

Unit: VND

Code	Items	2017	2018	2019
<b>I. Cash flows from operating activities</b>				
01	Profit before tax	1,125,011,558,019	1,318,510,572,440	1,652,662,668,019
	Adjustments for:			
02	Depreciation and amortization of fixed assets (Including allocation of goodwill)	69,515,393,902	73,311,383,678	103,861,827,370
03	Provisions	(9,351,468,914)	(6,353,558,887)	-
04	(Profit)/loss from unrealised foreign exchange differences	(2,542,157,433)	14,558,364,655	28,114,223
05	(Profit)/loss from investing activities	(32,427,146,147)	(10,788,956,248)	(2,124,441,929)
06	Interest expense	40,596,080,433	32,204,626,279	59,995,756,140

Code	Items	2017	2018	2019
08	Operating profit before changes in working capital	1,190,802,259,860	1,421,442,431,917	1,814,423,923,823
09	(Increase)/decrease in receivables	(253,598,141,064)	(338,745,283,287)	(604,986,876,688)
10	(Increase)/decrease in inventories	(46,261,328,719)	(466,507,783,758)	88,265,536,716
11	Increase/(decrease) in payables	(12,968,875,438)	(104,162,599,172)	(14,169,178,938)
12	(Increase)/decrease prepaid expenses	3,250,173,887	(6,907,943,910)	(2,004,949,282)
14	Interest paid	(40,596,080,433)	(32,204,626,279)	(55,684,099,565)
15	Corporate income tax paid	(88,050,389,739)	(90,110,382,305)	(276,235,539,417)
16	Other cash inflows from operating activities	-	-	-
17	Other cash outflows from operating activities	(45,254,691,969)	(61,771,915,626)	(64,232,613,310)
20	Net cash flows from operating activities	707,322,926,385	321,031,897,580	885,376,203,339
<b>II. Cash flows from investing activities</b>				
21	Purchase, construction of fixed assets and other long-term assets	(83,893,283,198)	(151,732,739,001)	(50,651,275,363)
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	(32,200,000,000)	(2,200,000,000)	-
24	Collections from borrowers and proceeds from sale of debt instruments of other entities	2,200,000,000	32,200,000,000	-
25	Payments for investments in other entities	-	-	(49,269,557,490)
26	Proceeds from sale of investments in other entities minus the amount held by the liquidated entities	40,487,040,000	-	-
27	Interest and dividends received	12,271,399,748	10,705,402,612	2,124,441,929
30	Net cash flows used in investing activities	(61,024,843,450)	(110,935,427,389)	(97,796,390,924)

# VICOSTONE'S BUSINESS PERFORMANCE IN 2019 (Continued)

Unit: VND

Code	Items	2017	2018	2019
<b>III. Cash flows from financing activities</b>				
31	Capital contribution and issuance of shares	-	-	252,603,810
32	Capital redemption	-	(240,431,166,590)	-
33	Drawdown of borrowings	1,651,455,987,647	1,774,781,625,802	2,092,507,128,245
34	Repayment of borrowings	(1,956,498,149,142)	(1,582,405,125,369)	(2,124,196,594,726)
35	Payments for financial leasehold assets	-	-	-
36	Dividends paid to equity holders	(120,012,199,500)	(388,181,228,100)	(713,512,226,500)
40	Net cash flows used in financing activities	(425,054,360,995)	(436,235,894,257)	(744,949,089,171)
50	Net cash flows during the year (50 = 20+30+40)	221,243,721,940	(226,139,424,066)	42,630,723,244
60	Cash and cash equivalents at the beginning of the year	433,971,607,316	656,279,062,859	427,351,751,020
61	Impact of exchange rate fluctuation	1,063,733,603	(2,787,887,773)	(62,959,164)
70	Cash and cash equivalents at the end of the year (70 = 50+60+61)	656,279,062,859	427,351,751,020	469,919,515,100

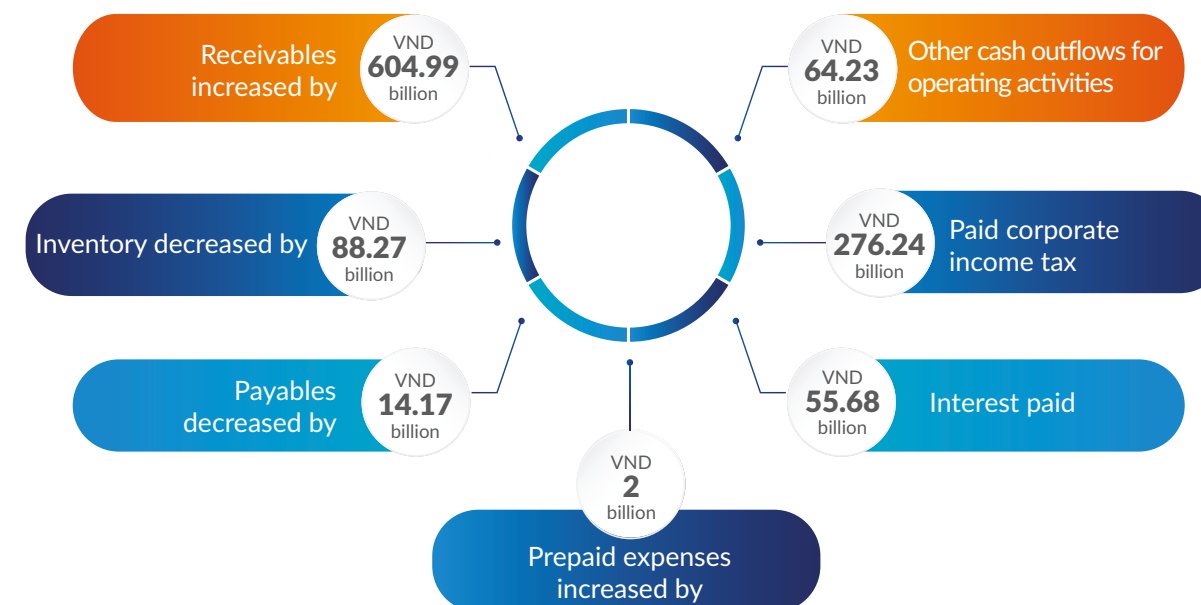
## CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities are determined by pre-tax accounting profit and adjusted under the following categories: 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.

For 2019, year on year: net cash flows from operating activities increased by VND 564.34 billion due to an increase of VND 392.98 billion in profit before tax after non-cash and non-operating adjustments (in which total profit before tax increased by VND 334.15 billion) and an increase of VND 171.36 billion in working capital.

In 2019, net cash flows from operating activities were VND 885.38 billion including total pretax accounting profit of VND 1,652.66 billion. Deductibles of non-cash and non-operating adjustments was VND 161.76 billion, and further adjustments (in working capital and other items) was VND -929.05 billion.

Detailed changes are as follows:



## CASH FLOWS FROM INVESTMENTS

Net cash flows used in investments in 2019 were VND 97.8 billion, specifically:

- Purchasing and construction of fixed assets and other non-current assets: VND 50.65 billion, of which: VND 17.53 billion was investment for the polishing system, VND 7.68 billion for compressors, VND 7.36 billion for input, powder and pellets grinder systems.
- Payments for investments in other entities: VND 49.27 billion, as investment in Phenikaa Hue Single-member Investment and Mineral Processing Ltd. minus cash and cash equivalent at the time of acquisition.
- Interest and dividends received: VND 2.12 billion in interest income from deposit contracts.

## CASH FLOWS FROM FINANCING ACTIVITIES

Net cash flows used in financing activities in 2019 were VND 744.95 billion, specifically:

- Capital contribution and issuance of shares: VND 0.25 billion.
- Drawdown of borrowings received in the year was VND 2,092.51 billion, all were short-term loans for Vicostone's production and business activities with a term of under 9 months.
- Repayment of borrowings in the year was VND 2,124.2 billion.
- Dividends paid to shareholders were VND 713.51 billion. This is mainly dividend distributed from profit after tax for shareholders pursuant to Resolution No. 09/2019 NQ/VCS-HDQT dated 24/05/2019 and Resolution No. 13/09 NQ/VCS-HDQT dated 09/08/2019 of the Board of Directors.



# VICOSTONE'S BUSINESS PERFORMANCE IN 2019 (Continued)

## IV Key plans and tasks

### 1. Main plans and goals for 2020

No.	Target	Unit	2019	Plan for 2020	Increase (%)
1	Net revenue from sales of goods and services rendered	Billion VND	5,563	6,654	19.61%
2	Total profits before tax	Billion VND	1,653	1,980	19.79%

### 2. Direction and Plan 2020

- Seriously observe all Resolutions and Decisions of the General Meeting of Shareholders, meeting the business plan for 2020 as well as Vicostone's commitments to all stakeholders;
- Implement the digital transformation process in accordance with the strategic roadmap, in a comprehensive manner across production, business and corporate governance aspects to proactively and effectively adapt to the fluctuations in the economy, market and technological developments;
- Financially improve profitability and ensure sustainable revenue growth through continuous expansion and development in existing markets, while conducting market research, accessing and entering new potential markets;
- With regards to customers: improve Vicostone's competitive advantages with pricing strategy suitable to the target and specific customer segment in each market; continuously innovate and develop new products, create unique products; strive to improve service quality and added values, in order to increase customer satisfaction, trust and loyalty to Vicostone products, aiming to become among the Top 3 brands in key markets and the leading brand in Vietnam;
- In corporate management: improve production efficiency through management of raw materials, continue to implement the strategy of localization of raw materials to raise self-sufficiency of input



Introduction about Vicostone products at Vicostone showroom

materials to over 95%; improve production technology processes to further raise productivity and quality of products; ensure that production processes and business activities strictly comply with environmental standards and regulations in Vietnam and in export markets;

- Develop sustainable human resources and a happy working environment for employees; implement career planning and capacity development for next-generation managers; strengthen training and proactively equip staffs with the necessary knowledge and skills to effectively respond to the digital transformation process and head off the growing tech-intensive industrial production trend; improve the capacity for research and development, application of scientific developments and market research to build on competitive advantages to effectively exploit key and potential markets; encourage a culture of constructive criticism for individual to continually innovate and and continue contributing to the sustainable development of Vicostone.



# 03

## CORPORATE GOVERNANCE

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# STRATEGIC ORIENTATIONS TO 2025 AND VISION TO 2030



Building on its successes in 2019 – the first year in the 2019-2023 lustrum, Vicostone regularly conducts reviews, acknowledges and closely follows the developments in the global market. Strategies on input materials, technology, business restructuring, market development, human resource management, financial management, and corporate governance will continue to be improved, upgraded and amended in accordance with Vicostone's structural and operational realities in accordance with our goals.

## 1 TECHNOLOGY

- Pursue digital transformation in all business activities.
- Promote research and application of R&D, particularly - Vicostone's and Phenikaa's R&D Departments - in collaboration with Phenikaa's Research Institutes to transfer research products that address practical issues in terms of manufacturing and business.
- Continue to conduct research and deploy intelligent production technologies to introduce AI and automate key production areas, optimize production efficiency, make product and cost distinctions to improve competitiveness.

## 2 HUMAN RESOURCES

- Ensure that the current and future leadership of the Company be equipped with a modern mindset and leadership skillsets suited to the technological development trends in the long-term. Human resource training should be made a priority. They include the realization of such courses as:
  - » Short-term, long-term training courses on business administration, and leadership for managers and executives; as well as thematic training courses in digital technologies, smart production, AI, IoTs, etc.
  - » For highly technical fields, in-depth training should be organized for current employees in digital technologies, smart production, AI, IoTs, new materials.
- Improve employees' happiness to increase productivity, and workers' attachment to the organization.

## 3 MANAGEMENT SYSTEMS

- Transit to a comprehensive digital transformation system, continually improve an intelligent management system, optimize resources sustainably, and compile database (big data).
- Invest in a modern IT system, develop quick and effective working tools that can help employees maximize individual capacity.
- Continue to improve the risk management system in tandem with managing key, identified risks.

## 4 MARKETS

- Continue to grow international markets as Vicostone's main consumer market, proactively manage risks, including major risks in these markets, and risks from concentration in the main market.
- Identify Vietnam as a potential market. Set the goal during this period to increase sales, and limit risk from the largest international markets.

## 5 FINANCES

- Continue to maintain financial indicators at the current levels. Hold the ratio of equity/total assets to higher than 80% by 2023.
- Cut and control costs to improve competitiveness based on sensible pricing commensurate to products' quality and class.

## 6 RESTRUCTURING

- Step up the implementation of the current restructuring strategy to become the sole business unit producing stone slabs and input materials in the whole Phenikaa Group. From this, Vicostone can continue to expand and invest to improve efficiency. Expect to complete at least 2 additional quartz stone production lines, increasing capacity to 5 million square meters/year from 2021 to 2024.

# REPORT OF THE BOARD OF DIRECTORS

## I The Board of Directors members and structure

### 1. List of members of the Board of Directors for the 2019 – 2023 term and number of shares held in Vicostone

No.	Member of the BOD	Title	Date of appointment/ election/dismissal	Number of shares held in Vicostone	Ownership %/Total shares in circulation (%)
1	Mr. Ho Xuan Nang	Non-executive Chairman	Elected to the BOD on 12/04/2019	5,804,231	3.63%
2	Mr. Pham Anh Tuan	Member of the Board of Directors – General Director	Elected to the BOD on 12/04/2019	19,317	0.01%
3	Ms. Nghiem Thi Ngoc Diep	Independent Member of the Board of Directors	Elected to the BOD on 12/04/2019	-	-
4	Ms. Nguyen Dieu Thuy Ngoc	Non-executive Member of the Board of Directors	Elected to the BOD on 12/04/2019	-	-
5	Ms. Tran Lan Phuong	Member of the Board of Directors	Elected to the BOD on 12/04/2019	18	-

As of 31/12/2019, the BOD has 01 Independent members and 04 non-executive members, ensuring compliance with legal requirements on the rate of non-executive members of a listed company

(Information about members of the BOD is detailed in the Human resource, Organizational structure section).

### 2. List of BOD members certified in corporate governance

All BOD members are certified in corporate governance.

## II Operation of the BOD in 2019

### 1. Overview of the operation of the BOD in 2019

To ensure the sustainable development of the Company and continue to maintain its position as an exceptional listed company on Vietnam's stock market, in 2019, the Board of Directors has step by step improved the quality and transparency of its corporate governance. The BOD has effectively carried out the role of providing guidance for the development of business goals, strategies and plans for 2019 and strategic directions for the 2019 - 2023 period, with the central mantra "Proactive transformation for sustainable development". The BOD has strengthened solutions to improve corporate governance and administration efficiency, promoted scientific research, and enhanced the application of science and technology into production, with the strategic goal of sustainable growth and development in mind.

The Board of Directors has exercised its duties in accordance with the provisions of the Company's Charter, and the Board's organizational Regulation. Based on the individual qualifications of each member, the Board of Directors has delegated suitable duties for each in all areas of operation, including supervision of, guidance for and encouragement to the Board of Management and other units within the Company, to implement the Resolutions of the General Meeting of Shareholders and of the Board of Directors.

### Successful organization of the General Meeting of Shareholders in 2019

On 12/04/2019 Vicostone successfully organized the annual General Meeting of Shareholders for 2019, adopted Resolution No. 01/2019 VCS/NQ-DHĐCĐ centered around the following topics:

- Adopt the BOD's Report on business performance for 2018 and the report on the operation of the Board of Directors for the 2014 - 2019 term;
- Adopt the Board of the Supervisors' Report on business performance in 2018 and the report on the operation of the Board of Supervisors for the 2014 - 2019 term;
- Adopt 2018 business performance and the business plan for 2019;
- Adopt Vicostone 2018 Annual Report;
- Adopt the audited financial statements for 2018, select the auditor for the 2019 financial statements;
- Adopt the Corporate governance model and amend the Company's charter, Internal regulations on corporate governance;
- Vote and select members of the BOD for the 2019 – 2023 term;
- Adopt the 2018 profits distribution plan, Plan for profits distribution and remuneration of the BOD in 2019;
- Adopt authorization for the Board of Directors to review and approve investment projects under the purview of the General Meeting of Shareholders, transactions, contracts signed between Vicostone JSC and stakeholders;
- Approve in principle the transfer of investment from A&A Green Phoenix Group Joint Stock Company in Phenikaa Hue Mineral Processing and Investment Single-member Company Limited;
- Adopt the shares issuance plan under the Employees Shares Ownership Program.

### Written comments requested

In addition to the direct vote method at the Annual General Meeting of Shareholders, on July 23, 2019, the Board of Directors adopted the plan to seek written opinions to approve issues under the jurisdiction of the General Meeting of Shareholders. On September 5, 2019, Vicostone's Extraordinary General Meeting of Shareholders in 2019 approved the plan to allocate bonus shares to existing shareholders from treasury shares based on the written results of consultation with shareholders. Accordingly, all of Vicostone's 3.2 million treasury shares have been allocated to current shareholders. The realized capital comes from surplus equity capital, investment development fund and undistributed profit after tax.

### 2. Contents of meetings of the BOD in 2019

The BOD held 24 meetings over issues of importance to Vicostone. For particularly important meetings that require consultation with the Board of Management, the Board of Management are always invited.

Meetings of the BOD are held in accordance with the Law on Enterprises and Vicostone's Charter. Members of the BOD took part in meetings directly, thoughtfully, and took votes in accordance with Vicostone's Charter and BOD's operational regulations.

Attendance at meetings of the members of the BOD (for the 2014 - 2019 and 2019 - 2023 terms) in 2019 are as follows:



## REPORT OF THE BOARD OF DIRECTORS (Continued)

No.	Member of the BOD	Title	Meetings attended	Percentage	Reasons
1	Mr. Ho Xuan Nang	Chairman	24	100%	
2	Mr. Nguyen Quoc Truong	Member of the Board of Directors	7	100%	Not a member of the BOD from 12/04/2019
3	Mr. Pham Anh Tuan	Member of the Board of Directors	24	100%	
4	Ms. Nghiem Thi Ngoc Diep	Member of the Board of Directors	24	100%	
6	Ms. Tran Lan Phuong	Member of the Board of Directors	17	100%	Member of the BOD from 12/04/2019

BOD meetings focused on key issues related to implementation of the Resolution of the Annual General Meeting of Shareholders in 2019; development and realization of business plans in 2019 and business strategies for the period of 2019 - 2023 upon the approval of the General Meeting of Shareholders; providing close guidance with regards to the implementation of business plans, key tasks, and resolutions of the Annual General Meeting of Shareholders in 2019. The resolutions agreed to by the BOD at these meetings are important guidance to assist the Board of Management to realize mandates effectively and sustainably.

### 2.1 Resolutions passed by the BOD in 2019

In 2019, the BOD agreed on the following important matters:

No.	Resolution No.	Date	Content
1	01/2019 NQ/VCS-HDQT	09/01/2019	Approved the transactions in 2019 related to the trading of goods/services trading between the Company and partners
2	02/2019 NQ/VCS-HDQT	30/01/2019	Approved the business plan for 2019
3	03/2019 NQ/VCS-HDQT	30/01/2019	Approved bonuses for executives
4	04/2019 NQ/VCS-HDQT	20/02/2019	Convened the annual GMS 2019
5	05/2019 NQ/VCS-HDQT	28/03/2019	Agreed on the GMS 2019 date and agenda
6	06/2019 NQ/VCS-HDQT	01/04/2019	Nominated additional member to the Board of Directors of Vicostone JSC, for the 2019 - 2024 term
7	07/2019 NQ/VCS-HDQT	12/04/2019	Voted on the Chairmanship of the BOD of Vicostone JSC for the 2019 - 2024 term
8	08/2019 NQ/VCS-HDQT	22/05/2019	Approved in principle the acceptance of investment in Phenikaa Hue Mineral Processing and Investment Single-member Company LLC

No.	Resolution No.	Date	Content
9	08a/2019 NQ/VCS-HDQT	24/05/2019	Approved the nomination of representative of the investment at and amended the Charter of Phenikaa Hue
10	09/2019 NQ/VCS-HDQT	24/05/2019	Approved the 1st cash dividend advance plan in 2019
11	10/2019 NQ/VCS-HDQT	03/07/2019	Selected an independent auditor for reviewing semi-annual financial statements and auditing financial statements of 2019
12	11/2019 NQ/VCS-HDQT	23/07/2019	Gathered shareholders' inputs through written comments
13	12/2019 NQ/VCS-HDQT	01/08/2019	Approved the dismissal, appointment of new Board member, nominated representatives to represent Vicostone's investment in Phenikaa Hue
14	13/2019 NQ/VCS-HDQT	09/08/2019	Approved the 2nd cash dividend advance plan in 2019
15	14/2019 NQ/VCS-HDQT	15/08/2019	Clarified minutes of the Meeting of the Board of Directors No. 2205/2019/BB/VCS-HDQT dated 22/05/2019
16	15/2019 NQ/VCS-HDQT	04/09/2019	Passed voting regulations, vote counting plan, staffing for the vote counting committee, and the vote counting Supervisory Committee. Shareholders' inputs expressed in writing
17	16/2019 NQ/VCS-HDQT	10/09/2019	Approved the plan on equity capital, rounding plans, and handling of odd shares related to bonus shares distribution to shareholders from treasury shares
18	17/2019 NQ/VCS-HDQT	17/09/2019	Approved the amendments to the allocation of bonus shares from treasury shares
19	18/2019 NQ/VCS-HDQT	20/09/2019	Approved the time and location of allocation of bonus shares for current shareholders from treasury shares
20	19/2019 NQ/VCS-HDQT	09/10/2019	Approved the duration of share allocation, handling and price of odd shares arising from allocation of bonus shares for current shareholders from treasury shares
21	20/2019 NQ/VCS-HDQT	17/10/2019	Amended the bonus shares allocation period
22	21/2019 NQ/VCS-HDQT	16/12/2019	Appointed the General Director
23	22/2019 NQ/VCS-HDQT	31/12/2019	Adopted the 2020 business plan

### 2.2 Operation of the independent, non-executive members of the BOD

As of 31/12/2019, the BOD consists of the following:

01 independent member Ms. Nghiem Thi Ngoc Diep. This is in compliance with legal regulations regarding the ratio of independent member in listed companies; and 04 Non-executive members: Mr. Ho Xuan Nang, Ms. Nguyen Dieu Thuy Ngoc, Ms. Nghiem Thi Ngoc Diep and Ms. Tran Lan Phuong.

Vicostone's members of the BOD are experienced professionals in such areas as: finance, international trade, business administration, HR, production technology, and legal affairs. Each member carries out their functions and duties with a high sense of responsibility, giving highest priority to the interest of employees and shareholders, and has effectively and closely supervised operations.

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### Mr. Ho Xuan Nang – Chairman of the BOD

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Mr. Ho Xuan Nang has built and planned the development strategies of Vicostone since its inception, turning Vicostone into one of the biggest engineered stone brands in the world. While not directly involved in executive matters, thanks to the extensive knowledge and years of experience managing Vicostone, Mr. Ho Xuan Nang continues to support and assist the Board of Management and next-generation of leadership to manage Vicostone's production and business activities, keeping abreast of domestic and international market realities to provide timely and sound directions.

### Ms. Nguyen Dieu Thuy Ngoc – Non-executive member of the BOD

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Ms. Nguyen Dieu Thuy Ngoc has many years of experience in finance and accounting and has served as Chief Accountant for various companies. As part of her duties on the Board of Directors, Ms. Ngoc plays an important role in internal audits, and supervises financial and accounting activities, the preparation and auditing of the Company's financial statements to ensure accuracy, transparency and timeliness.

### Ms. Nghiem Thi Ngoc Diep – Independent member of the BOD

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Ms. Nghiem Thi Ngoc Diep has contributed much to overseeing operations in compliance with legal regulations and the Company's Charter.

### Ms. Tran Lan Phuong – Non-executive member of the BOD

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Ms. Tran Lan Phuong has years of experience in HR management. Ms. Phuong has contributed much to the development of Vicostone's HR and training strategies to ensure provision of high-quality personnel, to meet Vicostone's demands for expansion and development.

## Operation of subcommittees under the BOD

### General Affairs Subcommittee

In 2019, the General Affairs subcommittee executed the following tasks:

- Monitored, analyzed and compiled market fluctuations to make timely reports to Vicostone's leadership;
- Coordinated with internal departments to provide legal advice related to the enterprise and the securities laws to Vicostone's leadership, handled disclosure of information, answered questions from shareholders;
- Organized General Meetings of Shareholders, meetings of the BOD and the Board of Management;
- Fulfilled miscellaneous tasks.

### Board of Auditors

In 2019, the Board of Auditors executed the following important tasks:

- Developed internal audit processes;
- Executed approved internal audit tasks, policies, processes and procedures, ensuring quality and efficiency;
- Conducted on-the-spot audits and provided counsel at the request of the Board of Directors;
- Recommended remedial measures; proposed measures to improve and raise the effectiveness and efficiency of the internal audit system;
- Prepared internal audit reports, notified and timely sent internal audit results in accordance with regulations
- Developed, revised, supplemented and completed internal audit approaches and scope of audit activities at Vicostone
- Maintained regular communication with Vicostone's independent auditor to ensure effective cooperation
- Executed other tasks as requested by the Board of Directors or as prescribed by law.

## Supervision of the BOD over operation of the Board of Management

### 1. Supervision methodology

- The BOD carried out periodic and regular supervision of the operations of the Board of Directors through reports at regular and extraordinary meetings, via email and phone exchanges on the status of implementation of strategies, objectives, business plan approved by the General Meeting of Shareholders and the implementation of Resolutions of the BOD. On the other hand, the Board of Management also regularly discussed and proactively reported to the BOD on the progress of planned activities and arising difficulties to timely provide information and consult with the BOD to reach the most optimal solutions;
- The Board of Auditors works with responsible departments to inspect and supervise the implementation of Vicostone's risk management, internal audits, and the quality of financial statements;
- The Board of Auditors is the information bridge between the BOD and the Board of Management to promptly provide updates on business and production, difficulties, changes in international markets so that the BOD and the Board of Management can consult with each other and provide timely solutions.

### 2. Areas of supervision

- Supervised the drafting of the business plan in 2019 and realization of profit quotas in accordance with plans approved by the GMS;
- Reviewed and improved corporate governance, internal controls and risk management;
- Supervised the preparation of independent and consolidated financial statements for 2019 Quarters and fiscal year in accordance with procedures, schedule, and regulations;
- Supervised the payment of dividends and bonus shares to shareholders from treasury shares.

## REPORT OF THE BOARD OF DIRECTORS (Continued)



### Result of supervision over the operation of the Board of Management

#### 1. In business activities

- Directed the seizing of opportunity for competitive advantage due to the US-China trade war to boost sales in the US market;
- Provided guidance to the Board of Management and the Company's units to implement planned key projects such as: IMC project in 2019 to increase awareness of Vicostone products in the domestic market, improvement projects, investment in production lines;
- Directed the successful reception of the transfer of capital at Phenikaa Hue Investment and Mineral Processing Single-Member Limited;
- Directed the development of business plans in 2020 and functional strategies.

#### 2. In investors relations

- Directed the successful organization of the Annual General Meeting of Shareholders on 12/04/2019;
- Directed the successful distribution of 3.2 million bonus shares to existing shareholders from treasury shares;
- Directed the Board of Investor Relations to prepare and publish the Company's Annual Report and Sustainable Development Report 2018. Vicostone's annual report put our company in the top 3 ranking of large-cap firms with the best annual report.

#### a. HR planning

- Continued to direct the development of human resources and training strategies for the period 2020 - 2024 to ensure the supply of high quality human resources to meet the expansion and development needs of the Company;
- Appointed Mr. Pham Anh Tuan as General Director of the Company, with a term of 03 years from December 16, 2019;
- Directed the consolidation of the organizational structure and personnel of the Board of Auditors.

#### b. Corporate governance

- Directed the changing of Vicostone corporate model in accordance with Point b, Clause 1, Article 134 of the 2014 Law on Enterprises, whereby the Company dissolves the Supervisory Board, and develop a management and organizational structure at the Company consisting of the following: General Meeting of Shareholders, Board of Directors, General Director, Board of Auditors (under the BOD);
- Provided close direction in innovation of effective working methods, research and development of new technologies, products, automation of production processes;
- Directed the formulation and implementation of plans to cope with domestic and international market conditions, and action plans in case of any discovery of signs of unfair competition.

### 3. Results of the execution of Resolutions of the GMS 2019

#### Execution of the business plan in 2019

No.	Target	Unit	Goal in 2019	Realized in 2019	Realized/ Goal in 2019 (%)	Growth in 2019 year on year (%)
1	Total revenue	Billion VND	5,309.89	5,590.55	105.29%	22.48%
2	Profit before tax	Billion VND	1,564.63	1,652.66	105.63%	25.34%

#### Appointment of the independent auditor for financial statements of 2019:

With the authorization of the General Meeting of Shareholders, the Company's BOD agreed to select and sign with 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 2019.

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 price, also provides comments on how to improve the efficiency of financial management to ensure compliance with legal regulations.

Vicostone's financial statements are always accurate, transparent and reliable, comply with regulations on financial statement preparation, provide an accurate view of the Company's financial situation, and serve as a useful source of information for investors.

#### Profit distribution in 2019

In 2019, the Company distributed its profit into funds in accordance with the Resolution of the Annual General Meeting of Shareholders dated 12/04/2019, specifically as follows:

No.	Target	Results	%	Notes
I	Profit from the previous year	1,214,762,656,158		
II	Profit before tax in 2019	1,641,750,519,470		
III	Corporate income tax (CIT)	242,548,054,943		
1	Current CIT	242,548,054,943		
2	Deferred CIT	-		
IV	Profit after tax CIT	1,399,202,464,527		
1	First dividend payment in cash in 2019	313,600,000,000	20.00%	Based on %/value of shares in circulation
2	Second dividend payment in cash in 2019	313,600,000,000	20.00%	Based on %/value of shares in circulation
3	Third dividend payment in cash in 2019	320,000,000,000	20.00%	Based on %/value of shares in circulation
4	Allocation of bonus shares to shareholders from treasury shares	240,247,311,882		3.197.553 Treasury shares
5	Deducted from bonus funds for Company executives	27,984,049,291	2.00%	Based on %/Profit after tax
6	Deducted from fund for Awards and Welfare	83,952,147,872	6.00%	Based on %/Profit after tax
V	Distributed profits	1,299,383,509,045		
VI	Undistributed profits	1,314,581,611,640		



## REPORT OF THE BOARD OF DIRECTORS (Continued)

In 2019, the Board of Directors approved cash dividend payments at the following rates:



**June 2019:** First dividend payment in cash advance in 2019 - 20%



**August/2019:** Second dividend payment in cash advance in 2019 - 20%



**March 2020:** Third dividend payment in cash advance in 2019 - 20%

### Selection of the company management model, amendments to the Charter, internal regulations

The 2019 GMS agreed to the dissolution of the Supervisory Board and develop a management and organizational structure at the Company consisting of the following: General Meeting of Shareholders, Board of Directors, General Director, Board of Auditors (under the BOD).

On June 28, 2019 the BOD approved the plan to change the organizational structure, consolidate personnel for the Board of Auditors and make amendments and supplements to the Regulation on organization and operation of the Company.

In addition, the BOD has instructed functional units to amend Vicostone's Charter and internal regulations following the change to the corporate governance model.

**The BOD has been authorized to consider approval for investment projects under the jurisdiction of the GMS, as well as for transactions, contracts signed between Vicostone and stakeholders.**

On January 09, 2019, the BOD approved the sales and services transactions in 2019 between Vicostone and relevant companies.

Detail of the contents of the agreement in principle 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 compliance and transparency.

### Reception of investment capital from A&A Green Phoenix Group Joint Stock Company in Phenikaa Hue Mineral Processing and Investment One Member Company Limited

On May 22, 2019, the BOD agreed in principle to accept the transfer of capital in Phenikaa Hue Mineral Processing and Investment One Member Company Limited. The transfer of capital has been completed.

### Issuance of shares under the Employee Stock ownership plan

The 2019 GMS approved the issuance of stocks under the ESOP to executives and employees who meet certain standards set by the BOD. However, in 2019 the Company restructured its organization and personnel, leading to unstable personnel structure. Therefore, the BOD has decided to temporarily suspend the stock issuance under the ESOP.

This matter will be reported at the 2020 GMS to adjust the duration of deliverables.

### Compensation for the Board of Directors in 2019

In 2019, Vicostone remunerated members of the BOD in accordance with the Resolution of the 2019 Annual General Meeting of Shareholders. Total paid remuneration in 2019 was: 312,000,000 VND, specifically:

No.	Name	Title	Number of months	Amount (in VND)
1	Mr. Ho Xuan Nang	Chairman of the BOD	12	72,000,000
2	Mr. Pham Anh Tuan	Member of the Board of Directors - General Director	12	60,000,000
3	Mr. Nguyen Quoc Truong	Member of the Board of Directors	03	17,000,000
4	Ms. Nguyen Dieu Thuy Ngoc	Member of the Board of Directors	12	60,000,000
5	Ms. Nghiem Thi Ngoc Diep	Member of the Board of Directors	12	60,000,000
6	Ms. Tran Lan Phuong	Member of the Board of Directors	09	43,000,000
<b>TOTAL</b>				<b>312,000,000</b>

(See the Corporate Governance section for details on the income of the Board of Directors, Board of Management).

### 4. Business performance review of key tasks in 2019

In 2019, Vicostone has exceeded business targets set and approved by the GMS, specifically:

#### 1.1 Consolidated business performance

Total consolidated revenue in 2019 for Vicostone cluster was VND 5,590.55 billion, up 22.48% compared to 2018; Profit before tax in 2019 was VND 1,652.66 billion, up 25.34% compared to 2018.

#### 1.2. Business performance for parent company

Vicostone successfully completed its business plan in 2019 as assigned by the GMS with total revenue of VND 5,537.76 billion; Profit before tax was VND 1,641.75 billion. Return on equity was 45.5% on average, dividend payouts exceeded commitments to shareholders.

#### 1.3. Performance of key tasks in 2019

In addition to the positive business targets results, with the strategy of “**differentiation and breakthrough technologies for sustainable development**”, Vicostone has aggressively implemented strategic technological solutions to improve competitiveness, further consolidating the brand and product quality..

# REPORT OF THE BOARD OF DIRECTORS (Continued)

## VI Key tasks in 2019 and results

The year 2019 was the start of the 5-year 2019 - 2023 plan. Despite the volatile and unstable global economic and political developments, thanks to accurate forecasts and sensitivity to reality, the BOD has adopted very clear and strong directives. Therefore, the results achieved in 2019 were very encouraging.

Differentiation and innovation in technology for sustainable development, focusing on core business and production areas based on ensuring and continuously improving product quality, and maintaining brand reputation.

- Promote scientific research and hi-tech application, bring new technology applications into production to standardize and automate all stages of production to raise productivity and produce superior quality.

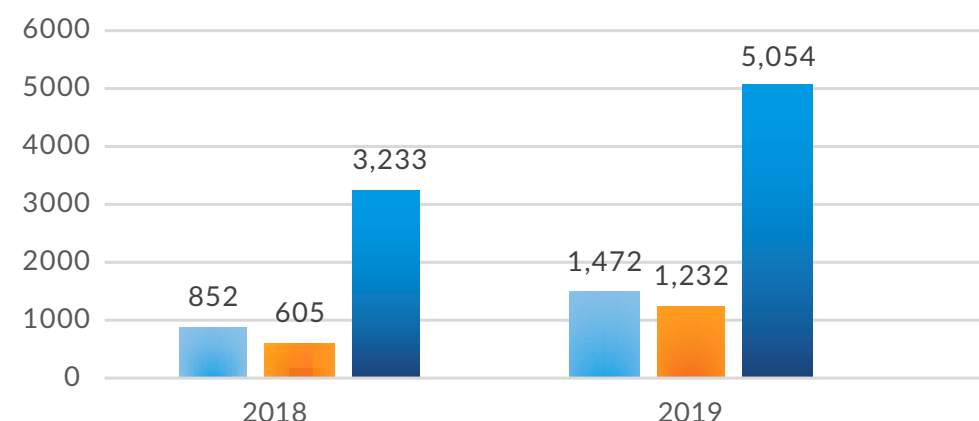
### Results:

Many new product designs have been created to increase competitiveness in the market and consolidate brand reputation. Several research and production innovations have been transferred into application, lowering product costs and initially creating a basis to create higher-quality base materials than those currently in use.

- The Kaizen - "continuous improvement" program - has been maintained, promoted and encouraged to become a culture that contributes to minimize waste in production, reduce labor time, and increase efficiency. Proposing ideas for improvement enhance employees' self-studying and endeavor to continuously improve work efficiency.

### Results:

In the Kaizen spirit - "Change for better", Vicostone encourages employees to actively contribute ideas to making improvements, even from the smallest of actions. Aside from Kaizen ideas about safety, health and the environment, the program has resulted in many ideas that have brought about high economic values. Vicostone's application of Kaizen have brought increased returns year after year.



■ Generated ideas ( Million VND) ■ Implemented ideas  
■ Accepted ideas

*Kaizen application at Vicostone*

The returns of the Kaizen program at Vicostone stem from small but cumulative changes over time, thereby contributing to creating great value for the Company. The ideas that have been successfully applied in 2019 have contributed to increased productivity, improved product quality, reduced raw material consumption, saved costs (stone grinding, wastewater, waste treatment) contributing to environmental protection, and limiting waste of natural resources. Moreover, the program has created a culture: Continuous progress in all activities.

- Application of technological solutions to corporate governance: Marketing, Customer Management, Market Information Management, post and presales services; Production systems, inventories, and personnel. IT-based modernization and automation has been applied to many stages and throughout the production and business value chain in order to optimize business operations.

### Results:

In 2019, Vicostone developed, upgraded, and applied IT solutions into administration, management, and business operations to meet the competitive requirements in the 4<sup>th</sup> Industrial Revolution. In addition, the Company has also accelerated the implementation of key IT projects, completed and upgraded its IT infrastructure to meet business needs in the digital age.

Notable IT solutions applied in 2019:



- Ensuring revenue growth in accordance with set plan by raising product quality, labor productivity and controlling costs. Reasonable costs reduction and control help company reduce product costs, increase profits, and improve production and business efficiency.

### Results:

Consolidated revenue: VND 5,590.55 billion, up 22.48% compared to 2018.

Consolidated profit after tax: VND 1,410.12 billion, up 25.51% compared to 2018.

## REPORT OF THE BOARD OF DIRECTORS (Continued)

- Increase in annual income for employees from 5-7% was ensured through such activities as: promotion of training and development capacity assessment to conduct annual salary increase reviews. Human resource management activities focused on fulfilling such goals as: promoting development training to improve the capacity of workers and conducting capacity assessments to review annual salary increase.

### Results:

In 2019, the Company developed a new Capacity Framework for each job position, department in order to accurately assess the capacity of employees, thereby ensuring fairness in remuneration schemes. The Company implements annual and irregular salary increase regimes, thereby encouraging employees to improve individual skills and capacities, as well as ensuring the Company has a competitive, attractive salary scheme for high quality recruits compared to the market norm, one that can meet the work requirements of the functional departments and the production and business strategies of the Company. In 2019, the average salary of employees was 21,037 million Vietnamese Dong (up 13.1% year on year).

In 2019, Vicostone organized 75 training courses, of which 55 were internal and 20 were external. Total training hours of Vicostone employees during the year were 109,143 hours. Outsourced training costs to the Company were VND 740 million in 2019.



Vicostone employees during Critical-thinking training

## VII Orientations and operation plan of the BOD in 2020

2020 marks a decade of development for Vicostone and also the beginning of a new decade of “Transformation” for the Company. The BOD will focus on the following key tasks:

- Continue to promote research and application of smart production technologies to optimize the efficiency of the core business sector, differentiate and innovate technologically to develop sustainably based on product quality guarantees and continuous improvements, thereby consolidating brand reputation;
- Continue to promote the development of new and unique product lines, impress customers and differentiate from competitors;
- Enhance the application of science and technology, AI, robotics to production to help improve productivity, quality, promote energy saving, environmental protection, contributing to national economic development, take outstanding strides and ensure the achievement of sustainable development goals.



- Continue to promote the Kaizen program of “continuous improvement” to form a culture of maximum reduction of waste in production, reducing labor time and increasing production and business efficiency.
- Ensure that revenue growth exceeds the plan set out through effective marketing solutions and developing new markets. Reasonable costs reduction and control will help reduce production costs, increase competitive advantages, and improve production and business efficiency.
- Ensure increases in annual income for employees. Promote training of high-quality human resources to meet current and future personnel needs. Invest in skills improvement programs for all employees to have the necessary expertise and experience to adapt with the Company’s development stages and strategies.
- Continue to promote communications, develop a conscientious business culture.

## VIII Proposed profit distribution plan and key tasks for 2020

No.	Target	UNIT	As % /Profit after tax	Notes
1	Awards and Welfare funds	%	6.0	Deductible %/profit after tax
2	Deduction from executive bonuses fund	%	2.0	Deductible %/profit after tax



# REPORT OF THE BOARD OF AUDITORS

Internal audit (IA) plays a very important role in a business operational apparatus, contributing to the sustainable development of the Company, and as a solid foundation for the Company to increase its adaptability and proactively propose solutions in changing circumstances to control risks and seize opportunities.

2019 is the first year the Company has changed its management model in accordance with Point b, Article 134 of the Law on Enterprises No. 68/2014/QH13 dated November 26, 2014 of the National Assembly. Accordingly, the Board of Auditors was established under the BOD instead of the Supervisory Board. Internal audits therefore also saw changes to comply with the new model of the Company.

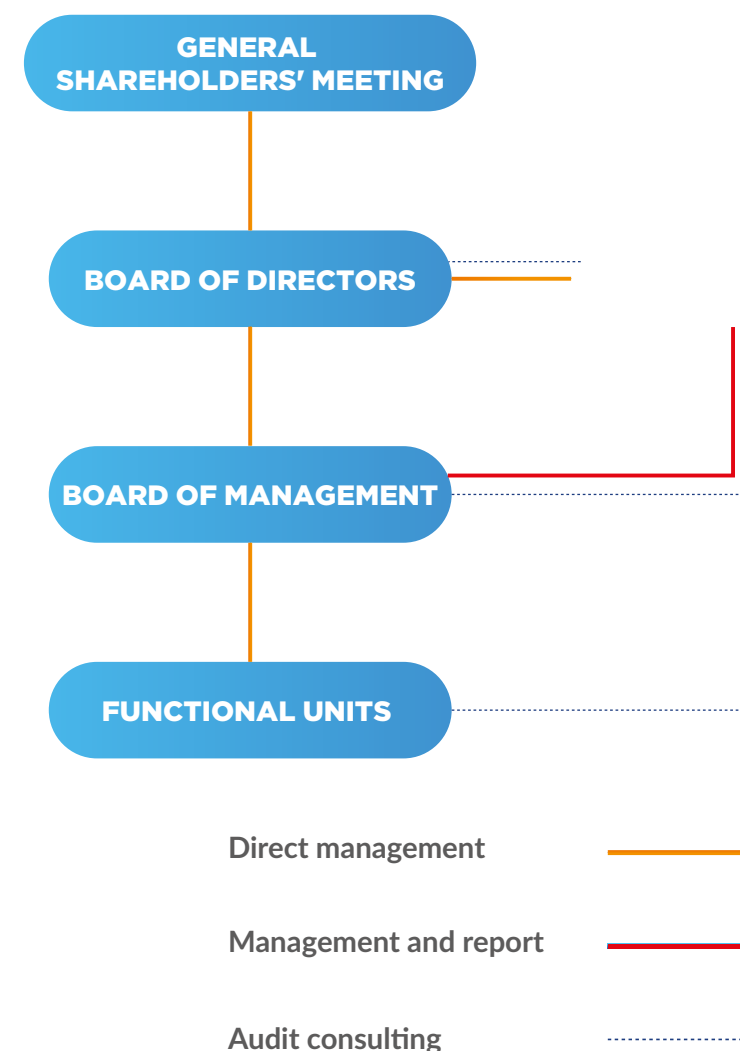
As part of the new model, the Board of Auditors has an increasingly clear role and helps the Company achieve higher efficiency by:

**1** Firstly, IA provides independent assurance on the suitability and effectiveness of internal control (IC), risk management (RM) systems in the Company; ensure the activities of the BOD, the Board of Management are closely monitored, improve transparency and efficiency in management and administration of the Company; increase compliance and RM culture, ensuring uninterrupted and stable business activities.

**2** Secondly, IA provides counsel and advices for the BOD and the Board of Management on strategic directions, corporate governance, helping functional units to operate effectively. As a result, 2019 was a successful year for Vicostone in controlling risks and fulfilling the goals assigned by the GMS.



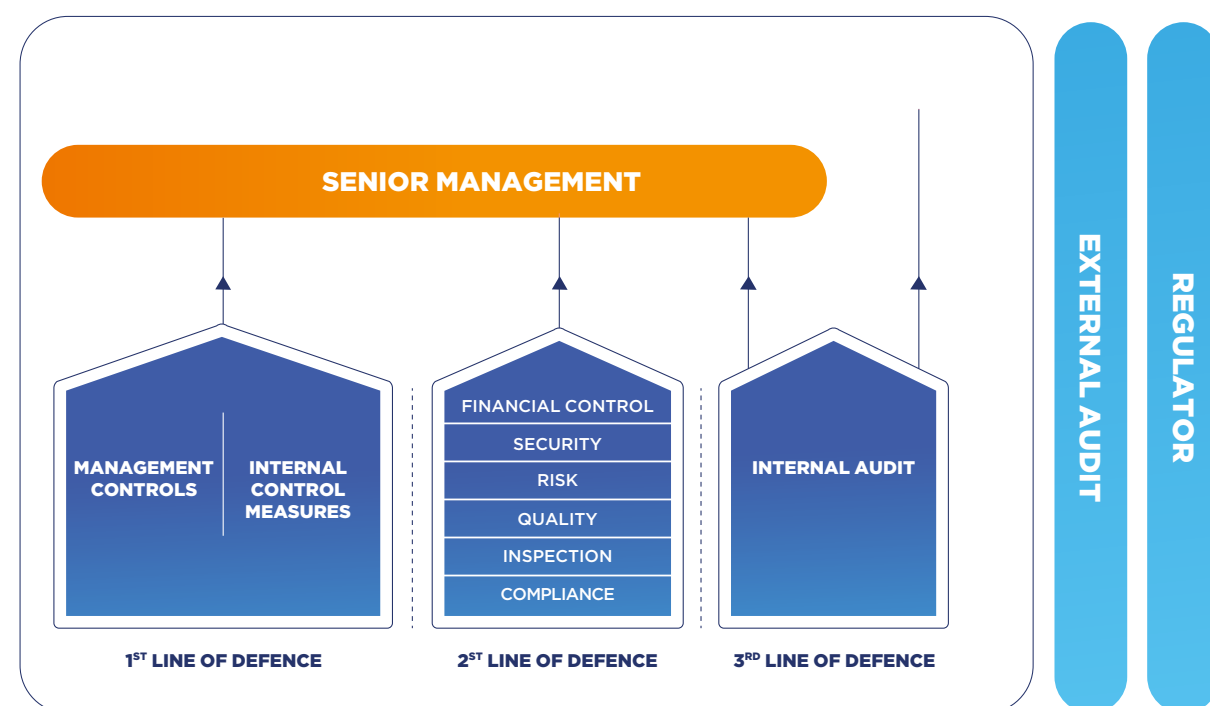
## 1. Organizational structure of IA



## REPORT OF THE BOARD OF AUDITORS (Continued)

### 2. Function of IA

The Phenikaa Group has established the Board of Auditors and Risk Management to complete and improve its internal management system, and integrate Risk management to strengthen the third layers of defense in Risk Management within the Phenikaa Group, including Vicostone:



Three layers of risk management defense in the operations of a business

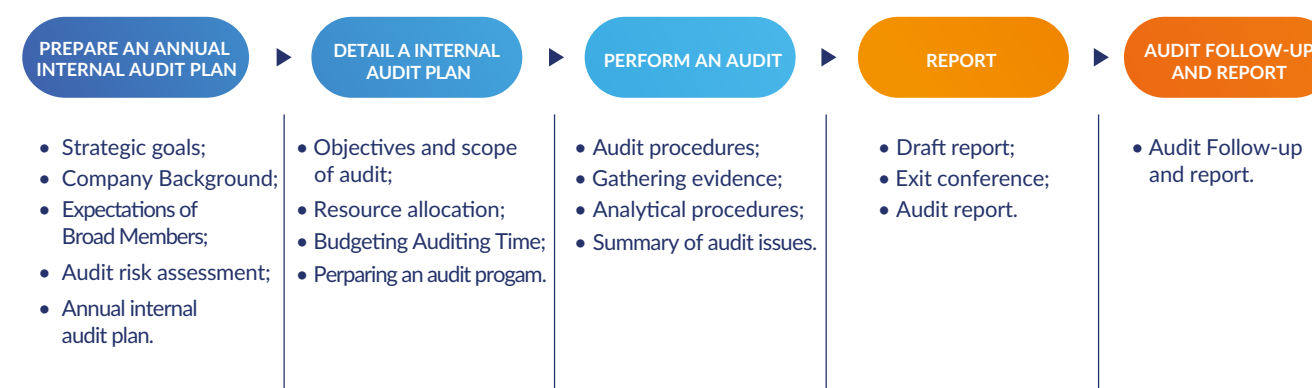
As part of risk management within the company, IA has the following important functions:

- Provide independent, objective assessment on compliance, cost-efficiency, operational effectiveness and efficiency of internal control and RM systems;
- Check, monitor and provide consultation to improve, and further develop operational procedures, as well as the management and operation of the Company;
- Guarantee compliance in the Company's activities.

### 3. Audit methodology

- The internal audit methodology is known as "risk-oriented" audit, which prioritizes resources to audit operating units and processes deemed to be at high risk;
- The internal audit plan is developed based on the results of risk assessment and is updated, amended as appropriate to the Company's realities of operation.

### 4. Internal audit procedure



### 5. Duties performed in 2019

- Oversaw the formulation of strategies, the management and administration of the BOD and the Board of Management;
- Evaluated the performance of the Company;
- Coordinated with independent auditors in reviewing mid-year financial statements and auditing financial statements for 2019;
- Reviewed and updated the Internal audit document database to ensure compliance with Vietnamese regulations, in accordance with international standards and practices;
- Conducted evaluation of the IC, RM systems and provided recommendations to improve IC and RM within the Company;
- Audited the "Cut Cost" programs at Plant No. 1 and No. 2;
- Audited the security operations of the Company's IT network;
- Audited the ISO processes currently being applied at manufacturing plants;
- Advised the BOD and the Board of Management on strategies, management and administration of the Company.

### 6. Audit results

#### 6.1. Results of oversight

##### a. Oversight of the BOD

- The BOD's operations are in compliance with the provisions of the laws, the Company's Charter, and the Regulation on corporate governance in business administration;
- The BOD has timely grasped market fluctuations, the realities in production and the business situation to promptly make appropriate amendments to the production and business strategy;
- There is no conflict between interests of the members of the BOD with that of the Company.

## REPORT OF THE BOARD OF AUDITORS (Continued)

### b. Oversight of the Board of Management

- In 2019, the Board of Management has made great efforts in operations, not only ensuring stable business growth, but also helping the Company to exceed its set targets;

Unit: Billion VND

Target	2018	Goal in 2019	Realized 2019	Realized/Goal 2019%	Growth in 2019 year on year (%)
Total revenue	4,564.50	5,309.89	5,590.55	105.29%	22.48%
Total profit before tax	1,318.51	1,564.63	1,652.66	105.63%	25.34%

- The Board of Management is in compliance with the applicable laws and regulations, as well as processes and regulations in management of the company in accordance with the Company's Charter and Regulations;
- There are no conflicts of interest between the Board of Management and the BOD, or between the Board of Management and the Company;
- The Board of Management always create favorable conditions, support and coordinate with IA throughout the audits, helping IA to complete its assigned tasks and mandates.

### 6.2. Internal audit results

#### a. Audit results for IA and RM systems

- The company's IC and RM systems work effectively:
  - » RM rules, procedures, policies are published in full;
  - » RM is observed and reported monthly;
  - » Procedures to guide implementation of activities have been issued according to ISO 9001: 2015;
  - » Divisions and departments in charge of implementing and monitoring the RM, supervising and ensuring the implementation of internal control activities have been designated.
- Level of compliance with processes and regulations is high, no critical faults were detected;

- Audited divisions and related individuals and work divisions are cooperative with IA, helping IA to complete assigned tasks and mandates;
- All IA's advices and recommendations are seriously implemented with a high sense of responsibility, ensuring completion of set plan.

### b. Audit results for financial statements

In 2019, IA coordinated with independent auditors to review the half financial statement and financial statements for the year. Results showed that:

- The financial statements accurately reflected the actual production and business situation of the company in 2019.
- The financial statement gave a true and fair view in all material respect of the financial position of the Company as of December 31, 2019, and the result of its operations and its cash flow for the year in accordance with Vietnamese accounting standards, Vietnamese Enterprises Accounting system and the stationary requirements relevant to the preparation and presentation of the financial statement.
- The financial statements for 2019 were drafted and published in accordance with requirements of Hanoi Stock Exchange, the State Securities Commission of Vietnam as well as relevant legal requirements.



Members of the Board of Auditors strives to learn and share experience regularly to act as a solid line of defense for the Company



## REPORT OF THE BOARD OF AUDITORS (Continued)

### 7. Remuneration for members of the BOD, Board of Supervisors, Board of Management

#### Remuneration principles

- 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 provides salary and bonuses in accordance with the Salary Regulation issued by the Board of Directors and remuneration according to the rate approved by the GMS;
- For members of the Board of Directors and Board of Supervisors not working full time, the Company provides remuneration according to the rate approved by the GMS;
- In addition to salaries, bonuses and remunerations, members of the Board of Directors and Board of Supervisors working full time at the Company and members of the Board of Management are eligible to receive travel, telephone and other allowances for work purposes.

Unit: VND

No.	Full name	Duration as member of the BOD	Duration as member of the Board of Management/Chief Account	Duration as member of Board of Supervisors	Salary + bonus eligible duration	Total income from salaries and bonuses of the BOD and Board of Management	Vehicles and gasoline assistance	Total income from salaries and bonuses of Board of Supervisors	Remuneration for the BOD, Board of Supervisors	Total income from salaries and bonuses of Chief Accountant	Total
1	Ho Xuan Nang	Whole year			Whole year	3,035,073,743	-	-	72,000,000		3,107,073,743
2	Pham Anh Tuan	Whole year	Whole year		Whole year	2,598,189,857	180,000,000	-	60,000,000		2,838,189,857
3	Nghiem Thi Ngoc Diep	Whole year			Whole year	50,000,000	-	-	60,000,000		110,000,000
4	Nguyen Dieu Thuy Ngoc	Whole year			Whole year	50,000,000	-	-	60,000,000		110,000,000
5	Nguyen Quoc Truong	01.01-12.04			01.01-12.04	799,453,667	52,500,000	-	17,000,000		868,953,667
6	Pham Tri Dung		Whole year		Whole year	2,277,105,743	180,000,000	-	-		2,457,105,743
7	Luu Cong An		Whole year		Whole year	2,278,395,571	180,000,000	-	-		2,458,395,571
8	Nguyen Chi Cong		Whole year		Whole year	2,151,134,551	180,000,000	-	-		2,331,134,551
9	Luong Xuan Man			01.01-12.04	01.01-12.04	-	-	1,018,668,810	17,000,000		1,035,668,810
10	Tran Lan Phuong	12.04-31.12		01.01-12.04	Whole year	-	-	-	56,600,000		56,600,000
11	Tran Thi Phuong Hoa			01.01-12.04	01.01-12.04	-	-	-	13,600,000		13,600,000
12	Nguyen Thi Nga		Whole year		Whole year	-	-	-	-	1,444,760,600	1,444,760,600
						<b>13,239,353,132</b>	<b>772,500,000</b>	<b>1,018,668,810</b>	<b>356,200,000</b>	<b>1,444,760,600</b>	<b>16,831,482,542</b>

## REPORT OF THE BOARD OF AUDITORS (Continued)

### 8. Key internal audit plans for 2020

To continue to maximizing its the effectiveness as the final line of defense in the Company's triple-layer model line of defense, the Board of Auditors has set the following key goals for 2020:



Vicostone Acacia quartz - BQ9610





# INVESTOR RELATIONS

## Shareholders information



### 1. General information

Stock code

**VCS**

shares listed on Ha Noi Stock Exchange (HNX), first trading session officially opened on December 17, 2007.

Address

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

Tel

(+84) 24 3368 5826

Fax

(+84) 24 3368 6652

Email

quanhecodong@vicostone.com

Website

<https://vicostone.com/vi-vn/investor-news>

Registered capital

1,600,000,000,000 VND

Total listed shares

160,000,000 shares

Total treasury shares

0 share

Total shares in circulation

160,000,000 shares

Type of shares

common

Par value

10,000 VND

### 2. Quantity and type of shares in circulation

(Pursuant to the list of shareholders deposited as of February 24, 2020 issued by Vietnam Securities Depository)

No.	Shareholder	Shares quantity	Ratio (%)	Notes
1	Non-deposited	117,899,348	73.69%	Based on the number of shares in circulation
2	Deposited	42,100,652	26.31%	
	<b>TOTAL</b>	<b>160,000,000</b>	<b>100%</b>	
1	Institution	134,851,295	84.28%	
2	Individual	25,148,705	15.72%	
	<b>TOTAL</b>	<b>160,000,000</b>	<b>100%</b>	
1	Domestic	156,173,208	97.61%	
2	International	3,826,792	2.39%	
	<b>TOTAL</b>	<b>160,000,000</b>	<b>100%</b>	

### 3. Shareholder structure

(Pursuant to the list of shareholders deposited as of February 24, 2020 issued by Vietnam Securities Depository)

No.	Shareholders	Quantity
1	Total shareholders	4,008
2	Domestic shareholders	3,906
3	International shareholders	102
4	Individual shareholders	3,946
5	Institution shareholders	63



## INVESTOR RELATIONS (Continued)

### 4. List of major shareholders

(Pursuant to the list of shareholders deposited as of February 24, 2020 issued by Vietnam Securities Depository)

No.	Name of individual/ organization (representative)	Type of shareholder		ID No./ Business registration No.	Date issued	Quantity of shares held	Ratio of held shares/ total number of shares in circulation (%)
		State	Major				
1	A&A Green Phoenix Group Joint Stock Company		X	0104961939	20/10/2010	130,611,198	81.63%

### 5. Information about insiders' shares ownership (member of the BOD, Board of Management, Board of Auditors)

(Pursuant to the list of shareholders deposited as of February 24, 2020 issued by Vietnam Securities Depository)

No.	Full name	Title in Company	Held shares at end of period	Ownership %/ Total shares in circulation (%)
1	Mr. Ho Xuan Nang	Chairman of the BOD	5,804,231	3.63%
2	Ms. Nghiem Thi Ngoc Diep	Member of the BOD	-	-
3	Ms. Nguyen Dieu Thuy Ngoc	Member of the BOD – Chair of the Board of Auditors	-	-
4	Mr. Pham Anh Tuan	Member of the BOD - General Director	19,317	0.01%
5	Ms. Tran Lan Phuong	Member of the BOD	18	-
6	Mr. Luu Cong An	Vice General Director	305,079	0.19%
7	Mr. Pham Tri Dung	Vice General Director	342,800	0.21%
8	Mr. Nguyen Chi Cong	Vice General Director	8,706	0.01%
9	Ms. Nguyen Thi Nga	Chief Accountant	-	-
10	Mr. Nguyen Van Toan	Member of the Board of Auditors	-	-
	<b>TOTAL</b>		6,480,151	4.05%

### 6. Shares transactions of insiders and related persons

List of transactions of insiders and related persons for the Company's shares arising in 2019 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 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 shares owned at the beginning of the period	
1	A&A Green Phoenix Group JSC	Parent Company	128,000,000	81.63%	130,611,198	81.63%	Bonus shares from treasury shares
2	Mr. Ho Xuan Nang	Chairman of the BOD	5,685,794	3.63%	5,804,231	3.63%	Bonus shares from treasury shares Purchased 2,447 odd shares from bonus shares acquired from treasury shares in October 2019
3	Mr. Pham Anh Tuan	Member of the BOD, General Director	18,864	0.01%	19,317	0.01%	Bonus shares from treasury shares
4	Mr. Luu Cong An	Vice General Director	298,980	0.19%	305,079	0.19%	Bonus shares from treasury shares
5	Mr. Pham Tri Dung	Vice General Director	335,948	0.21%	342,800	0.21%	Bonus shares from treasury shares
6	Mr. Nguyen Chi Cong	Vice General Director	8,532	0.005%	8,706	0.01%	Bonus shares from treasury shares

### 7. Treasury shares transactions

TT	Transactor	Total treasury shares prior to transaction	Total treasury shares post transaction	Time of transaction	Average share price (VNĐ)
1	Vicostone JSC	3,200,000	0	22/09/2019	N/A (sales of treasury shares to allocate bonus shares to existing shareholders)

## INVESTOR RELATIONS (Continued)

### 8. Dividend policy and dividend payout ratio

Dividend distribution to shareholders was made in accordance with the dividend pay-out ratio and method as approved by the annual GMS at the recommendation of the Board of Directors and complies with the following basic principles:



Dividend payout is made only when the Company generates profits and has fulfilled its tax obligations and other financial duties as prescribed by the law;



Upon completion of dividend payouts, the Company must retain its ability to pay due debts and other liabilities;



Ensuring 2 fundamental objectives: shareholders' rights and the Company's capital requirements for business expansion;

Shareholders receive 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	Deductible from profit after tax for 2006
2008	20%	14,717,824,240	14,787,824,240	Deductible from profit after tax for 2007
2009		1,497,600,000	1,497,600,000	Deductible from profit after tax for 2008
2010	35%	53,625,000,000	53,625,000,000	20% deductible from profit after tax for 2009 15% deductible from profit after tax for 2010

Year	Dividend rate	Dividend payable (VND)	Total paid dividend (VND)	Notes
2011	5%	9,942,391,000	10,533,300,000	Deductible from profit after tax for 2010
2012	20%	105,998,502,000	106,427,397,000	Deductible from profit after tax for 2011
2013		-	124,536,000	
2014	25%	111,298,527,500	26,495,156,100	5% deductible from profit after tax for 2013 + 20% deductible from profit after tax for 2014
2015	40%	169,597,804,000	169,571,493,275	Deductible from profit after tax for 2015
2016	40.00%	190,797,404,000	275,186,472,700	Deductible from profit after tax for 2016
	~ 13.21%	70,007,490,000		Dividend made in shares
2017	20.00%	120,000,000,000	120,012,199,500	Deductible from profit after tax for 2017
	~ 33.33%	200,000,000,000		Dividend made in shares
2018	40%	476,800,000,000	388,181,228,100	20% deductible from profit after tax for 2017 + 20% deductible from profit after tax for 2018
	100%	800,000,000,000		Dividend made in shares
2019	40%	627,200,000,000	713,512,226,500	40% deductible from profit after tax for 2019
	2.04%	240,247,311,882		Allocation of bonus shares for shareholders from treasury shares

## INVESTOR RELATIONS (Continued)

### II Investor relations in 2019



(Pursuant to the list of shareholders deposited as of February 24, 2020 issued by Vietnam Securities Depository)

In 2019, the Board of Investor Relations performed its functions well with regards to public relations and information disclosure in strict compliance with regulations on information disclosure pursuant to Circular 155/2015/TTBTC dated October 6, 2015 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.

Information about the Company's management and business activities and extraordinary information and events were disclosed timely and fully, ensuring transparency, accuracy. The Investor Relations section on the Vicostone's website provides information and materials

including published information, financial data, annual reports, annual GMS documents, corporate governance reports, etc.

Vicostone investor relations activities in 2019 included the following notable events:

- Developed a professional Annual Report, ensuring accurate information was fully delivered to shareholders and investors. The report was drafted in English and Vietnamese. This effort has been evidenced by the Company's presence in the top 3 large-cap companies with the best annual reports ranking. The Company's annual report was praised as outstanding, with content and presentation made in a transparent, concise, professional, and creative manner, providing full information and disclosure about the development strategy and orientation of the Company, as well as its policies related to the environment, to the community, and staff, etc.
- Maintained equal treatment between shareholders: equal treatment between shareholders is a consistent principle embraced by Vicostone since establishment. Shareholders are provided the same information, and shareholders (particularly international investors) may 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 the State Securities Commission of Vietnam in a serious, transparent and lawful manner, in accordance with Circular 155/2015/TT-BTC. Information about the Company's business performance, financial situation, corporate governance as well as information that may impact shareholders' rights and interests are always accurately, fully and regularly updated.
- Vicostone's Board of Investor Relations was active and operated efficiently, quickly responding to shareholders' inquiries via phone calls, email communications. The Board provided shareholders with the most important and up-to-date information which may directly affect their rights and interests.

### III Investor relations plan of operation in 2020

Vicostone is committed to maintaining cordial investor - shareholder relations with a view to ensuring transparency, accuracy, honesty, full and timely disclosure of information related to the Company's production and business activities, thereby demonstrating its responsibility to investors and shareholders. In that spirit, Vicostone has set out a work plan for shareholder relations in 2020, details as follows:



Periodically provide investors and shareholders with information about the Company's operations through the Vicostone website, not just limited to mandatory information as required by law.



Improve the quality of information disclosure, increase standards, transparency, timeliness, accuracy and reliability of the disclosed information, positively contribute to the stable and sustainable development of Vicostone in the stock market.



Focus on fostering and improving professional skills for staff at the Investor Relations Department, and for the team responsible for publishing information in all Vicostone business fields.



Maintain and diversify information exchange channels with investors and shareholders such as face-to-face meetings, phone calls, and emails, ensuring timely, full and clear information disclosure and in investor - shareholder relations.



Restructure: a) the Investor Relations page for shareholders; b) investors on the Company's website in a more user-friendly and accessible manner; c) consider making bilingual information disclosures in (English - Vietnamese) or hosting an Investor Relations page in English for international investors.



# 04

## SUSTAINABLE DEVELOPMENT

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## COMMITMENT TO SUSTAINABLE DEVELOPMENT

Over 17 years of development, Sustainable Development has been the focus and guideline in every aspect of Vicostone's operations including production, business, corporate governance, and investment in research and development of human resources. The awareness of and commitment to interests of humans and the society are the corner stone of Vicostone's operation.

Satisfying customers' reasonable demands, protecting the environment, and ensuring employees' well-being, occupational health and safety lay the groundwork for Vicostone's sustainable development. Accordingly, Vicostone commits to:

- Putting customers at the center of its business.
- Determining "Humans" as the source of strength and high-quality workforce as the intangible and invaluable assets. Solidarity, cooperation, responsibility, critical thinking and keeping promise are the Company's core values.
- Promoting continuous improvement, 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 and maintaining outstanding quality and distinctiveness of products and services are the orientation to create brand reputation, thus making Vicostone the leading high-end engineered stone manufacturer.
- Complying with the laws, promoting transparent corporate governance for the common interests of shareholders and employees, keeping the Company's growth in line with its social responsibility and long-term sustainable development.

The Company also provides sufficient resources to maintain and continuously improve the Quality-Environmental - Social Responsibility - Occupational Health and Safety management systems according to ISO 9001:2015, ISO 14001:2015; SA8000:2014, ISO 45001:2018.SA8000:2014, ISO 45001:2018.



Photovoltaic cells of Vicostone's solar power system

# NOTABLE SUSTAINABLE DEVELOPMENT

## ACTIVITIES IN 2019

With the goal of becoming among the Top three brands in quartz surfaces in the world, Vicostone considers sustainable development as an important requirement in its long-term development strategy, a necessary path to embark on, to realize commitments to stakeholders. In this journey towards sustainable development, Vicostone's effort has been recognized by many prestigious organizations:

- For the fourth consecutive year, Vicostone is in the 2019's Top 100 Sustainable Development Enterprises. Ranking done by the Vietnam Business Council for Sustainable Development (VBCSD) under VCCI;
- The only listed company on HNX in the "Top 10 Best Sustainable Development Reports in 2019". Survey and ranking jointly done by Ho Chi Minh Stock Exchange, Hanoi Stock Exchange, and Investment Newspaper and Dragon Capital;
- Listed on the VNR 500 - a ranking of the Top 500 Private companies in Vietnam (survey and ranking by Vietnam Report & Vietnamnet);
- TOP 50 best listed-companies in Vietnam, ranking by Forbes Vietnam;
- In a ranking of Companies with the best Annual Report of 2019 - jointly done by HOSE, HNX, VIR, and Dragon Capital, Vicostone was voted 3<sup>rd</sup> among the top 10 large-cap enterprises with the best Annual Report in 2019;
- Top 500 Most Profitable Companies in Vietnam: survey and ranking jointly by Vietnam Report and Vietnamnet;
- Top 10 Public Companies with the Best Corporate Governance (awarded by VCCI).



TOP 50 best listed-companies in Vietnam



Top 500 Largest private companies in Vietnam



Top 100 Sustainable Development Enterprises



### Economic success

- Total revenue grew **22.48%** compared to 2018.
- Profit before tax grew **25.34%** compared to 2018.
- Profit after tax grew **25.51%** compared to 2018.
- Corporate tax contribution grew **56.16%** compared to 2018.

### Caring for the environment

- Investment in an automatic monitoring system for factories in the Phenikaa Group and Vicostone was made to be more proactive in controlling emissions and wastewater quality, and to comply with the highest standards of environmental protection in Vietnam and internationally

### Corporate social responsibility

- Average monthly income per employee increased 13% compared to 2018.
- All employees at Vicostone enjoyed company-funded PJICO health care and medical insurance. The total value of insurance packages is nearly 8 times higher than in previous years.
- More than VND 2 billion: Total amount donated to charitable activities and community support.



## STAKEHOLDERS ENGAGEMENT

One of Vicostone's most important goals is to harmonize the interests of shareholders, partners, employees, communities and society. Therefore, Vicostone always closely focuses on stakeholders' concerns and effectively engage them. By reviewing and evaluating their issues and concerns, as well as the Company's set goals, Vicostone identifies the most relevant and effective methods to approach the stakeholders and develop engagement plans

Stakeholder	Concerned issues	Vicostone's purposes and goals	Vicostone's methods	Value creation
<b>Shareholders and investors</b>	<ul style="list-style-type: none"> <li>• Effective use of investment capital;</li> <li>• Information transparency;</li> <li>• Interests of shareholders and investors;</li> <li>• Values of the Company and its stock;</li> <li>• Good corporate governance.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain and develop relations with shareholders and investors;</li> <li>• Strictly comply with information disclosure laws and ensure transparency in every work;</li> <li>• Completely execute rights &amp; interests of shareholders and investors.</li> </ul>	<ul style="list-style-type: none"> <li>• Organize the Annual and Extraordinary General Meetings of Shareholders;</li> <li>• Collect shareholders' opinions in writing;</li> <li>• Improve the efficiency of the Board of Shareholders' activities;</li> <li>• Completely exercise shareholders' rights in accordance with the laws and the Company's Charter;</li> <li>• Provide shareholders and investors with information about the Company's production and business performance in a sufficient, transparent and timely manner;</li> <li>• Treat the shareholders equally;</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable growth rate;</li> <li>• Information is disclosed in a timely, public and transparent manner;</li> <li>• Pay high dividends to shareholders.</li> </ul>
<b>Customers and distribution partners</b>	<ul style="list-style-type: none"> <li>• The diversity, abundance and good taste of product designs;</li> <li>• Product quality is stable and physio mechanical properties must comply with the technical requirements;</li> <li>• Sale &amp; service policy: Consultant, sale, aftersales service, prices/promotion, warranty.</li> </ul>	<ul style="list-style-type: none"> <li>• Improve level of satisfaction of customers and consumers towards the Company's products;</li> <li>• Increase customers' awareness of and reference to the VICOSTONE® brand;</li> <li>• Provide the best products to consumers with the rewarding prices, services and policies.</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct market researches and surveys to effectively forecast consumer trends. Develop product lines to meet consumer insights &amp; increase competitive advantages in the market.</li> <li>• Continuously expand the distribution system, agents, showrooms to increase coverage and availability of the service to customers;</li> <li>• Select a reliable partner to ensure the quality of service;</li> <li>• Provide online feedback and customer care at 24/7;</li> <li>• Implement customer satisfaction survey with end-users and distribution partners to evaluate, improve and promote company's strengths.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide quality products and services that comply to international standards;</li> <li>• Beautiful and unique products are selected by consumers;</li> <li>• Execute sales and after-sales policies, take care of customers from pre-sale through after-sales to serve them at the best and achieve the highest customer satisfaction;</li> <li>• Gain trust and customer's reference for Company and VICOSTONE® brand.</li> </ul>

## STAKEHOLDERS ENGAGEMENT (Continued)

Stakeholder	Concerned issues	Vicostone's purposes and goals	Vicostone's methods	Value creation
Suppliers	<ul style="list-style-type: none"> <li>Financial benefits;</li> <li>Confidential information must not be disclosed to their competitors;</li> <li>Equal competition between suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen and extend supplier system and create a sustainable supply chain;</li> <li>Ensure mutual benefits;</li> <li>Execute and comply with relevant obligations to suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>Exchange information through the contract negotiation;</li> <li>Direct meetings;</li> <li>Assess the suppliers' performance annually, with a thorough review of safety and environment protection;</li> <li>Attend industry fairs and exhibitions;</li> <li>Receive comments directly via the Company's email and phone number.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure product quality, competitive prices and fast delivery to help Company leverage desired quality, reasonable and competitive prices in the market.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Safe, free and discrimination-free working environment;</li> <li>Attractive salary and bonus policies, diverse and competitive welfare regime in comparison with other enterprises;</li> <li>Training opportunities;</li> <li>Timely recognition of employee's achievements and contributions.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen solidarity and cooperation in workplace, and discipline;</li> <li>Strengthen employees' engagement and loyalty;</li> <li>Evaluate and improve employee welfare policies;</li> <li>Encourage employees to participate in community activities.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure safe working conditions, equality, freedom, and occupational health;</li> <li>Maintain and continuously improve welfare and income policies;</li> <li>Constantly improve working environment and provide employees with learning and development opportunities;</li> <li>Carry out assessments of employees' work performance and provide them with optimal conditions to promote their capabilities;</li> <li>Organize team building activities for employees.</li> <li>Implement survey to evaluate employee satisfaction for improvement towards a happy workplace</li> </ul>	<ul style="list-style-type: none"> <li>Maintain a safe working environment in which the occupational disease and accident rates are controlled and minimized.</li> <li>In 2019, the Company held 77 training courses with total cost of over VND 748,000 million;</li> <li>Salary policy is built on the 3P method (position, person and performance) to ensure fairness, competitiveness and rationality.</li> </ul>
Society and local community	<ul style="list-style-type: none"> <li>Product's quality, level of safety for users and environmentally friendly</li> <li>The local environment is not adversely affected by the Company's operation;</li> <li>Employment issues of local people;</li> <li>Local economic development;</li> <li>The Company's contributions to the society.</li> </ul>	<ul style="list-style-type: none"> <li>Support local socio-economic development and protect the environment;</li> <li>Contribute to sustainable development of society and community;</li> <li>Assess suppliers' performance annually with a focus on the safety and environment protection;</li> <li>Attach corporate development with social responsibility, and provide safe environment, for of local and society.</li> </ul>	<ul style="list-style-type: none"> <li>Coordinate with the local authorities to receive feedback on the Company;</li> <li>Create jobs with good income for the majority of local employees, which contributed to stabilizing the social order and life in the locality;</li> <li>Participate in environmental activities and other activities for the local community;</li> <li>Implement corporate social responsibility programs based on the capabilities of the Company to build a sustainable society;</li> <li>Frequent meetings with local government agencies to exchange information, handle and develop environmental protection programs.</li> </ul>	<ul style="list-style-type: none"> <li>The Company's number of local employees is 537 persons (accounting for 77.6%);</li> <li>Provide financial support as of 800 million VND to construct and put into use a concrete road, to replace the damaged dirt road section in Hamlet 1, Thach Hoa Commune, Thach That District of Ha Noi;</li> <li>Provide 30 garbage carts;</li> <li>Make continuous improvements to achieve best quality, environmentally friendly, and protect the sustainable environment.</li> </ul>

## STAKEHOLDERS ENGAGEMENT (Continued)

Stakeholder	Concerned issues	Vicostone's purposes and goals	Vicostone's methods	Value creation
Government authorities	<ul style="list-style-type: none"> <li>Comply with laws in general and the decisions of local authorities in particular;</li> <li>Implement responsibilities and obligations of Company to adapt the State's regulations;</li> <li>Actively participate in activities organized by the governmental authorities;</li> </ul>	<ul style="list-style-type: none"> <li>Take part in the completion of laws and the government regulations related to the Company's field of operation;</li> <li>Implement responsibilities and obligations of Company to adapt the State's regulations;</li> <li>Build the Company's reputation to create favorable conditions during the operation</li> </ul>	<ul style="list-style-type: none"> <li>Continuously update new legal documents related to the Company's field of operation;</li> <li>Implement responsibilities and obligations of Company to adapt the State's regulations;</li> <li>Ask for consultation on issues related to the Company's production and business activities;</li> <li>Give feedback on the policies and regulations of the government;</li> <li>Participate in training programs on increasing community awareness on sustainable development and environmental protection, and in the government programs to improve the people's life quality.</li> </ul>	<ul style="list-style-type: none"> <li>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;</li> <li>Make more contribution to the society by fulfilling tax obligations.</li> </ul>
Press agencies	<ul style="list-style-type: none"> <li>Provide right and timely information to the press.</li> </ul>	<ul style="list-style-type: none"> <li>Actively exchange and share information with the press agencies to build the image of a prestigious and transparent company</li> </ul>	<ul style="list-style-type: none"> <li>Maintain &amp; expand relationship with press agencies;</li> <li>Ensure transparency with accurate, regular and timely information provision to Company's business performance;</li> <li>Develop and maintain a "sharing culture" to ensure the equal access to information among the press agencies.</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to the information transparency and improve brand awareness, brand identity;</li> <li>Provide news and articles with multi-dimensional perspectives. They are useful tools for Vicostone to collect information, grasp the market, customer needs, etc.</li> </ul>



# VICOSTONE'S CODE OF CONDUCT WITH STAKEHOLDERS

## I Conduct with shareholders and investors

- Maintaining transparency in information disclosure: Vicostone commits to provide financial statement and legal records to shareholders in an adequate, accurate and timely manner and in accordance with the laws.
- 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 for the common good and never takes advantage of the Company's support for personal benefits, harming the interests of shareholders and investors.

## II Conduct with 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.



*Vicostone's staff introduced products to visitors in VietBuild Exhibition*

## III Conduct with suppliers and partner

- Respecting partners' interests: Creating mutually beneficial relationships, respecting partners' confidential information and healthy competition among suppliers, while prohibiting bribery from suppliers and 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.
- Strictly complying with the laws and regulations that is basic standard in cooperation, especially paying special attention to safety and health regulations.

## IV 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.



*Vicostone's staff exchange information in Company*

# VICOSTONE'S CODE OF CONDUCT

## WITH STAKEHOLDERS (Continued)

### 2. Information sharing

- Vicostone promotes sharing relevant information with employees on the basis of critical thinking and opening communication, respecting each individual's constructive opinions, regardless of position 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 can only be performed in case of necessity and in accordance with the laws.

### 3. Equal opportunities

- Equality in competence assessment: Based on employees' competencies, attitudes, traits and performance to conduct assessment, recruitment, promotion, training, salary review and discipline.
- Equality in training opportunities: Based on the requirements of each position, 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 for equal treatment.

### 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 disciplined working environment, etc.
- Ensuring employees' health: Complying with labor safety and health regulations.
- Resolving incidents quickly, fairly and accurately in compliance with the laws.



Vicostone engineers work at the Factory

## V Conduct with competitors

- Maintaining workable 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.
- Not signing agreements or memorandums with competitors that negatively affect the market in general and the Company's customers in particular.
- Complying with principles, agreements and deals between parties; respecting competitors' confidential information, not taking retaliation against the provisions of competition laws and international conventions.
- Not violating copyrights and intellectual property rights of other entities. The Company considers competition as a driving force for development, respecting and learning from its own competitors as among the steps to success.

building a sustainable society.

- 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.
- Supporting local development: Actively participating in the Government's programs to improve the quality of life for 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.
- Supporting the community awareness raising programs on sustainable development and environmental protection: Using energy efficiently, preventing and coping with natural disasters, executing initiatives to cope with climate change launched by the Company and by others.

## VII Conduct with the Government

- Strictly complying with the laws and regulations such as: Competition Law, Environmental Protection Law, Labor Law, Intellectual Property Law and Securities Law.
- 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.
- Remaining ready to support and cooperate with the state authorities in investigation activities when necessary.

## VI Conduct with community and society

- Fulfilling responsibilities towards the community and society in accordance with 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

# SUSTAINABLE DEVELOPMENT OPERATION REPORT

## I Management systems

### 1. Standards and management systems certifications

Recognizing that employees are the backbone of the company, Vicostone has established and constantly updated and improved the integrated system of HSEQ (Health - Safety - Environment - Quality) standards to ensure employees' safety, better protect the environment and provide the best working conditions for employees. This aims not only to ensure that customers enjoy consistent, quality products and best services, but also link Vicostone's development with its responsibility to the community and environmental sustainability. The system of standards includes specific quality management systems as:

- Quality management system ISO 9001:2015
- Environment management system ISO 14001:2015
- Occupational health and safety management system ISO 45001:2018
- Social Accountability system SA 8000:2014



Applied standard	First registered	Last updated	First effective date	Certification number	Certified by
ISO 9001:2015	24/01/2006	14/09/2018	14/09/2018	FM 692548	BSI
ISO 14001:2015	25/10/2006	14/09/2018	14/09/2018	EMS 692550	BSI
ISO 45001:2018	20/10/2015	16/08/2019	16/08/2019	OHS 692551	BSI
SA 8000:2014	21/12/2010	27/04/2018	21/12/2016	SA 569249	BSI

### 1.1. Quality management system ISO 9001:2015



With the aim of guaranteeing consistent quality of products and services, meeting customers' demands as well as to be in compliance with current rules and regulations, in 2017 Vicostone upgraded its Quality management system from ISO 9001:2008 to ISO 9001:2015. There are many changes to the new standards version, mainly focused on:

- *Firstly*, identifying the context of the organization through different stages helps Vicostone better self-identify strengths and weaknesses, as a basis to identify risks in the system, and identify appropriate policies and goals in each period. At the same time, Vicostone can proactively plan necessary resources in a flexible manner for more stable and sustainable development.
- *Secondly*, risk identification and control extends away from the functions of the internal Board of Auditors, and is carried out consistently and broadly to the unit level. The risks are proactively identified, based on the identified context in each period to ensure that the quality management system can achieve its intended results, improve and enhance expected impacts, and yet prevent or reduce unwanted effects.
- *Thirdly*, planning and controlling changes to the quality management system. Vicostone proactively examined the purpose of the changes and the associated implications, as well as the integrity of the quality management system. This ensures resources availability, reevaluate resource allocation, and delegation of duties and responsibilities.

Thanks to this update, in tandem with the establishment of the internal Board of Auditors, quality assurance activities are carried out more consistently and effectively. This is also thanks to the consideration of risks throughout the process at the unit level, established risk management and control loops, which took into account factors that change over time. Therefore, not only the product quality but also the quality of the process, and that of the Company operations are guaranteed stability, advancement and increasingly effective.

### 1.2. Environment management system ISO 14001:2015



Also in 2017, Vicostone upgraded and started to apply the Environmental Management System ISO 14001: 2015 on the basis of the previous ISO 14001: 2004 standard. One of the major changes is its high level structure. This new common structure brings a more strategic focus to the standard and facilitates integration with other ISO management system standards, allowing the Company to integrate with many standards during the implementation process.

With the application of ISO 14001: 2015, the Company better understands the organizational context to better manage risks. ISO 14001:2015 was built upon 11 processes, including: exchange of information, consultation among concerned parties, identification and evaluation of environmental aspects, legal requirements compliance evaluation, setting of goals and plans of action, management of contractors, management of waste and domestic wastewater, operation of the circular water systems, monitoring and measurement of environmental safety and occupational health, management of chemicals, etc. The system helps Vicostone to identify the environmental impacts of the Company, and on that basis, continuously improve and enhance activities that help protect the environment, save resources, reduce waste discharged into the environment, and optimize business operation costs.

Thanks to the application of the new system together with practical and timely actions, taking into account significant environmental factors at the Company and the contractors, Vicostone has effectively managed the system. Therefore, the Company is frequently evaluated and certified in environmental impact, such as: 4-star certification for industrial production facilities using green energy by the Ha Noi Department of Industry and Trade.



# SUSTAINABLE DEVELOPMENT

## OPERATION REPORT (Continued)

### 1.3. Occupational health and safety management system ISO 45001:2018



Vicostone recognizes that “employees” are the source of its strength, and therefore, an invaluable asset. Thus, the Company always strives to ensure occupational health safety, and a safe, sustainable working environment. In 2019, the Company upgraded and transitioned from the OHSAS 18001: 2007 system to the ISO 45001: 2018 system. Some clear differences between OHSAS 18001 and ISO 45001 are as follows:

- The structure of the ISO 45001 standard has been updated similar to the structure of such current standards as ISO 9001, ISO 14001. This allows Vicostone to implement multiple management systems in a more streamlined and efficient way.
- ISO 45001:2018 helps the company proactively focus and enhance risk controls through contextual identification in stages. This aims to develop prevention and protection measures for employees, raise employees’ awareness to actively and proactively protect themselves, respond promptly, quickly report incidents, hazards to functional departments, limiting unnecessary injuries to employees and organizations.
- Workers involvement: workers have broader participation in the new standard, with employees working with management to implement the safety management system (SMS).
- In adopting ISO 45001, Vicostone can find and identify potential hazard risks before they cause accidents and injuries, allowing for preventative measures to be taken, including, but not limited to worker’s protection, awareness raising for employees to take proactive safety measures, timely and prompt reporting of incidences, hazards to responsible units to limit unnecessary injuries to employees and the organization.

Thanks to the new features of the system that are being applied in Vicostone, employees know that the organization are concerned with their health care, and strives to create the best working conditions for them. In recent years, the Company have not seen any serious labor accidents. Happiness index surveys of employees always return high results, belonging to the high-score group in the construction materials industry.

### 1.4.Social Accountability system SA 8000:2014



SA 8000:2014 includes 09 requirements on: Child labor, forced labor, occupational health and safety, freedom of assembly and petition, discrimination, labor discipline, work hours, salary and other social welfares, business management systems, etc.

SA8000 is the basis for Vicostone to continuously enhance working conditions for workers of the entire Company, it is the supplementary tool for the evaluation and monitoring of the conduct of corporate social responsibility for the development of sustainable human resources.

In addition to the application of the Health-Safety-Environment-Quality (HSEQ) system in management operations, Vicostone also applies international standards, certified by leading, prestigious organizations, such as: The Greenguard Environmental Institute, FDA (USA), SGS (UK). Certifications have included NSF, Microbial Resistant, GreenGuard certifications in environmental safety, consumer safety, food safety and hygiene; CE certification for conformity with health, safety and environmental protection standards for products sold within the European Economic Area...

Through practical commitments and actions taken in the interest of company employees, products, the environment and society, Vicostone’s products are trusted and loved by customers around the world, regardless of the fact these customers are from demanding markets requiring not only high quality products, but also eco-friendly production systems and environmentally, socially-conscious impact-mitigation efforts. Vicostone has passed and meet these needs the best.

## II Sustainable HR development

With the view that employees are invaluable assets, Vicostone always concentrates on development of sustainable human resources, recruiting high-quality human resources who have the capacity, skills and cohesion with the company to ensure sustainable development for the business.”

Vicostone’s currently has 692 employees, of which 95% are under 45 years old, who have educated, are experienced and capable. This is among the priceless assets of the Company, and plays an important role in building brand reputation, ensuring the growth of revenue, profits and bringing value to the business. To achieve this, Vicostone has determined and continued to focus on the following personnel policies:

### 1. Recruitment policy

Employees play the most important role in each organization. The quality of human resources determines the success or failure of every business. Cognizant of this, Vicostone always focuses on ensuring both quantity and quality of recruited personnel to serve production and business activities.

Vicostone’s recruitment policy:



Vicostone’s annual recruitment plan is based on its production and business plan, and also meets the requirements of the Company’s short and long-term development strategies. Recruits should not only meet the current job requirements, but are also expected to be the seed for future company growth. Vicostone also balances internal transfer and recruitment appropriately, on the basis of prioritizing internal resources to maximize the capacity of the existing human resource. In 2019, Vicostone recruited 90 new employees, 96.7% were new recruits, and 3.3% were transfers from within the Phenikaa Group.

In addition, Vicostone also develops personnel policies to attract and retain talents by means of creating a professional, flexible working environment, fair and equitable remuneration policy commensurate to individuals’ capacity while remaining competitive with the labor market, increased rest time, recognize and reward achievements for individuals who have made great contributions to the company.

Besides recruiting employees for business and production, Vicostone is cooperating with Phenikaa Group’s Human Resource Department to implement Employer Branding projects for the Vicostone employer brand to become better known, become the employer of choice for talents looking for job opportunities in the labor market.

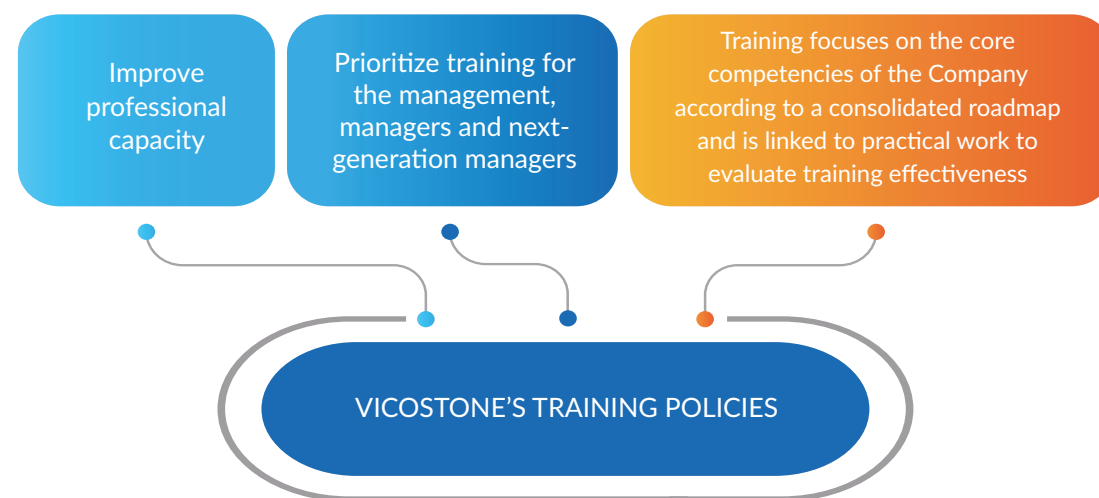
# SUSTAINABLE DEVELOPMENT

## OPERATION REPORT (Continued)

### 2. Training policy

With the view that employees are the center of development, Vicostone always creates favorable conditions for each employee to maximize their capabilities and strengths in their work, creates opportunities for career development, and contributes to the success of each individual.

Due to its unique nature of production technology, Vicostone's training policies are different from others in the industry, specifically: (1) VICOSTONE focuses on internal training to improve professional capacity (especially for production and technology); (2) Prioritize training for the management, managers and next-generation managers; (3) Training focuses on the core competencies of the Company according to a consolidated roadmap and is linked to practical work to evaluate training effectiveness.



At Vicostone, training programs are built based on two factors: The needs of the company, the work unit for a particular capacity in the current staff to do a good job and the need for personal development, raise capacity and value of each employee.

Accordingly, based on a system of developed competency dictionaries and capacity frameworks, periodically, managers will conduct performance review of their employees. Based on this performance assessment, compared to standard competency for the position, the work units can identify the GAP between competency standards and actual competencies, to recommend appropriate training programs to improve the capacity of the staff, to ensure that the available human resource have the capacity and skills to realize business objectives.

Each Vicostone's employee has the right to propose training programs to improve his/her own capacity, to more effectively do their current job and is always given favorable conditions by the Company to participate in training programs and seminars for self-improvement.

In 2019, Vicostone organized 75 training courses, including 55 internal and 20 external training courses.

Total training hours of Vicostone employees during the year was 109,143 hours. Outsourced training costed the Company 740 million dong. On average, each Vicostone employee received 157 hours of training per annum (equivalent to 19.7 days/year).

### Notable training programs at Vicostone in 2019:

#### Orientation training program for new recruits

All new recruits will be enrolled in an orientation training program to help employees understand the history of Vicostone, know the working environment, learn about Vicostone's products and receive additional professional training to integrate quickly at Vicostone. All employees must also attend compulsory training courses about legal provisions on occupational safety and health ...

#### Critical thinking training program

Aside from capacity training for targeted employees, in 2019, Vicostone rolled out its "critical thinking skills" training program. The course was specifically designed to be closely linked to Vicostone's production realities, corporate culture, and is reserved for different categories of employees: leadership, managers, engineers, and production line workers. This aims to better receive targeted feedbacks and resolve difficulties as a result of exercise of critical thinking and counterarguments, due to the distinct nature of different work requirements. The training also aims to impart new knowledge, execute case studies, discuss and answer questions to remove barriers to self-criticism, encourage and develop a culture of critical thinking at the working unit level.



Employees take part in Vicostone-funded training courses

# SUSTAINABLE DEVELOPMENT

## OPERATION REPORT (Continued)

### Professional training courses

Following global trends, Vicostone has actively conducted training using many new methods such as closed-door seminars, self-chaired conferences ... to promote and spread the spirit of self-study, personal development, and create a new learning culture for Vicostone.

Vicostone regularly organizes specially designed training courses, fitted to the Company's business and production characteristics, to equip competent and high-potential staffs with the skills necessary to be received on-the-job training, to temporarily assume the positions of Production Manager, Director of Quality Assurance to resolve current difficulties and challenges. This training can help the Company construct core group of employees, create inspiration for the continuous learning, to promote development throughout the Company.

### Communications about a reading culture

The company have also focused on developing and spreading a reading and knowledge sharing culture. Bookcases have been opened with thousands of titles in many fields. Sharing book activity is conducted at the monthly meeting of managers and books are also birthday gifts for managers within the month. The company also uses social media to communicate monthly about reading culture.



Reading culture at Vicostone

### 3. Salary and bonus policies

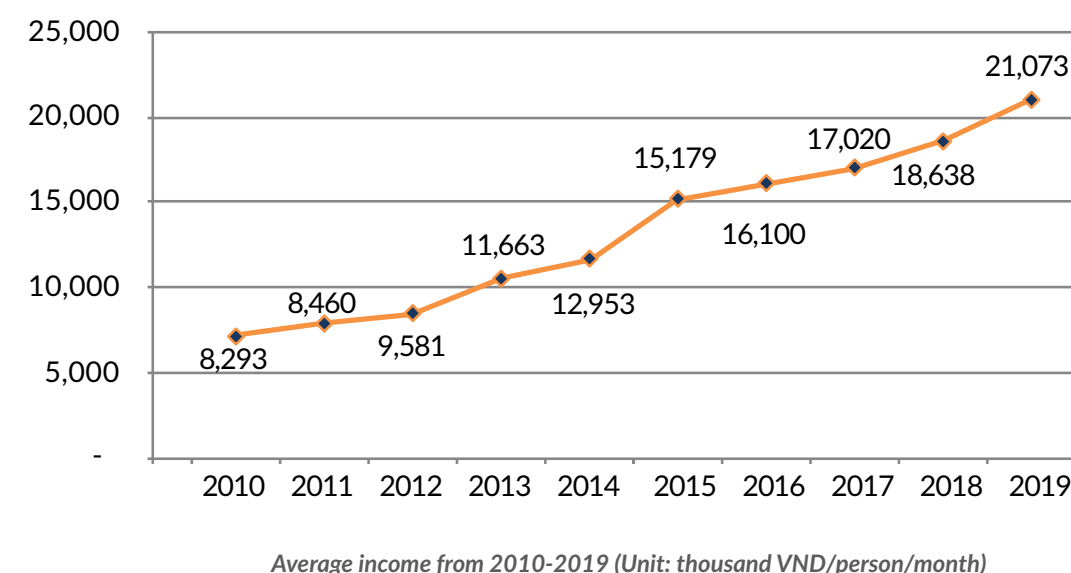
Vicostone developed its remuneration scheme on the principles of: ensuring fairness and commensurating to the performance and contribution of employees, competitive as compared to the market to retain talents.

Vicostone's compensation scheme is based on the 3P method (Pay for performance, position, person) in addition to production-and-sales-dependent salary packages. Employees' salaries are determined according to job titles, clear evaluation criteria, quantitatively verifiable, appropriate to employees' capacity and work results.

In 2019, Vicostone developed a new capacity framework for each job position, each department in order to accurately assess the capacity of employees, thereby improving fairness in salary compensation. In addition to adjusting income increases keeping up with inflation and price depreciation, the company have also continued to increase the annual income for qualified workers with highly commendable results.

In addition, the Company also supplemented policies for allowances such as per diem, and other allowances (petrol, car, phone, lunch ...) to help employees have peace of mind in doing their jobs, and devote themselves to the Company.

Remuneration and bonus policies are associated with job performance, business and production efficiency such as work achievements, monthly work efficiency, business bonuses, bonuses for technical innovations, bonuses for work units and employees with outstanding achievements (various types of emulation awards: Outstanding Collective, Employee), who have contributed to the Company. In addition, bonuses are available for big holidays such as New Year's, Lunar New Year, April 30 and May 1, National Day 2/9, annual vacations, establishment anniversary of the company ...



Average income from 2010-2019 (Unit: thousand VND/person/month)



# SUSTAINABLE DEVELOPMENT

## OPERATION REPORT (Continued)

### 4. Welfare policy

The company is committed to and always complies with the State's regulations on welfare regimes and policies for employees. In addition, Vicostone always increases employee welfare through the years, carry out diversified welfare programs that has brought many practical benefits to employees. Vicostone's notable welfare policies include:

- 100% of employees have health insurance, social insurance and unemployment insurance
- 100% of employees can enjoy supplementary health insurance and medical support packages (the optional insurance package type and less likely to be bought by enterprises due to cost issues) to ensure that the health of employees are best cared for, and to minimize financial risks if unfortunate events do happen
- The children of Vicostone employees can attend Vicostone kindergarten and enjoy 100% tuition discount and all other expenses



Children playing in Vicostone kindergarten

- Eligibility to purchase homes at Vicostone apartment/condominium complexes at preferential price, and support in terms of interests and paperwork with the banks
- Bonuses for all employees on National Holidays, accompanied by annual vacation and establishment anniversary of Vicostone.

No.	Types of insurance	Insurance premiums paid in 2019 (VND)	Notes
I	<b>Social insurance</b>		
1	Social insurance	9,936,845,374	Compulsory insurance as prescribed by the Labor Code
2	Health insurance	1,811,092,521	
3	Unemployment insurance	794,991,347	
4	Occupational hazard insurance	198,714,542	
	<b>TOTAL</b>	<b>12,741,643,784</b>	
II	<b>PJICO healthcare and medical assistance insurance</b>		
1	Insurance package for Company leadership, managers, and immediate relatives	153,588,000	Noncompulsory insurance
2	Employee insurance package	459,750,000	
	<b>TOTAL</b>	<b>613,338,000</b>	

Compiled table of insurance premium costs for Vicostone in 2019

Starting 2019, Vicostone implemented a 5-day work week for back office employees and 8-day-break/month on a rotation basis for front line employees - a policy that few manufacturing enterprises in Vietnam can do. The reduction in the number of working days, increased rest time for all Company employees aims to give employees more time to relax, replenish themselves, to have greater life - work balance which would in turn provide higher levels of focus and productivity.

### 5. Recognitions and honor

An essential and legitimate need of employees is to have their efforts and contributions to the organization acknowledged, honored and rewarded.

At Vicostone, recognition and honoring of employees is done in a methodical, systematic manner, expressing the Company's appreciation for the contributions of employees.

The contributions and achievements of employees are recognized in various ways. Every year, the Company conducts votes on titles such as "Notable Patriotic Fighter" and "Exemplary Worker". Furthermore, at the mid-year review conference, and at the end of year Performance Review Conference in 2019, the Company honored and presented the honors of "Departments of the Year", "Managers of the Year" and "Employees of the Year" to recipients with total award amount of VND 590 million.

# SUSTAINABLE DEVELOPMENT

## OPERATION REPORT (Continued)



Honoring and presenting "Employees of the Year" award in 2019

In recognizing the spirit of creativity and continuous improvement, every month/quarter/year, Vicostone presents awards for the best Kaizen initiatives. In 2019, 1,472 Kaizen initiatives were accepted and 1,232 were implemented, resulting in added value of over VND 5 billion.

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

Phenikaa Group's quarterly internal journals always have a section for recognizing "Departments of the Year", "Managers of the Year" and "Employees of the Year". It is a way for the Group to recognize employees' efforts and contributions to the Company.

### 6. Creating a constructive and cohesive working environment

Vicostone's working environment is built on six key factors: Honesty, respect, courage, cooperation, discipline, and integrity. Employees are encouraged to voice their opinions and concerns in all fields, through internal forums, annual surveys, direct discussions or emails to Vicostone's leadership and managers. All comments are resolved or noted, and used as the basis for improving existing procedures and regulations.



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, regular in-person meetings between the General Director and employees, newsletters, Facebook and briefings in order to increase and update information on new policies, information about insurance, important events, etc. As a result, the Company has created open and multi-way communication channels between managers and employees and among employees.

In 2019, Vicostone organized cultural exchange programs, flower arrangement competitions, men/women football competitions ... on the occasion of October 20 - Vicostone's establishment anniversary to promote talents and connect people through entertainment and art activities.

With practical efforts and actions to improve the quality of human resources, increase the cohesion of employees with the company, the results of the Employees Happiness Index survey in 2019 conducted by Vicostone showed that: In 2019, the satisfaction rate of employees working at Vicostone increased from 66.2% in 2018 to 70%, with an increase of 3.8%.





# SUSTAINABLE DEVELOPMENT

## OPERATION REPORT (Continued)

Throughout its development, Vicostone has made constant efforts to develop high-quality human resource. The Company firmly believes that the best workforce brings the best values to customers, shareholders, partners, society and also Vicostone's employees. Through tireless efforts, we strive to "realize all commitments" to create an ideal working environment, helping employees to form bonds, devote themselves and create sustainable values for Vicostone and society. And in turn the Company can find ways to return all of its sustainable values to its employees, just like the motto of Phenikaa Group.



Vicostone teambuilding with members of the Phenikaa Group



### Commitment to our products

#### 1. Manufacturing products that meet international standards for quality and health safety for consumers

In addition to the application of the Health-Safety-Environment-Quality (HSEQ) system in management operations, Vicostone always maintain a manufacturing system and products that meet international standards and requirements, and have been certified by many prestigious organizations. Specifically:

No.	Certification organization	Nội dung	First certification	Expiry date
1	NSF International (US Public Health and Safety Organization)	NSF Standards certify that the Company's products are safe for use in labs, health facilities and environments for food preparation	2008	Maintained yearly
2	Greenguard Environmental Institute	Greenguard Standards and Greenguard Gold certify that the Company's products are safe for indoor environments, schools and children.	2009	Maintained yearly
3	SGS United Kingdom Ltd (SGS - UK)	CE Standard (EN 15285:2008 and EN 15286:2013) certifies that the Company's products meet European physio-mechanical standards in terms of dimensions, durability, waterproof, abrasion resistance etc.	2009	Maintained yearly
4	Greenguard Environmental Institute	Microbial Resistance certifies that the Company's products are made from anti-bacterial materials and has anti-bacterial surfaces, guaranteeing safety for consumers and the environment.	2009	Maintained yearly
5	Institute of Construction Materials (Ministry of Construction)	VICOSTONE's engineered stones conform to National Technical Regulation QCVN 16:2014/BXD on bricks and paving stones.	Recertified December 04, 2017	December 03, 2020



Microbial Resistance  
ASTM D 6329-98

Certificates of Vicostone stone products



# SUSTAINABLE DEVELOPMENT

## OPERATION REPORT (Continued)

To realize our commitment to customers to deliver the most quality products meeting the most rigorous standards, Vicostone strictly enforces the quality control process starting from raw materials to just before delivery to customers

Vicostone's products are constantly improved to achieve the best quality, be eco-friendly and best fulfill customers' demands.

Below is the technical data sheet for VICOSTONE® quartz-based products that have been tested according to international standards:

SPECIFICATIONS/ CLASSIFICATIONS	TEST METHOD	Kết quả
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 <sup>3</sup>
	EN 14617-1:2013	
Flexural strength	ASTM C880/C880M-09:2009	> 40 MPa
	EN 14617-2:2008	
Dimension stability	EN 14617-12:2012	Grade A
Electrical Stability	EN 14617-13:2013	Volume resistivity (Rv) = 0.9 x 10 <sup>14</sup> Ω Volume resistivity (pv) = 4.88 x 10 <sup>14</sup> Ωm
Impact resistance	ASTM D1709:2015	≥ 3.0 J
	EN 14617-9:2005	
Compressive strength	ASTM C170/C170M-09:2009	≥ 155 Mpa
	EN 14617-15:2005	
Mohs Scale of Hardness	EN101	6.0 – 7.0
Resistance to deep abrasion	ASTM C1243:2009	Abraded volume: V ≤ 195 mm <sup>3</sup>
	EN 14617-5:2012	
Freeze - thaw resistance	ASTM C1026:2013	No change after 15 cycles
	EN 14617-5:2012	No change after 25 cycles
Slip resistance at Honed 400	DIN 51130:2004	R9 – R10
Microbial resistance	ASTM D 6329:2015	Resistance Grade 3: Bacteria do not grow
Chemical Resistance to Acids	EN 14617-10:2012	Grade C4
Thermal shock resistance	EN 14617-6:2012	No change observed after 20 cycles
Determination of Resistance to Immersion in Boiling Water	AS 2924.2-7: 1998 (EQUI. TO ISO 4586.2-8: 1997)	Impact on surface (level): 5 - (no change observed)
Determination of Resistance to Dry Heat	AS 2924.2-8: 1998 (EQUI. TO ISO 4586.2-8: 1997)	Impact on surface (level): 5 - (no change observed)
Determination of Resistance to Staining (Produce A)	AS 2924.2-15: 1998 (EQUI. TO ISO 4586.2-15: 1997)	Impact on surface (level): 5 - (no change observed)

## 2. Product quality control starts right from the raw material phase, to ensure quality and safety during the production process

All Vicostone's quartz-based production material are provided by prestigious international and domestic suppliers, and follow a strict process as follows:

### 2.1. Raw material quality control procedures



# SUSTAINABLE DEVELOPMENT

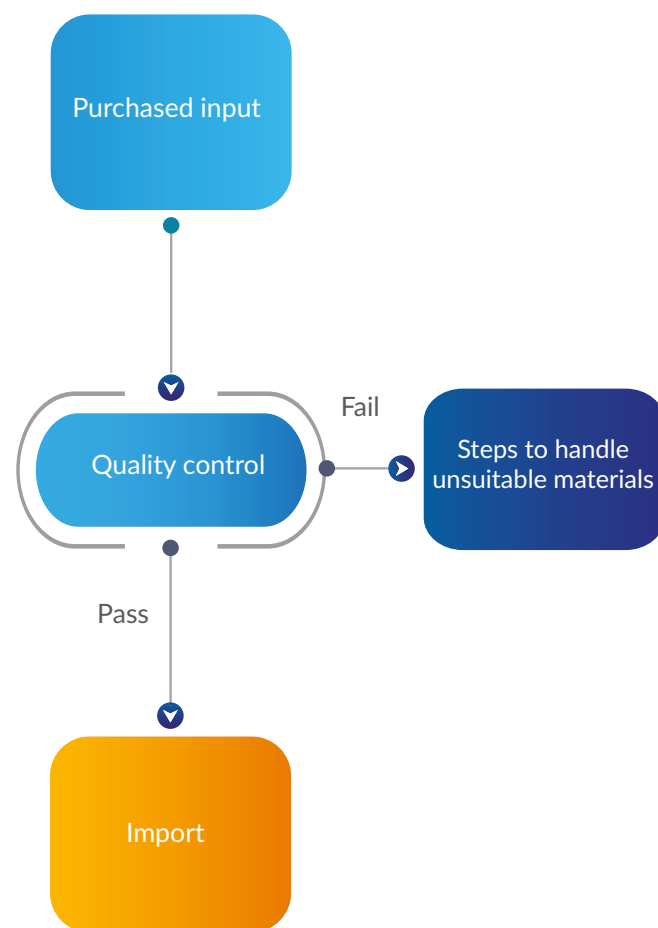
## OPERATION REPORT (Continued)

### 2.2. Control Process

Prior to entry into warehouses, raw materials are first checked with specialized equipment by input quality controllers (IQCs) to ensure compliance with standards, environmental safety requirements and suitability with Vicostone's production technology. Upon being warehoused, raw materials are preserved according to standards to maintain required quality during storage. Before being fed into production, raw materials continue to be inspected and evaluated for a second time for quality and environmental safety parameters.

#### Imported raw material quality control

##### Procedure for imported raw material quality control



#### Steps Description

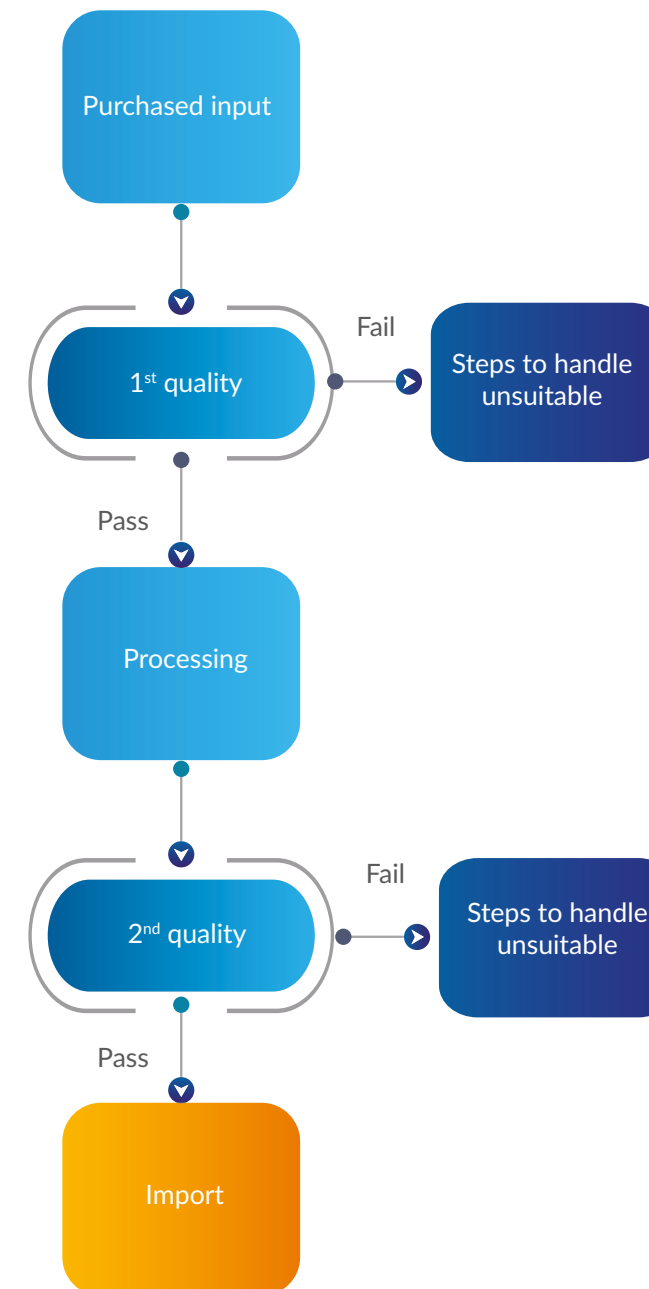
Sales Import - Export Dept. prepare information in-full about raw materials purchased under the "Procurement Procedure" and notify the Material and Quality Control Departments to inspect.

IQCs - Quality Assurance Dept. checks and evaluates all raw materials purchased according to guidelines and evaluation standards approved by the Company's leadership (1<sup>st</sup> check). If the material:

- Pass: Import;
- Fail: Request for remedies as per regulations.

#### Quality control of domestically-produced raw material

##### Procedure for domestically-produced raw material quality control



#### Steps Description

Sales Import - Export Dept. prepare information in-full about raw materials purchased under the "Procurement Procedure" and notify the Material and Quality Control Departments to inspect.

IQCs - Quality Assurance Dept. checks and evaluates all raw materials purchased according to guidelines and evaluation standards approved by the Company's leadership (1<sup>st</sup> check). If the material:

- Pass: Import;
- Fail: Take steps to handle unsuitable materials as per regulations

Crushing and Screening Workshop's workers follow the "procedure on crushing and screening control" to process raw materials into fine raw materials that meet production requirements.

PQC staff - Quality Assurance Dept. take quality control measures of raw materials during processing.

IQCs - Quality Assurance Dept. checks and evaluates all raw materials purchased according to guidelines and evaluation standards approved by the Company's leadership (2<sup>nd</sup> check). If the material:

- Pass: Import;
- Fail: Take steps to handle unsuitable materials as per regulations.

After inspection and verification by PQC - Quality Assurance Dept., raw materials will be handed over to the Material Department to store according to standards and prevent quality and quantity degradation during the warehousing period.

# SUSTAINABLE DEVELOPMENT

## OPERATION REPORT (Continued)

Thanks to strict quality control and inspection procedures, all raw materials procured are evaluated and quality is guaranteed before being fed into production. In 2019, the Company continued to implement its policy of sourcing inputs from domestic sources. In particular, the Phenikaa Hue Mineral Processing and Investment One Member Company Limited (hereinafter referred to as Phenikaa Hue) is the newest member in Vicostone's industrial production system. This is an important link, helping Vicostone to proactively and sustainably source input materials, and reduce product costs. Full autonomy over production of quartz inputs has created a significant advantage for Vicostone in the market.

After raw materials are warehoused, the functional departments will continue to exercise control over the production and finishing of the products in accordance with strict general standards. These standards are reflected in the set of procedural standards that is publicly available and consistently applied across factories. The sets of procedures/guidelines in Vicostone manufacturing process is as follows:



No.	Description	Procedure/Guideline	Frequency	Annotations
1	Input RM quality control inspection	"Raw input material inspection steps" QT-30	100 %RM packaging partner	Raw materials purchased are 100% tested to meet quality standards before inventoried for production.
2	Production process controls	"Product quality control steps" QT-32	100% production shifts	Product assembly is checked by PQC's at every appropriate stage
3	Identify product origins	"Steps to identify and source product origins" QT-07	100 %Slabs	The Company provides suitable equipment to identify products, ensure tracking and measurement requirements throughout the entire production and service delivery process.
4	Product quality control	"Product quality control steps" QT-32	100 %Production lot	Corresponding products are tested at least once against strict criteria for surface quality and classified by quality.
5	Physio-mechanical-chemical property test	"Product quality control steps" QT-32	100 %Production lot	100% of product batches are tested on physio-mechanical-chemical properties and compared against strict criteria to ensure best quality products reach customers
6	Usage safety inspection	"Steps to develop, produce and sell new products" QT-08	100 %Production lot	All safety criteria for users such as anti-slip and fireproof properties are periodically checked when developing new products.
7	Environmental safety inspection	"Steps to develop, produce and sell new products" QT-08	According to schedule of certification body	Every year, Vicostone sends sample products to GreenGuard for inspection of emission compliance in UL Environment laboratory (USA)
8	Food safety inspection	"Steps to develop, produce and sell new products" QT-08	According to schedule of certification body	All food safety properties such as exposure and presence of heavy metal in raw materials, bacteria and microorganisms development ability are annually reevaluated by NSF (USA)
9	Packaging inspection	"Packaging steps" QT-28	100% packaging	100% packaging inspection is carried out by QC staff - Quality Assurance Dept. to ensure packaging quality and methodology.



# SUSTAINABLE DEVELOPMENT

## OPERATION REPORT (Continued)

### 3. Intellectual property rights protection

Intellectual property (IP) is among the intangible assets that is extremely important and valuable to companies. Many companies over the world, including Coca Cola, Microsoft, IBM... have been successful thanks to effective leveraging of IP rights. The value of their brands - IP is worth tens of billions of USD.

At Vicostone, the protection of IP rights is given much attention, focus and implemented right from its first days. In recent years, faced with opportunities & challenges, especially legal risks from illegal IP usage, IP rights protection activities have been proactively, uniformly, systematically carried out to protect Vicostone's intellectual property and competitiveness.

Notable IPR protection measures include:

#### 3.1. Domestic and international IP registration to safeguard Company competitiveness

Currently, the VICOSTONE® trademark has been registered for protection in 67 countries, including key markets for the company such as: the US, Canada, Australia, New Zealand, and the EU (28 countries). In addition to registering for trademark protection of VICOSTONE®, the Company has registered for protection of industrial designs for product designs and the protection of the names of key products. Since 2017, Vicostone has filed 18 applications for industrial design protection for key product designs, including 05 designs that have been granted exclusive industrial property protection (BQ8863, BQ8840, BQ8860, BQ8686, BQ8730) in Vietnam. In 2019, Vicostone filed 243 applications for protection of the names of key products in the US, Canada and Vietnam.

Other brand protection measures

VICOSTONE® quartz-based artificial stones are a combination of knowledge, experience, know-how and the tireless efforts of the R&D team. In fact, it is very common for competitors to copy and modify stone patterns, despite clear and stringent international regulations concerning IP. Lawsuits are also financially draining and time-consuming. Therefore, Vicostone always strives to remain proactive in IP and brand protection, specifically as follows:

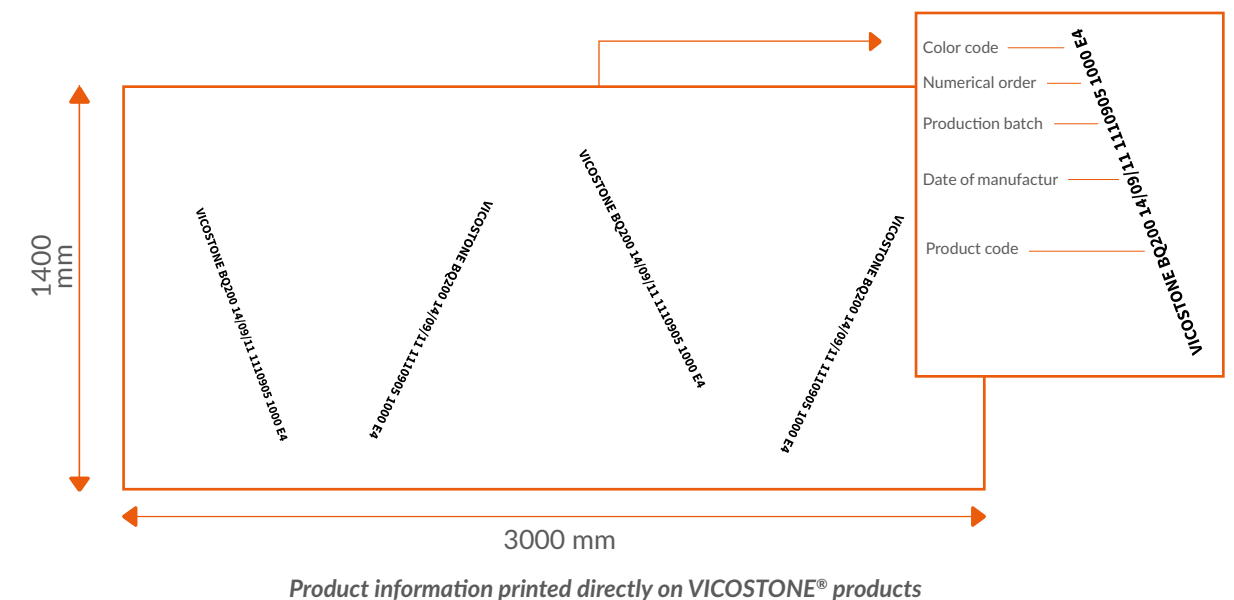


VICOSTONE® quartz product identification barcode

#### Anti-counterfeiting tool

Currently, the Company uses a barcode system to manage all product information (product identification number). The product code will be generated by a central server and converted into a two-dimensional barcode and then attached to the product in two ways:

- Printed on the label, which is attached on the product: The system will print a bar code on a label and a label will be affixed on the corresponding product.
- Printed directly on the back of the product: VICOSTONE® brand is printed on the back of the slab with information about product code, production date, serial number and color code to strengthen the brand identity. This information will not be lost or obscured during transportation, processing and permanently exists with the product.
- Each product is labeled with a unique barcode to ensure quick and accurate track and trace. This information will be used for customer's registration for product warranty on the Company's website and confirm whether the product is genuine or counterfeit.



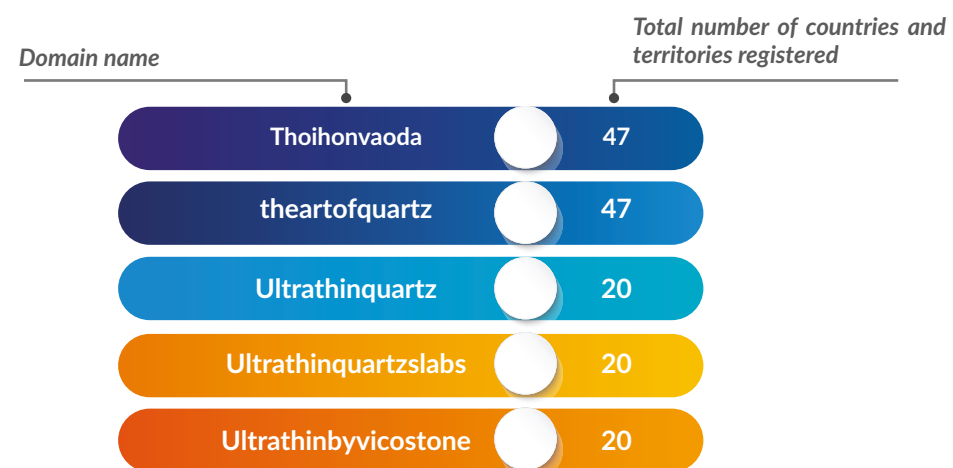
#### 3.2. Technical measures

In addition to trademark protection, the Company has strengthened the protection on the Internet to avoid disputes, domain name, IP cyber-squatting, etc. Specifically, the company has used the domain name identical to the trademark (<http://vicostone.com/>) and invested in the domain name of the Company's website in nearly 50 countries around the world. Key markets for Vicostone such as North America (USA - [vicostoneus.com](http://vicostoneus.com), Canada - [vicostone.ca](http://vicostone.ca)) and other markets like Europe ([vicostone.co.uk](http://vicostone.co.uk), [vicostone.fr](http://vicostone.fr)) all carry information about the Company's products, brands, authorized

## SUSTAINABLE DEVELOPMENT

### OPERATION REPORT (Continued)

distributors on the Company's website. Also, in 2019 the company has also registered for domain names that coincide with the names of some key products and trademarks of the Company such as:



#### 3.3. Other measures

- The Company has applied strict internal control measures regarding the confidentiality of technology, equipment, production lines, and others. Examples include the prohibition of cameras in the production and business areas; all employees must sign a NDA, preventing confidential information breach, both during and after their time at the Company.
- Partners are requested to comply with intellectual property rights of the Company's brand. In transactions with foreign partners, sales contracts, the customers must commit not to violate the Trademark rights, or they have to compensate for any damage caused according to legal provisions.
- In the Vietnamese market, Vicostone provides a full-service package to customers, including pricing, installation, warranty, website-based warranty registration, etc., which greatly reduce the possibility for counterfeits and imitations of VICOSTONE® quartz-stone brand.

As Vicostone grows in scale, its IPR will develop accordingly, and the task of protecting IP from violations will become increasingly difficult. To effectively protect its IPR, aside from developing and putting into operation an information database and management of IPR, in 2020, the Company will implement the following solutions:

- Develop and apply an IP strategy and IP management policy for Vicostone.
- Create and put into operation a specialized division dedicated to intellectual property management at Vicostone, which will include members from the Legal, Marketing Department and R&D Center.
- Create a group of specialists, trained in IP to conduct IPR protection efforts in a comprehensive, synchronous and systematic manner at Vicostone.

#### IV Eco-friendly Vicostone

Today, economic development, industrialization, modernization, urbanization ... have prompted major changes to people's lives. However, these processes negatively impact the environment. Environmental issues such as: environmental pollution, climate change, natural resource depletion... have become global issues. Environmental protection does not limit at improving the awareness of individuals, but has become an obligation and codified.

Awareness of the environment is also growing. Partners and consumers are becoming more interested in green - clean - beautiful products. Business that leads to environmental pollution, depletion of resources will not meet consumer's preference. Thus, environmental protection has become a key issue for the sustainable development of businesses.

As an international company (VICOSTONE® products are exported to over 40 countries on 5 continents), Vicostone is keenly aware of its responsibility to protect the environment. This is one of the three key tasks in Vicostone's sustainable development strategy - the basis for Vicostone to provide solutions to minimize its environmental impact. It has invested in eco-friendly products, research and application of new, energy-saving technologies and raise environmental protection awareness for its employees.

Vicostone's environmental corporate responsibility not only extends to manufacturing operations, but also to all other areas through the provision of green, consumer-and-eco-friendly products.



Clean working environment at Vicostone factory

# SUSTAINABLE DEVELOPMENT

## OPERATION REPORT (Continued)



### 1. Environmental risks

Environmental risks are factors that may adversely impact human health, the environment, as well as an organization's assets, prestige and brand.

Vicostone has taken concrete and practical actions to proactively offset potential environmental risks through identification, evaluation and appropriate management measures for potential causes of environmental risks. The management measures were strongly and uniformly implemented to minimize environmental risks to protect the environment, protect Company's assets, reputation, and brand.

Risk	Impacts	Causes	Group causes	Mitigation measures
<p><b>Environmental risks:</b> environmental incidents during production and business.</p>	<ul style="list-style-type: none"> <li>• Adverse impact on the environment, health of employees, people living in the area and customers;</li> <li>• Production is interrupted, with major impacts on companies bottom line; government penalties adverse affecting Company's prestige and brand.</li> </ul>	<ul style="list-style-type: none"> <li>• Noncompliance or partial compliance with regulations in the law on environmental protection;</li> <li>• Inefficient use of resources;</li> <li>• Subpar quality of raw materials, affecting the environment;</li> <li>• Outdated technology</li> <li>• Waste, emission and wastewater treatment systems are not maintained;</li> <li>• Inaccurate measurement and monitoring equipment.</li> <li>• Ineffective environmental management system.</li> <li>• Other undesirable external factors</li> </ul>	<ul style="list-style-type: none"> <li>Human</li> <li>Input raw material Technology</li> <li>Machinery and equipment</li> <li>Processes, methodology</li> <li>Environment</li> </ul>	<ul style="list-style-type: none"> <li>• Remain updated on legal requirements, communicate and realize compliance through Company-wide administrative decisions</li> <li>• Supply-side raw material controls;</li> <li>• Ensure that RM are efficiently used, not wasted;</li> <li>• Increase recycling, reuse to reduce waste.</li> <li>• Regular upgrades and maintenance of equipment</li> <li>• Update and upgrade to new standards;</li> <li>• Human resource training.</li> <li>• Information updates from government agencies and the media</li> </ul>

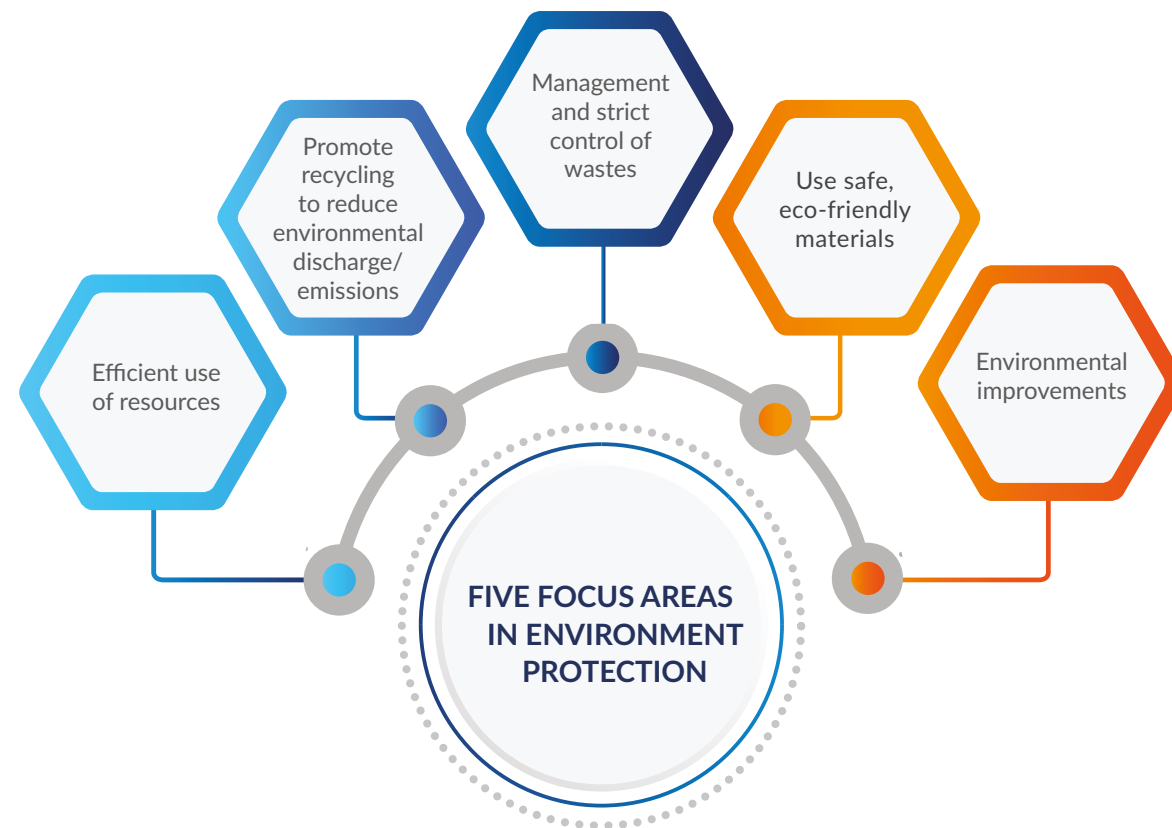


# SUSTAINABLE DEVELOPMENT

## OPERATION REPORT (Continued)

### 2. Environmental protection activities and measures

In order to proactively prevent potential environmental risks, Vicostone has implemented a series of measures to uniformly impact the potential causes of environmental risks. Vicostone's environmental protection measures is divided into five categories as follows:



#### 2.1. Efficient use of resources

The effective use of resources not only reduces costs, enhances business and production efficiency but also is an important factor in saving natural resources, reducing emission to the environment, ensuring environmental sustainability.

Electricity, water, gas and diesel are important resources that have great impact on Vicostone's business and production. Vicostone understands their importance and strives to improve processes, find suitable solutions to make the most effective use of these resources. In recent years, Vicostone has managed the use of these resources quite well, specifically:

Year	Vibrocompression M <sup>2</sup>	Electricity (KWh/M <sup>2</sup> )	Gas (Kg/M <sup>2</sup> )	Diesel (liters/M <sup>2</sup> )	Water (M3/M <sup>2</sup> )
2016	666,352	16.94	0.24	0.16	0.041
2017	801,413	16.06	0.23	0.14	0.036
2018	928,830	16.5	0.23	0.13	0.045
2019	1,016,991	15.1	0.24	0.12	0.046

Vicostone's electricity consumption during the 2016 - 2019 period

- Average electricity consumption for 1 m<sup>2</sup> of products in 2019 fell sharply. This is the result of application of a series of comprehensive solutions such as; using solar power from a system invested in 2018 to reduce purchased-power usage from sources such as hydro, thermal... ; replace the halogen lighting system with LEDs in a number of areas; complement large air compressors usage with small air compressors to reduce uptime;
- Average gas consumption for 1 m<sup>2</sup> of products has remained stable in recent years. Usually, the efficiency of machinery and transmission systems will decrease after a long period of use leading to increased gas usage. However, by implementing the Kaizen - 5S principle, maintenance and repair of transmission systems, equipment kept operating efficiency at the best possible levels, helping the Company effectively manage its gas consumption.
- The average amount of diesel used for 1 m<sup>2</sup> of products has also fallen sharply in recent years. It is proof that the Company is increasingly using this resource effectively. This is the result of the Company's continuous maintenance and improvement in activities: maintenance of machinery and equipment; optimization of material allocation to reduce shipping volume; improving qualifications and skills of workers...



Vicostone's gas station

# SUSTAINABLE DEVELOPMENT

## OPERATION REPORT (Continued)

- The average amount of water used in 2019 remained stable year on year. However, to minimize water loss due to its aging pipeline, Vicostone has proactively invested and put into use a new PPR water pipe system at the end of 2019. External piping will allow for more ease of control, reduce loss and more efficient use.

Of note, in stone production, quartz accounts for over 90% of the product composition, good management and optimal use of quartz not only will help the Company reduce costs but also reduce the volume of waste that needs to be treated.

In mid-2019, Vicostone researched technological measures and technical solutions to reduce 15-20% of thickness for semi-finished products. With the implementation of this project, Vicostone can save over VND 20 billion annually by reducing over 2,000 tons of quartz inputs and reducing approximately 3,000 m<sup>3</sup> of sludge that needs to be treated (for a production plan of 1.25 million m<sup>2</sup>/year).

Sludge from Vicostone's production is ordinary waste, is non-harmful to the environment, and is used as raw material to make unburnt bricks meeting TCVN 6477: 2016 standards applied in constructions. However, Vicostone still endeavors to find solutions to minimize wastes, including ordinary waste, to avoid environmental and public health impacts.

### 2.2. Promote recycling to reduce environmental discharge/emissions

#### a. Recycling solid waste

Having identified scientific research as critically important task in the sustainable development of Vicostone, in recent years, scientific research at the Company have always been given special attention. Research not only serves production purposes such as: finding alternative sources of raw materials, solutions to raise productivity, product quality... but also concentrates on the strategic tasks of the Company and Phenikaa Group such as: improving the production process towards "Green - Clean - Sustainable" production or breakthrough scientific research projects into new trade secrets.

Creating high-quality but environmentally-friendly products is Vicostone's differentiation aim. Over the years, the Company has invested heavily in solutions to minimize impact on the environment, including reuse of solid waste from production and the use of environmentally-friendly materials. To realize this goal, the Company has carried out many R&D projects, including such key projects as:

*Research into reusing waste stone powder from artificial stone production to produce cement-based dry ready-mixed mortar (floor glue, mortar for masonry, wall mortar, etc...)*

The project's products have been used in the Company's works such as the Office Building, a 21-storey apartment building, a religious building in Vinh Yen (Vinh Phuc) and other civilian works. A total of 400 tons of adhesive have been produced.

*Research on the use of waste stone powder to produce unburnt bricks using Geopolymer technology*

Vicostone has developed suitable materials, technological process and successfully piloted unburnt brick production using geopolymer technology – a very new technology in the world, and in Vietnam today. In 2019, Vicostone has started mass production for application to the Phenikaa group's construction projects, with a portion being available commercial on demand.

#### b. Reuse of industrial wastewater

With a close-loop wastewater treatment system in continuous operation, water used during production is processed and continually reused.

Grinding of finished products is water-intensive. After use, water is contaminated with inorganic (silicon oxide, metal oxides ...) and other organic impurities. Water is treated through a cyclone



*Sludge used as input for unburnt bricks*



## SUSTAINABLE DEVELOPMENT OPERATION REPORT (Continued)

filtration system, combined with treatment chemicals, and through sedimentation, inorganic and organic impurities are decanted in the form of sludge. The filtered water is reused in the production line. The waste sludge is dewatered and turned into dry sludge, which can be used to make unburnt raw material or other valuable, environmentally-friendly products.

Water used in production is recycled through a closed-loop recycling system, ensuring that 100% of the wastewater in production is treated and recycled to the production line and is not discharged into the environment.

### c. Other environmentally-friendly efforts

In addition to research and application of technological processes to recycle and reuse solid waste and industrial wastewater, the Company also has a number of other recycling and reuse activities to reduce sources of emissions into the environment such as:

- Reusing waste heat from the production line for use in the production process itself to maximize the efficient use of energy sources;
- Using recycled raw materials such as waste mirror glass, recycled quartz stone, etc. to produce high quality composite materials, reducing the demand for original raw materials

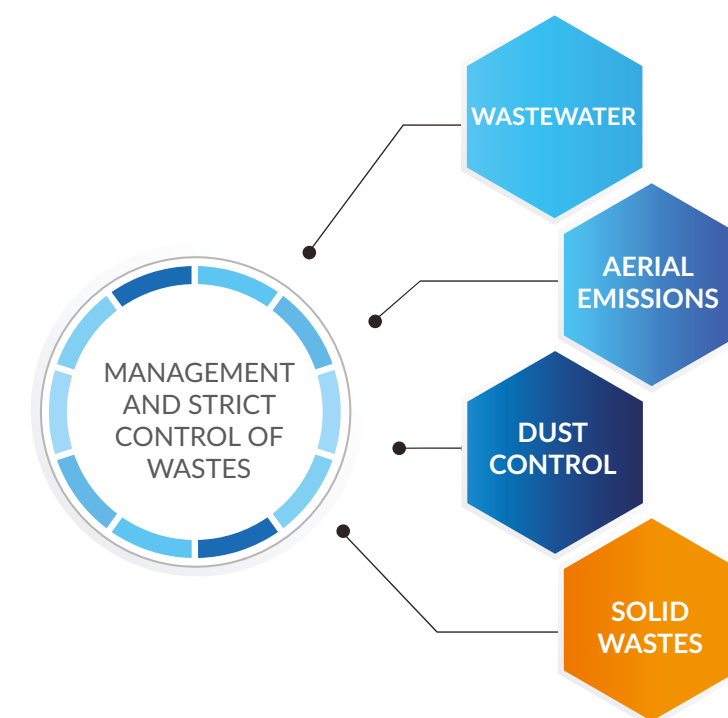


Closed-loop water silo system



### 2.3. Management and strict control of wastes

In recent years, by always complying with environmental regulations/policies, Vicostone has developed, implemented and effectively managed environmental management systems, managed wastes, ensured that waste are treated before being released into the environment in accordance with prescribed standards, especially wastewater, gas emissions, dust and solid wastes.





# SUSTAINABLE DEVELOPMENT

## OPERATION REPORT (Continued)

### a. Wastewater

At Vicostone, only treated domestic wastewater meeting standards set by the Ministry of Natural Resources and Environment, is discharged into the environment. 100% of industrial wastewater is circulated for production activities and is not discharged into the environment.

Domestic wastewater is treated through the most modern wastewater treatment system using AAO technology combined with MBR membrane filtration. The quality of treated water meets grade A standards, QCVN 14: 2008 / BTNMT, which is the highest standard for current domestic wastewater in Vietnam. This system was upgraded in 2017 and still meets the capacity for domestic wastewater treatment.

Thanks to modern treatment technology, the Company always ensures that domestic wastewater meets environmental targets before leaving the factory



Wastewater treatment station

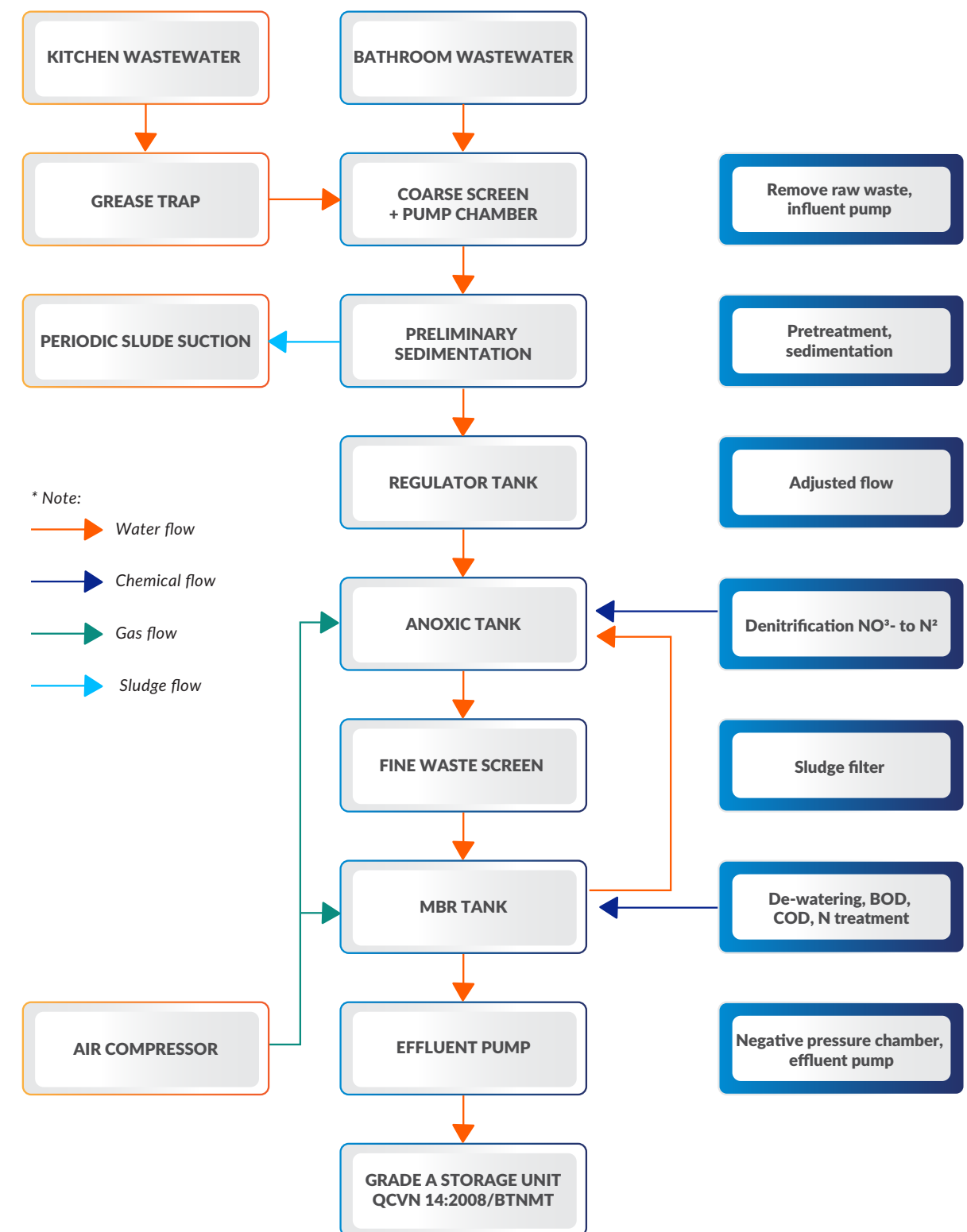


Diagram of domestic wastewater treatment process

# SUSTAINABLE DEVELOPMENT

## OPERATION REPORT (Continued)

### Treated wastewater quality results in 2019

No.	Analysis	Unit	I Quarter results	II Quarter results	III Quarter results	IV Quarter results	QCVN 14:2008 / BTNMT QCVN 40/2011 /BTNMT	
							Grade A	Grade B
1	pH	-	7.18	7.91	7	7.4	5 - 9	6 - 9
2	Chemical Oxygen Demand (COD)	mg/l	32	41.6	45.8	40.5	-	150
3	Biochemical oxygen demand (BOD <sub>5</sub> )	mg/l	18.9	18.3	16.9	17.6	30	50
4	Total Suspended Solids (TSS)	mg/l	15	19	35	24	50	100
5	Total Dissolved Solids (TDS)	mg/l	270	310	288	280	500	-
6	Iron (Fe)	mg/l	0.154	0.112	<0.05	0.119	-	5
7	Mercury (Hg)	mg/l	<0.0003	<0.0003	<0.0003	<0.0003	-	0.01
8	Cadmium (Cd)	mg/l	<0.01	<0.01	<0.01	<0.01	-	0.1
9	Arsenic (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	1600	700	500	310	3000	5000
12	Hydrogen Sulfide (H <sub>2</sub> S)	mg/l	<0.14	0.18	0.24	0.23	1.0	-
13	Ammoniac (NH <sub>3</sub> )	mg/l	0.49	4.46	4.21	4.76	5	10
14	Nitrate (NO <sub>3</sub> <sup>-</sup> )	mg/l	16.38	23.6	20.9	21.8	30	-
15	Animal and vegetable fats and oils	mg/l	2.56	0.56	0.72	0.64	10	-
16	Total surfactants	mg/l	1.23	0.65	0.72	0.74	5	-
17	PO <sub>4</sub> <sup>3-</sup>	mg/l	5.1	4.52	4.72	3.34	6	-

### b. Aerial emissions

Aerial emissions directly affect the health of employees in the Company as well as the environment if the discharged emission is not treated. As the health of employees and environment protection is one of the Company's top concerns, Vicostone has carried out many uniformed measures to manage air quality in the Company as well as before being released into the environment.

The aerial emission treatment system is always on. All areas generating odors or emissions are equipped with suction heads, emission is collected and filtered by activated-carbon filters before being released into the environment. The discharged gas meets the QCVN 20:2009 standard - the industrial emission requirements for organic gases.

Dust and emission monitoring is done by an authorized third-party every 6 months to ensure compliance and maintain efficiency.

#### Analysis results of post-treatment aerial emissions of Plant No.1

No.	Parameter	Unit	Results for April 2019	Results for October 2019	QCTĐHN 01:2014/ BTNMT Standard	QCVN 20:2009/ BTNMT Maximum limit
<b>Emission post dust treatment</b>						
1	Total Suspended Particles	mg/Nm <sup>3</sup>	26.4	27.1	200	-
2	CO	mg/Nm <sup>3</sup>	<20	<20	1000	-
3	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<3.4	<3.4	500	-
4	NO <sub>2</sub>	mg/Nm <sup>3</sup>	<5	<5	850	-
<b>Emission post odor treatment</b>						
1	Benzen	mg/Nm <sup>3</sup>	<0.03	<0.03	-	5
2	Styren	mg/Nm <sup>3</sup>	8.9	7.24	-	100
3	Toluen	mg/Nm <sup>3</sup>	<0.03	<0.03	-	750

# SUSTAINABLE DEVELOPMENT

## OPERATION REPORT (Continued)

### Analysis results of post-treatment aerial emissions of Plant No.2

No.	Parameter	Unit	Results for April 2019	Results for October 2019	QCTĐHN 01:2014/ BTNMT Standard	QCVN 20:2009/ BTNMT Maximum limit
<b>Emission post dust treatment</b>						
1	Total Suspended Particles TSP	mg/Nm <sup>3</sup>	31.5	30.8	200	-
2	CO	mg/Nm <sup>3</sup>	<20	<20	1000	-
3	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<3.4	<3.4	500	-
4	NO <sub>2</sub>	mg/Nm <sup>3</sup>	<5	<5	850	-
<b>Emission post odor treatment</b>						
1	Benzen	mg/Nm <sup>3</sup>	<0.03	<0.03	-	5
2	Styren	mg/Nm <sup>3</sup>	6.34	5.15	-	100
3	Toluen	mg/Nm <sup>3</sup>	<0.03	<0.03	-	750

### c. Dust control

Vicostone continue to operate and maintain its dust treatment system using water-resistant and oil-resistant Polyester filter bags. All dust-generating areas in the factory are equipped with suction heads and collected dust is delivered to the treatment system. Inorganic exhaust treated output meet QCVN 19:2009 standards – the industry requirement for industrial aerial emission for dust and inorganic gases.



Dust treatment system in Vicostone's Plant

### d. Solid wastes

In 2019, with the application of “waste stone powder to produce unburnt bricks using geopolymers technology” into production, a considerable volume of solid wastes have been utilized as input for making unburnt bricks. With expected capacity of roughly 25 million bricks/year, around 50% of the volume of solid wastes will be used to produce bricks, considerably alleviating the need to process and treat solid waste for Vicostone. As for the remainder, the Company will continue to research other applications to maximize the conversion of solid waste into eco-friendly raw materials.

Vicostone has zoned and built a temporary storage shed for common and hazardous waste generated from the production process, ensuring that standards and legal requirements for waste storage are met. The company has also installed equipment to temporarily store hazardous waste generated during production, meeting standards for hazardous waste storage.

In complying with government regulations with regards to hazardous waste, waste categorization is done at the source. Vicostone currently has an outstanding contract No. 671/2018/HĐCN/URENCO11-VICOSTONE dated December 13, 2018 with Urban Environment Company 11 - Urenco 11, a company licensed to handle and treat hazardous waste. For common industrial waste, Vicostone has signed contract No. 000261/HĐ/XLCT dated August 31, 2016 with Ha Noi Industrial and Urban Environment and contract No. 314/2019/PH-VN dated May 30, 2019 with Phu Ha Environment Ltd. to transport, handle common industrial waste generated during production.

The company regularly conduct reviews of its partners in solid waste treatment to tighten control and select reliable and competent partners to ensure proper waste treatment, in line with legal provisions and does not affect the environment.

### e. Automated monitoring system

In 2019, Phenikaa Group has invested in an automated monitoring system for factories in the Group in general and for Vicostone in particular so as to be more proactive in managing the quality of emissions and wastewater.

The automated monitoring systems at factories will include: inorganic gas monitoring stations (flow, temperature, pressure, total suspended particles (TSP), SO<sub>2</sub>, NO<sub>x</sub>, CO); organic gas monitoring stations (temperature, volume, pressure, toluene, benzene, styrene) and wastewater monitoring stations (temperature, volume, PH, COD, TSS, Ammonium).

With modern and accurate equipment, Vicostone will be more proactive in conducting regular monitoring and management of wastewater, emissions, dust indicators to intervene and promptly handle in case of adverse effect on the health of employees or the environment, to build a safe working environment within the Company.



# SUSTAINABLE DEVELOPMENT

## OPERATION REPORT (Continued)

### 2.4 Use safe, eco-friendly materials

The use of environmentally friendly materials to produce clean products contributes significantly to reducing emissions and protecting the environment.

VICOSTONE® quartz products are ANSI 051-certified (materials in contact with food or drinking water) by NSF International (USA) and certified by Greenguard to have no emission of volatile organic compounds, and is safe for homes, schools, healthcare environments and commercial spaces.

In addition, Vicostone has invested and put into operation solar power systems to reduce consumption from other types such as hydro and thermal power. Solar is currently the sole power generation method for Vicostone's 2 administrative buildings. In the future, the Company will continue to invest in expanding solar power for use in production. This investment not only helps Vicostone reduce the cost of its purchased electric bill, but also helps Vicostone proactively avoid the risk that the external power supply cannot meet the production needs of the Company.



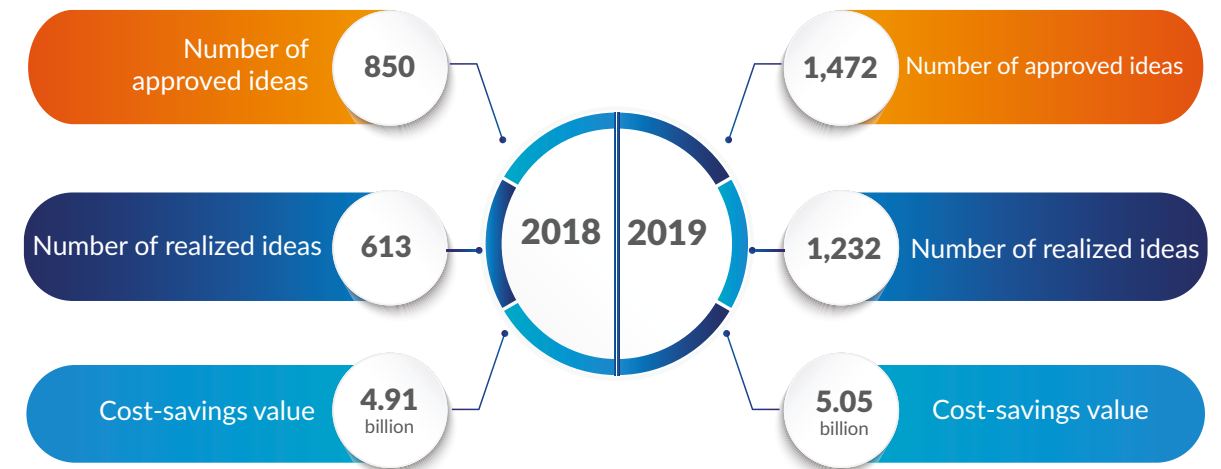
Solar power system

### 2.5 Environmental improvements

#### a. Improvements in operation

Kaizen - 5S are tools and approaches used in management to promote continuous improvement with the participation of everyone to constantly improve the working environment. Kaizen - 5S is a very important pursuit and brings about many benefits to businesses such as raising productivity and quality, reducing costs and wastes, improving the working environment...

Vicostone is always cognizant of the importance of Kaizen - 5S for its production and business, therefore, Kaizen - 5S activities are always given close attention and maintained effectively by the leadership. Kaizen - 5S results in 2018 and 2019 are as follows:



Kaizen - 5S results for 2018 and 2019

#### b. Environmental improvements

In addition to economic benefits, environmental Kaizen - 5S ideas enjoy much attention and encouragement for implementation from the leadership. In 2019, many Kaizen - 5S ideas contributed to improving the working environment at the Company as well as protecting the environment, including: the idea "to improve technology processes and equipment to reduce the thickness of semi-finished products". This helped reduce raw material, and waste treatment costs, save resources, reduce the amount of waste needed treatment to protect the environment. The idea to "use in-circulation water to mix chemicals instead of clean water" saved water, does not let untreated wastewater into the environment. Other ideas include: reduce the amount of sludge, filter dust at exhaust pipes before discharge into the environment ... to protect the environment.

Vicostone continues to carry out its environmental protection programs: "Vicostone - Green environment, healthy living" and "Bright Friday" - all aim to raise the environmental protection awareness of each employee in the Company, comply with standards, limit waste, voluntarily pick up, sort and dispose of trash at designated sites.

Over the years, Kaizen - 5S activities have become a part of the Company's culture and have greatly contributed to protecting not only the Company's working environment but also the environment.

# SUSTAINABLE DEVELOPMENT

## OPERATION REPORT (Continued)

### V Corporate social responsibility

With sustainable development orientations in mind, Vicostone acknowledges that the foundation and success of a business are not manifested through simple financial indicators, or awards and praise showered upon a business entity. Sustainable development lies in the added value that companies can bring to all stakeholders, including communities and society. This is not only an orientation, but has become a core value, a highly philanthropic Vicostone culture.

Vicostone has continued to take practical and meaningful action, showcasing more than its willingness to contribute to the good of the community. This year, its community-oriented culture is best reflected in its acting on the common, moral obligation to Vietnamese heroic mothers, presents-giving and visiting the families of employees in difficult circumstances, sponsorship for construction of schools, support for Thach That District Humanitarian Fund, organizing the Warm Spring at the Border for children of ethnic minorities in Ha Giang, Lao Cai...

Notable activities in 2019:

### Environmental protection and development

- In 2019, in order to alleviate hardship, and provide greater transport convenience for the local population, as well as to limit unnecessary accidents, Vicostone invested nearly 800 million VND to construct and put into use a concrete road, to replace the damaged dirt road section in Hamlet 1, Thach Hoa Commune, Thach That District of Ha Noi;
- Vicostone has also assisted in environmental protection around Thach Hoa commune through sponsorship of 30 garbage carts, worth nearly 100 million VND, to help in daily trash collection, and ensuring environmental hygiene for hundreds of households in the commune's vicinity.



Handover ceremony of the communal road stretch to representative of the People's Committee of Thach Hoa Commune

- Started the "Vicostone - Green environment, healthy living" and "Bright Friday" programs to raise the environmental protection awareness of employees, comply with standards, limit waste, voluntarily pick up, sort and dispose of trash at designated sites. Each Vicostoner is a protector, and a supervisor of environmental protection.



Comrade Nguyen Van Tha - Party Secretary cum Chairman of the People's Committee of Thach Hoa Commune represented the local administration to receive the gift of 30 trash carts

### People-oriented activities

Joining hands to promote education, nurture the young generation

- Full funding support for all operational expense for Vicostone Kindergarten: In order to give its employees and the local population peace of mind about childcare, Vicostone has turned the 1<sup>st</sup> floor of its Phenikaa apartment (roughly 1 km away from its main factory) into a kindergarten for its staff. In addition to learning activities, children can participate in fun and outdoor activities, encouraging creative freedom to allow for both physical and mental development. Vicostone provides full funding of over VND 1 billion/annum for the operation of the kindergarten. In 2019, the Company organized many activities to welcome Vietnamese Teachers' Day on November 20, Children's Day on June 1, Mid-Autumn Festival, book-givings, and gifts to children... and many other exciting activities. The kindergarten also lends its service to the local population.



Vicostone kindergarteners singing on back to school day



## SUSTAINABLE DEVELOPMENT OPERATION REPORT (Continued)

- Working together to raise capacity, and training programs for undergraduate students: As one of the core businesses in industrial production and technology of the Phenikaa ecosystem, Vicostone is truly an experience for students. Students are allowed to visit, learn and experience firsthand the business environment under the dedicated guidance of Vicostone's staff. In addition, the leadership and heads of Vicostone's work units not only participate in sharing practical knowledge, work experience, and personal development for students at Phenikaa University, but also a number of other Universities in the Ha Noi area. This helps youngsters better understand and have a more hands-on view of the knowledge and skills required, those that need to be cultivated further to meet the needs of the labor market and effectively apply to learning and research. Vicostone is also committed to creating employment opportunities for students who excel academically, those that can satisfy the Company's demand, and pass its bar for quality upon graduation.
- Empirical environment, and a place for scientific, applied research projects to be realized: With the aim of becoming a leading enterprise in smart production, Vicostone will become a place for application, technology transfer, and experimentation of research projects from Phenikaa University, institutes and other research centers, to solve real business problems for the Group and meet socioeconomic needs. Together with the Phenikaa Group's Innovation Fund, Vicostone contributes in no small part, to nurturing and developing the scientific talents, capable of delivering breakthrough research, transfer knowledge and bring value to businesses, communities and society.



*Employees engage in discussions and learn from the work experiences of Vicostone executives*



### *Job creation, improving the livelihood of the local population*

- Vicostone is interested in carrying out its duties to the community through provision of employment with good pay for the majority of the local population. This will have the added benefit of maintaining social order, and stabilizing livelihoods in the neighborhood. As an industrial production company, with back office production units working in shifts, the company gives priority to recruiting local workers to allow for ease of commute, and form a stronger bond with their work place. The local population accounts for a high percentage of Vicostone's employees. In 2019, the number of local employees at the Company was 537 (roughly 77.6%). Their average income is VND21,073,000/person/month.

Vicostone believes that "Economic development must be linked to sustainable development, environmental protection and corporate social responsibility". The community-oriented actions are voluntary, conducted in a responsible manner, and is proof of the desire to contribute to the common development goal of the company leadership and employees. Vicostone will continue to implement and expand community activities to build a sustainable society with its deeply philanthropic business culture.



# 05

## **VICOSTONE JOINT STOCK COMPANY (Consolidated financial statements)**

**For the year ended 31 December 2019**

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# GENERAL INFORMATION

## 1 The Company



Vicostone Joint Stock Company ("the Company") is a joint stock company incorporated under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate for joint stock company No. 0500469512 issued by the Department of Planning and Investment of Ha Tay province (now known as Hanoi city) on 2 June 2005 and its subsequent amendments with the 18th amendment dated 16 April 2018 as the latest.

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, 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 PHAM ANH TUAN	Member	
MS NGHIEM THI NGOC DIEP	Member	
MS NGUYEN DIEU THUY NGOC	Member	
MS TRAN LAN PHUONG	Member	Appointed on 12 April 2019
MR NGUYEN QUOC TRUONG	Member	Resigned on 12 April 2019

## 3 Board of Supervision (\*)

Members of the Board of Supervision from 01 January 2019 to 12 April 2019 are:

MR LUONG XUAN MAN	Head of Board of supervision	Resigned on 12 April 2019
MS TRAN LAN PHUONG	Member	Resigned on 12 April 2019
MS TRAN THI PHUONG HOA	Member	Resigned on 12 April 2019

## 4 Board of Auditors (\*)

Member of the Board of Auditors from 28 June 2019 to the date of this report are:

MS NGUYEN DIEU THUY NGOC	Head of Board of Auditors	Appointed on 28 June 2019
MR NGUYEN VAN TOAN	Member	Appointed on 28 June 2019

(\*) According to the Resolution of the Annual General Shareholders' Meeting No. 01/2019 NQ/VCS-DHCD dated 12 April 2019, the General Shareholders approved the dissolution of the Board of Supervision and the establishment of the Board of Auditors, which is under the Board of Directors. The function of the Board of Auditors is to organize events, inspect and supervise the implementation of activities related to risk management, internal audit and supervise financial statements of the Company. From 12 April to 28 June 2019, all tasks of the Board of Supervision have been taken over by the Board of Auditors.

## 5 Board of Management

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

MR PHAM ANH TUAN	General Director
MR PHAM TRI DUNG	Vice General Director
MR LUU CONG AN	Vice General Director
MR NGUYEN CHI CONG	Vice General Director

## 6 Legal representative

The legal representative of the Company 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 consolidated financial statements for the year ended 31 December 2019 in accordance with the Letter of Authorisation No. 171/2017/UQ-Vicostone dated 25 April 2017.

## 7 Auditors

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



## REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Vicostone Joint Stock Company (“the Company”) is pleased to present this report and the consolidated financial statements of the Company and its subsidiary (collectively referred to as the “Company and its subsidiary”) for the year ended 31 December 2019.

### I The Board of Management’s responsibility in respect of the consolidated financial statements

The Board of Management is responsible for the consolidated financial statements of each financial year which give a true and fair view of the consolidated financial position of the Company and its subsidiary and of the consolidated results of its operations and its consolidated cash flows for the year. In preparing those consolidated financial statements, 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 consolidated financial statements; and
- Prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company and its subsidiary will continue its business.

The Board of Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Company and its subsidiary 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 its subsidiary and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### II Statement by the Board of Management

The Board of Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company and its subsidiary as at 31 December 2019 and of the consolidated results of its operations and its consolidated 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 consolidated financial statements.

For and on behalf of BOM

**Pham Anh Tuan**

General Director  
9 March 2020



# INDEPENDENT AUDITORS' REPORT

Reference: 60999244/21042563-HN



8 Floor, CornerStone Building  
16 Phan Chu Trinh, Hoan Kiem, Ha Noi  
Phone: +84 24 3831 5100  
Fax: +84 24 3831 5090

## To: The Shareholders and Board of Directors of Vicostone Joint Stock Company

We have audited the accompanying consolidated financial statements of Vicostone Joint Stock Company ("the Company") and its subsidiary (collectively referred to as "the Company and its subsidiary"), as prepared on 9 March 2020 and set out on page 6 to 45 which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement and the consolidated cash flow statement for the year then ended 31 December 2019 and the notes thereto.

### The Board of Management's responsibility

The Board of Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation and presentation of the consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Group's preparation and fair presentation of the consolidated 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 and its subsidiary'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 the consolidated 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 consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Company and its subsidiary as at 31 December 2019, and of the consolidated results of its operations and its consolidated 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 the consolidated financial statements.

Ernst & Young Vietnam Limited



**Phung Manh Phu**

Vice General Director  
Audit Practising Registration  
Certificate No.: 2598-2018-004-1

Hanoi, Vietnam  
10 March 2020

**Trinh Xuan Hoa**

Auditor  
Audit Practising Registration  
Certificate No.: 0754-2018-004-1

# CONSOLIDATED BALANCE SHEET

as at 31 December 2019

Currency: VND

Code	Assets	Notes	Ending balance	Beginning balance
100	<b>ACURRENT ASSETS</b>		4,456,305,278,663	3,794,495,007,360
110	<b>I. Cash and cash equivalents</b>	V	469,919,515,100	427,351,751,020
111	1. Cash		176,419,515,100	292,851,751,020
112	2. Cash equivalents		293,500,000,000	134,500,000,000
130	<b>II. Current accounts receivable</b>		1,915,443,533,555	1,249,984,440,619
131	1. Short-term trade receivables	VI	1,890,709,549,117	1,219,015,670,542
132	2. Short-term advances to suppliers		21,282,711,304	29,809,324,436
135	3. Short-term loan receivables		50,129,329	50,129,329
136	4. Other short-term receivables		4,306,452,577	2,014,625,084
137	5. Provision for doubtful short-term receivables	VI	(905,308,772)	(905,308,772)
140	<b>III. Inventories</b>	VII	1,913,745,246,413	1,986,792,777,928
141	1. Inventories		1,918,527,324,791	1,991,574,856,306
149	2. Provision for obsolete inventories		(4,782,078,378)	(4,782,078,378)
150	<b>IV. Other current assets</b>		157,196,983,595	130,366,037,793
151	1. Short-term prepaid expenses	XI	5,174,895,276	1,826,553,049
152	2. Value-added tax deductible		152,022,088,319	128,539,484,744
200	<b>B. NON-CURRENT ASSETS</b>		1,127,451,451,166	609,832,297,541
210	<b>I. Long-term receivables</b>		30,000,000	30,000,000
216	1. Other long-term receivables		30,000,000	30,000,000
220	<b>II. Fixed assets</b>		1,058,231,180,457	548,662,662,740
221	1. Tangible fixed assets	VIII	1,048,730,437,914	537,227,636,517
222	• Cost		1,876,531,820,995	1,255,459,757,371
223	• Accumulated depreciation		(827,801,383,081)	(718,232,120,854)
227	2. Intangible fixed assets	IX	9,500,742,543	11,435,026,223
228	• Cost		27,508,407,497	27,088,415,497
229	• Accumulated amortisation		(18,007,664,954)	(15,653,389,274)
240	<b>III. Long-term assets in progress</b>		47,698,857,585	40,498,242,919
242	1. Construction in progress	X	47,698,857,585	40,498,242,919
260	<b>IV. Other long-term assets</b>		21,491,413,124	20,641,391,882
261	1. Long-term prepaid expenses	XI	21,491,413,124	20,641,391,882
270	<b>TOTAL ASSETS</b>		5,583,756,729,829	4,404,327,304,901

Currency: VND

Code	Resources	Notes	Ending balance	Beginning balance
300	<b>C. LIABILITIES</b>		2,135,070,735,316	1,673,774,768,632
310	<b>I. Current liabilities</b>		1,882,161,864,194	1,673,444,027,380
311	1. Short-term trade payables	XII	349,468,119,144	334,440,208,138
312	2. Short-term advances from customers		14,182,559,412	9,757,675,757
313	3. Statutory obligations	XIII	32,732,177,771	64,577,863,183
314	4. Payables to employees		13,542,355,910	229,287,988
315	5. Short-term accrued expenses		6,656,570,340	-
319	6. Other short-term payables	XIV	4,222,331,198	89,425,707,048
320	7. Short-term loans	XV	1,417,553,641,838	1,150,561,555,555
322	8. Bonus and welfare fund	XVI	43,804,108,581	24,451,729,711
330	<b>II. Non-current liabilities</b>		252,908,871,122	330,741,252
338	1. Long-term loans	XV	252,695,332,670	-
343	2. Scientific and technological development fund		213,538,452	330,741,252
400	<b>D. OWNERS' EQUITY</b>		3,448,685,994,513	2,730,552,536,269
410	<b>I. Capital</b>	XVII	3,448,685,994,513	2,730,552,536,269
411	1. Issued share capital		1,600,000,000,000	1,600,000,000,000
411a	• Shares with voting rights		1,600,000,000,000	1,600,000,000,000
412	2. Share premium		129,549,102	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
420	5. Other funds belonging to owners' equity		18,551,233,538	-
421	6. Undistributed earnings		1,741,047,074,751	1,281,964,765,737
421a	• Undistributed earnings by the end of prior year		974,515,344,276	497,902,309,476
421b	• Undistributed earnings of current year		766,531,730,475	784,062,456,261
440	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		5,583,756,729,829	4,404,327,304,901

Doan Thi Ngoc

Preparer  
9 March 2020

Nguyen Thi Nga

Chief Accountant

Pham Anh Tuan

General Director

## CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2019

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenue from sale of goods	XIX.1	5,568,613,461,812	4,522,435,184,761
02	2. Deductions	XIX.1	5,850,467,004	839,071,951
10	3. Net revenue from sale of goods (10 = 01 - 02)	XIX.1	5,562,762,994,808	4,521,596,112,810
11	4. Cost of goods sold	XX	3,650,651,586,771	3,025,953,450,218
20	5. Gross profit from sale of goods (20 = 10 - 11)		1,912,111,408,037	1,495,642,662,592
21	6. Finance income	XIX.2	26,341,074,370	41,397,309,947
22	7. Finance expenses	XXI	68,019,078,673	69,868,203,492
23	In which: Interest expense		59,995,756,140	32,204,626,279
25	8. Selling expenses	XXII	154,062,211,849	99,926,387,202
26	9. General and administrative expenses	XXII	62,394,397,089	46,095,744,750
30	10. Operating profit {30 = 20 + (21 - 22) - (25 + 26)}		1,653,976,794,796	1,321,149,637,095
31	11. Other income		1,447,542,683	1,509,915,834
32	12. Other expenses		2,761,669,460	4,148,980,489
40	13. Other loss (40 = 31 - 32)		(1,314,126,777)	(2,639,064,655)
50	14. Profit before tax (50 = 30 + 40)		1,652,662,668,019	1,318,510,572,440
51	15. Current corporate income tax expenses	XXIV	242,548,054,943	194,966,717,351
60	16. Net profit after tax (60 = 50 - 51)		1,410,114,613,076	1,123,543,855,089
70	17. Basic earnings per share	XXVII	8,114	6,460
71	18. Diluted earnings per share	XXVII	8,114	6,460

Doan Thi Ngoc

Preparer  
9 March 2020

Nguyen Thi Nga

Chief Accountant

Pham Anh Tuan

General Director

## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2019

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
	<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
01	Profit before tax		1,652,662,668,019	1,318,510,572,440
	Adjustments for:			
02	Depreciation of tangible fixed assets and amortisation of intangible fixed assets		103,861,827,370	73,311,383,678
03	Reversal of provisions		-	(6,353,558,887)
04	Foreign exchange losses arisen from revaluation of monetary accounts denominated in foreign currency		28,114,223	14,558,364,655
05	Profits from investing activities		(2,124,441,929)	(10,788,956,248)
06	Interest expenses	XXI	59,995,756,140	32,204,626,279
08	Operating profit before changes in working capital		1,814,423,923,823	1,421,442,431,917
09	Increase in receivables		(604,986,876,688)	(338,745,283,287)
10	Decrease/(increase) in inventories		88,265,536,716	(466,507,783,758)
11	Decrease in payables		(14,169,178,938)	(104,162,599,172)
12	Increase in prepaid expenses		(2,004,949,282)	(6,907,943,910)
14	Interest paid		(55,684,099,565)	(32,204,626,279)
15	Corporate income tax paid	XIII	(276,235,539,417)	(90,110,382,305)
17	Other cash outflows for operating activities		(64,232,613,310)	(61,771,915,626)
20	Net cash flows from operating activities		885,376,203,339	321,031,897,580
	<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchase and construction of fixed assets and other long-term assets		(50,651,275,363)	(151,732,739,001)
22	Proceeds from disposals of fixed assets and other long-term assets		-	91,909,000
23	Collections from borrowers and proceeds from sale of debt instruments of other entities		-	(2,200,000,000)
25	Payments for investments in other entities (net of cash hold by entity being acquired)		-	32,200,000,000
27	Interest and dividends received		(49,269,557,490)	-
			2,124,441,929	10,705,402,612
30	Net cash flows used in investing activities		(97,796,390,924)	(110,935,427,389)



## CONSOLIDATED CASH FLOW STATEMENT (Continued)

for the year ended 31 December 2019

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
	<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
31	Capital contribution and issuance of shares		252,603,810	-
32	Capital redemption		-	(240,431,166,590)
33	Drawdown of borrowings		2,092,507,128,245	1,774,781,625,802
34	Repayment of borrowings		(2,124,196,594,726)	(1,582,405,125,369)
36	Dividends paid to shareholders		(713,512,226,500)	(388,181,228,100)
40	<b>Net cash flows used in financing activities</b>		<b>(744,949,089,171)</b>	<b>(436,235,894,257)</b>
50	<b>Net increase/(decrease) in cash for the year</b>		<b>42,630,723,244</b>	<b>(226,139,424,066)</b>
60	<b>Cash and cash equivalents at the beginning of the year</b>		<b>427,351,751,020</b>	<b>656,279,062,859</b>
61	Impact of exchange rate fluctuation		(62,959,164)	(2,787,887,773)
70	<b>Cash and cash equivalents at the end of the year</b>	<b>V</b>	<b>469,919,515,100</b>	<b>427,351,751,020</b>

**Doan Thi Ngoc**

Preparer  
9 March 2020

**Nguyen Thi Nga**

Chief Accountant

**Pham Anh Tuan**

General Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

### I Corporate information

Vicostone Joint Stock Company ("the Company") is a joint stock company incorporated under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate for joint stock company No. 0500469512 issued by the Department of Planning and Investment of Ha Tay Province (now known as Hanoi City) on 2 June 2005 and its subsequent amendments with the 18th amendment dated 16 April 2018 as the latest.

The current principal activities of the Company are to manufacture and distribute quartz-based compound stone related products.

The Company and its subsidiary'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 2019 is 832 (31 December 2018: 682).

#### 1.1 Corporate structure

As at 31 December 2019, the Company has a subsidiary which is Phenikaa Hue Investment and Processing Mineral One Member Company Limited ("Phenikaa Hue Company").

Phenikaa Hue Company is a one-member limited liability company incorporated under the Law on Enterprise of Vietnam pursuant to the Enterprise Registration Certificate No. 3301601070 issued by the Department of Planning and Investment of Thua Thien Hue province on 21 December 2016 and the amended Enterprise Registration Certificates with the latest being the 4th amendment dated 2 July 2019. The head office of Phenikaa Hue Company is located at Lot CN15 Zone B, Phong Dien Industry Park, Phong Hoa commune, Phong Dien district, Thua Thien Hue province. The principal activities of Phenikaa Hue Company are to invest and process minerals.

As at 31 December 2019, the Company holds a 100% equity interest in this subsidiary.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

as at 31 December 2019 and for the year then ended



## Basis of preparation

### 1. Accounting standards and system

The consolidated financial statements of the Company and its subsidiary, which are 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); and
- 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 consolidated 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 consolidated financial position and consolidated results of operations and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

### 2. Fiscal year

The Company and its subsidiary’s fiscal year applicable for the preparation of its consolidated financial statements start on 1 January and ends on 31 December.

### 3. Accounting currency

The consolidated financial statements are prepared in VND, which is also the Company’s accounting currency.

### 4. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary for the year ended 31 December 2019.

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continued to be consolidated until the date that such control ceases.

The financial statements of the subsidiary are prepared for the same reporting year as the Company, using consistent accounting policies.

All intra-company balances, income and expenses and unrealised gains or losses result from intra-company transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Company and its subsidiary are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from shareholders’ equity.

Impact of change in the ownership interest of a subsidiary, without a loss of control, is recorded in undistributed earnings.



## Summary of significant accounting policies

### 1. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and short-term, highly liquid investments with an original maturity of less 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 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 and its subsidiary, based on appropriate evidence of impairment available at the balance sheet date.

Increases and decreases to the provision balance are recorded into the cost of goods sold account in the consolidated income statement.

### 3. Receivables

Receivables are presented in the consolidated 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 consolidated balance sheet date which are doubtful of being recovered. Increases and decreases to the provision balance are recorded as general and administrative expense in the consolidated income statement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

as at 31 December 2019 and for the year then ended

## 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 assets and expenditures for maintenance and repairs are charged to the consolidated income statement as incurred.

When tangible 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 consolidated 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.

Where the Company is the lessee

Rentals under operating leases are charged to the consolidated income statement on a straight-line basis over the lease term.

## 6. Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation.

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 assets and other expenditures are charged to the consolidated 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 consolidated 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	5 - 25 years
Machinery and equipment	3 - 20 years
Means of transportation	4 - 10 years
Office equipment 3 - 8 years	3 - 8 years
Other fixed assets	5 - 10 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 of the Company and its subsidiary.

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 period 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 consolidated 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 consolidated income statement:

- Tools and consumables with large value issued into production and can be used for more than one year;
- Substantial expenditure on fixed asset overhaul; and
- Other prepaid expenses

### Prepaid land rental

The prepaid land rental represents the unamortised balance of advance payment made in accordance with lease contract signed with Bac Phu Cat Industrial Zone on 30 May 2008 for a period of 48 years 7 months 19 days and with Phong Dien Industrial Park, Thua Thien Hue province on 24 March 2017 for a period of 39 years 9 months 8 days. Such prepaid rental is classified

as long-term prepaid expenses for allocation to the consolidated income statement over the remaining period of the lease contract, according to Circular 45/2013/TT-BTC on 25 April 2013, the above prepaid land rentals were recorded as long-term prepayments and amortized to expenses for the remainder of the lease.

## 10. Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, liabilities incurred or assumed and equity instruments issued at the date of exchange plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Company and its subsidiary's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortisation. Goodwill is amortised over 10-year period on a straight-line basis. The parent company conducts the periodical review for impairment of goodwill of investment in subsidiaries. If there are indicators of impairment loss incurred is higher than the yearly allocated amount of goodwill on the straight-line basis, the higher amount will be recorded in the consolidated income statement.

### Business combinations involving entities under common control

Business combinations involving entities under common control are accounted for as follows:

- The assets and liabilities of the combined entities are reflected at their carrying amounts on the date of business combination;



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

as at 31 December 2019 and for the year then ended

- No goodwill is recognised from the business combination;
- The consolidated income statement reflects the results of the combined entities from the date of the business combination; and
- Any difference between the consideration paid and the net assets of the acquiree is recorded in equity.

## 11. 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 consolidated financial statements and deducted against the value of such investments.

## 12. 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 and its subsidiary.

## 13. Foreign currency transactions

Transactions in currencies other than the Company and its subsidiary's reporting currency (VND) are recorded at the actual transaction exchange rates at transaction dates which are determined as follows:

- Transaction resulting in receivables are recorded at the buying exchange rates of the commercial banks where the Company and its subsidiary designated for collection;
- Transactions resulting in payables are recorded at the selling exchange rates of the commercial banks where the Company and its subsidiary designated for payment; 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 destined 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 and its subsidiary conduct regular transactions; and
- Monetary items which are classified as liabilities are translated at selling exchange rate of the commercial bank where the Company and its subsidiary conduct regular transactions.

All realised and unrealised foreign exchange differences incurred during the year are taken to the consolidated income statement.

## 14. Treasury shares

Owner equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in purchase, sale, issue or cancellation of the Company's owner equity instruments.

## 15. Appropriation of net profits

Net profit after tax is available for appropriation to shareholders after approval in the Annual General Meeting, 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.

### *Investment and development fund*

*This fund is set aside for use in the Company's expansion of its operation or in-depth investments.*

### *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 consolidated balance sheet.

### *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.

## 16. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and its subsidiary 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:

### *Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods.

### *Interest*

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

## 17. Taxation

### *Current income tax*

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be paid to (or recovered from) the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted as at the consolidated balance sheet date.

Current income tax is charged or credited to the consolidated 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

as at 31 December 2019 and for the year then ended

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Company and its subsidiary to set off current tax assets against current tax liabilities and when the Company and its subsidiary intends to settle its current tax assets and liabilities on a net basis.

## Deferred tax

Deferred tax is provided using the liability method on temporary differences at the consolidated balance sheet date between the tax base of assets and liabilities and their carrying amount for the consolidated 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 subsidiary and associate, 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 is 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 subsidiary, associate, 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 consolidated 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 consolidated 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 consolidated balance sheet date.

Deferred tax is charged or credited to the consolidated 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; or
- 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.

## 18. 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 and its subsidiary (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 and its subsidiary (after adjusting for interest on the convertible preference shares) 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.

## 19. 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.

## 20. Related parties

Parties are considered to be related parties of the Company and its subsidiary 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 Company and its subsidiary 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

as at 31 December 2019 and for the year then ended

## IV Business combination

### Acquisition of Phenikaa Hue Company

On 23 May 2019, the Company acquired 100% equity interest in Phenikaa Hue Company for a consideration of VND 50 billion from A&A Green Phoenix Group Joint Stock Company, the parent company of the Company. The Company assessed that this is a business combination under common control transaction and accordingly, the difference between the cost of the investment and the net asset value of Phenikaa Hue Company is accounted as equity in the consolidated Balance Sheet.

The carrying value of the identifiable assets and liabilities of Phenikaa Hue Company as at the date of acquisition were as follows:

Currency: VND

Carrying value recognised at acquisition date	
<b>Assets</b>	
Cash	730,442,510
Short-term trade receivables	30,759,881,058
Inventories	15,218,005,201
Other current assets	54,643,030,362
Fixed assets	563,114,601,131
Other long-term assets	967,006,955
<b>TOTAL</b>	<b>665,432,967,217</b>
<b>Liabilities</b>	
Loans and borrowings	551,789,533,814
Short-term trade payables	35,113,977,663
Statutory obligations	4,880,194,674
Payables to employees	593,628,691
Short-term accrued expenses	4,494,462,287
Other payables	9,936,550
<b>TOTAL</b>	<b>596,881,733,679</b>
<b>TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE</b>	<b>68,551,233,538</b>
Other funds belonging to owners' equity arising on acquisition (Note XVII)	(18,551,233,538)
<b>PURCHASE CONSIDERATION TRANSFERRED</b>	<b>50,000,000,000</b>

From the date of acquisition, Phenikaa Hue Company has contributed VND 10,912,148,549 to the net profit before tax of the Company and its subsidiary.

Revenue and net profit before tax of Phenikaa Hue Company from the beginning of the current reporting year to the date being acquired are VND 80,301,040,000 and VND 18,551,233,538 respectively.

## V Cash and cash equivalents

Currency: VND

	Ending balance	Beginning balance
Cash on hand	2,540,917,053	884,341,985
Cash at banks	173,878,598,047	291,967,409,035
Cash equivalents	293,500,000,000	134,500,000,000
<b>TOTAL</b>	<b>469,919,515,100</b>	<b>427,351,751,020</b>

## VI Short-term trade receivables

Currency: VND

	Ending balance	Beginning balance
Trade receivables from customers	858,059,014,026	588,695,638,554
• Pental Granite & Marble Company	238,677,998,020	131,437,062,376
• Australian Stone Design Marble Work Company	297,316,529,747	194,563,368,623
• Other customers	322,064,486,259	262,695,207,555
Trade receivables from related parties (Note 26)	1,032,650,535,091	630,320,031,988
<b>TOTAL</b>	<b>1,890,709,549,117</b>	<b>1,219,015,670,542</b>
Provision for doubtful short-term trade receivables	(905,308,772)	(905,308,772)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Currency: VND

as at 31 December 2019 and for the year then ended

## VII Inventories

Currency: VND

	Ending balance		Beginning balance	
	Cost	Provision	Cost	Provision
Goods in transit	43,013,849,103	-	54,474,340,275	-
Raw materials	192,756,347,566	-	124,253,280,221	-
Tools and supplies	74,079,740,327	-	74,626,818,042	-
Work in process	28,960,892,798	-	14,482,115,768	-
Finished goods	374,508,683,097	(4,782,078,378)	365,744,912,305	(4,782,078,378)
Merchandise goods	1,205,207,811,900	-	1,357,993,389,695	-
<b>TOTAL</b>	<b>1,918,527,324,791</b>	<b>(4,782,078,378)</b>	<b>1,991,574,856,306</b>	<b>(4,782,078,378)</b>

Detail of movements of provision for obsolete inventories:

Currency: VND

	Current year	Previous year
Beginning balance	(4,782,078,378)	(11,135,637,265)
Add: Provision created during the year	-	-
Less: Utilisation and reversal of provision during the year	-	6,353,558,887
Ending balance (*)	(4,782,078,378)	(4,782,078,378)

(\*) This represents provision made for certain Breston stone products. According to the Company's evaluation, these inventories are unqualified and out of date products and do not meet sale requirements and customers' references.

## VIII Tangible fixed assets

Currency: VND

	Buildings and structures	Machinery and equipment	Means of transportation	Office equipment	Other fixed assets	Total
Cost:						
Beginning balance	161,376,129,446	1,049,749,662,442	27,142,851,889	17,191,113,594	-	1,255,459,757,371
• New purchase	104,000,000	4,490,727,185	1,380,000,000	439,884,162	-	6,414,611,347
• Transfer from construction in progress	806,341,236	42,636,152,173	-	155,850,000	-	43,598,343,409
• Increased due to business combination	124,905,274,006	431,796,070,186	12,964,108,561	400,510,007	993,146,108	571,059,108,868

	Buildings and structures	Machinery and equipment	Means of transportation	Office equipment	Other fixed assets	Total
Ending balance	287,191,744,688	1,528,672,611,986	41,486,960,450	18,187,357,763	993,146,108	1,876,531,820,995
In which:						
• Fully depreciated	48,511,955,263	233,636,937,568	12,594,270,158	7,140,448,895	-	301,883,611,884
Accumulated depreciation						
Beginning balance	103,374,904,308	580,587,423,035	21,775,529,645	12,494,263,866	-	718,232,120,854
• Depreciation for the year	13,447,268,034	83,194,828,087	3,172,867,706	1,737,373,759	72,416,904	101,624,754,490
• Increased due to business combination	1,789,661,979	5,697,481,909	405,128,391	21,199,642	31,035,816	7,944,507,737
Ending balance	118,611,834,321	669,479,733,031	25,353,525,742	14,252,837,267	103,452,720	827,801,383,081
Net carrying amount						
Beginning balance	58,001,225,138	469,162,239,407	5,367,322,244	4,696,849,728	-	537,227,636,517
Ending balance	168,579,910,367	859,192,878,955	16,133,434,708	3,934,520,496	889,693,388	1,048,730,437,914

Phenikaa Hue Company mortgaged all machinery and equipment under the investment project "Cristobalite material factory" at the address of Lot CN15 Block B, Phong Dien Industrial Park, Phong Hoa Commune, Phong Dien District, Thua Thien - Hue Province, Vietnam which is owned by this company with a net carrying amount of VND 545.5 billion as at 31 December 2019 for long-term bank loans as disclosed in Note 15.

## IX Intangible fixed assets

Currency: VND

	Computer software	Others	Total
Cost			
Beginning balance	27,050,415,497	38,000,000	27,088,415,497
• New purchase	419,992,000	-	419,992,000
Ending balance	27,470,407,497	38,000,000	27,508,407,497
In which:			
• Fully amortised	1,300,827,400	38,000,000	1,338,827,400
Accumulated amortisation			
Beginning balance	15,615,389,274	38,000,000	15,653,389,274
Amortisation for the year	2,354,275,680	-	2,354,275,680
Ending balance	17,969,664,954	38,000,000	18,007,664,954
Net carrying amount			
Beginning balance	11,435,026,223	-	11,435,026,223
Ending balance	9,500,742,543	-	9,500,742,543

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

as at 31 December 2019 and for the year then ended

## X Construction In Progress

Currency: VND

	Ending balance	Beginning balance
Purchase	22,119,620,896	367,987,063
Construction in progress	25,579,236,689	40,130,255,856
<b>TOTAL</b>	<b>47,698,857,585</b>	<b>40,498,242,919</b>

## XI Prepaid expenses

Currency: VND

	Ending balance	Beginning balance
<b>Short - term</b>		
Tools and equipment	3,489,786,674	1,553,624,709
Other short-term prepaid expenses	1,685,108,602	272,928,340
<b>TOTAL</b>	<b>5,174,895,276</b>	<b>1,826,553,049</b>
<b>Long-term</b>		
Prepaid land rental	6,387,528,325	6,662,260,726
Tools and supplies	6,803,980,563	4,410,483,626
Fixed asset overhauls	1,416,516,054	2,038,767,637
Other long-term prepaid expenses	6,883,388,182	7,529,879,893
<b>TOTAL</b>	<b>21,491,413,124</b>	<b>20,641,391,882</b>

## XII Short-term trade payables

Currency: VND

	Ending balance		Beginning balance	
	Amount	Amount payable	Amount	Amount payable
Short-term trade payables				
SHCP Pte, Ltd.	63,578,187,000	63,578,187,000	29,466,524,250	29,466,524,250
Eternal Materials Co., Ltd.	55,603,328,000	55,603,328,000	32,059,652,768	32,059,652,768
Payables to other suppliers	140,621,375,753	140,621,375,753	109,631,361,356	109,631,361,356
Trade payables to related parties (Note XXVI)	89,665,228,391	89,665,228,391	163,282,669,764	163,282,669,764
<b>TOTAL</b>	<b>349,468,119,144</b>	<b>349,468,119,144</b>	<b>334,440,208,138</b>	<b>334,440,208,138</b>

## XIII Statutory obligations

Currency: VND

	Beginning balance	Payable for the year	Payment made in the year	Ending balance
Value added tax of imported goods	-	68,923,802,738	(68,923,802,738)	-
Corporate income tax	63,473,940,931	242,548,054,943	(276,235,539,417)	29,786,456,457
Import, export duties	486,180,180	7,293,074,429	(7,180,761,980)	598,492,629
Personal income tax	617,742,072	14,061,511,160	(12,332,024,547)	2,347,228,685
Other taxes	-	899,974,429	(899,974,429)	-
<b>TOTAL</b>	<b>64,577,863,183</b>	<b>333,726,417,699</b>	<b>(365,572,103,111)</b>	<b>32,732,177,771</b>

## XIV Other short-term payables

Currency: VND

	Ending balance	Beginning balance
Dividend payable	2,772,437,325	1,481,757,825
Other payables	1,449,893,873	341,043,223
Other payables to related parties (Note XXVI)	-	87,602,906,000
<b>TOTAL</b>	<b>4,222,331,198</b>	<b>89,425,707,048</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

as at 31 December 2019 and for the year then ended



Currency: VND

	Beginning balance			Movement during the year			Ending balance	
	Amount	Amount payable		Increase due to business combination	Other increase	Decrease	Amount	Amount payable
<b>Short-term loans</b>								
Loans from banks (Note XV.1)	1,150,561,555,555	1,150,561,555,555	-	2,092,094,479,865	(1,878,301,410,986)	1,364,354,624,434	1,364,354,624,434	
Current portion of long-term loans (Note XV.2)	-	-	-	66,498,771,755	(13,299,754,351)	53,199,017,404	53,199,017,404	
Loans from related parties	-	-	3,752,278,719	-	(3,752,278,719)	-	-	
<b>TOTAL</b>	<b>1,150,561,555,555</b>	<b>1,150,561,555,555</b>	<b>3,752,278,719</b>	<b>2,158,593,251,620</b>	<b>(1,895,353,444,056)</b>	<b>1,417,553,641,838</b>	<b>1,417,553,641,838</b>	
<b>Long-term loans</b>								
Loans from banks (Note XV.2)	-	-	319,194,104,425	-	(66,498,771,755)	252,695,332,670	252,695,332,670	
Loans from related parties	-	-	228,843,150,670	-	(228,843,150,670)	-	-	
	-	-	548,037,255,095	-	(295,341,922,425)	252,695,332,670	252,695,332,670	
<b>TOTAL</b>	<b>1,150,561,555,555</b>	<b>1,150,561,555,555</b>	<b>551,789,533,814</b>	<b>2,158,593,251,620</b>	<b>(2,190,695,366,481)</b>	<b>1,670,248,974,508</b>	<b>1,670,248,974,508</b>	

## 1. Short-term loans from banks

Details of the short-term loans from banks are as follows:

Currency: VND

(\*) This is a short-term loan of the Company's subsidiary, interest rate is 9.025% per annum. The collateral is all machinery and equipment under the investment project "Cristobalite material factory" at the address of Lot CN15 Khu B, Phong Dien Industrial Park, Phong Hoa commune, Phong Dien district, Thua Thien - Hue province.

Lenders	Ending balance (VND)	Original amount (USD)	Principal and interest repayment term
Branch Indovina Bank Ltd.- Thien Long Branch	270,274,373,622	11,644,738.20	Interest is paid monthly, principal is payable from February to August 2020.
Military Commercial Joint Stock Bank - Hoang Quoc Viet	230,672,047,996	9,927,783.43	Interest is paid monthly, principal is payable from February to August 2020.
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Thanh Cong Branch	194,810,250,794	8,386,149.41	Interest is paid monthly, principal is payable from February to August 2020.
Branch Asia Commercial Joint Stock Bank - Ha Thanh Branch	165,875,088,600	7,143,630.00	Interest is paid monthly, principal is payable from February to September 2020.
Joint Stock Commercial Bank for Investment and Development of Vietnam - Thach That	152,115,608,025	-	Interest and principal are payable from January to February 2020.
Joint Stock Commercial Bank for Industry and Trade of Vietnam - Hanoi Branch	112,602,975,096	4,847,934.52	Interest is paid monthly, principal is payable from January to May 2020.
Joint Stock Commercial Bank for Investment and Development of Vietnam - Thach That	110,777,574,670	4,768,729.00	Interest is paid monthly, principal is payable from January to April 2020.
BNP Paribas Bank - Hanoi Branch	82,743,336,667	3,558,853.19	Interest is paid monthly, principal is payable from January to July 2020.
United Overseas Bank Limited - Hanoi Branch	12,764,587,910	548,778.50	Interest is paid monthly, principal is payable from May to June 2020.
Joint Stock Commercial Bank for Industry and Trade of Vietnam - West Thang Long Branch	16,532,171,694	711,765.26	Interest is paid monthly, principal is payable in May 2020.
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Thanh Cong Branch (*)	15,186,609,360	-	Interest is paid monthly, principal is payable in December 2020.
<b>TOTAL</b>	<b>1,364,354,624,434</b>		



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

as at 31 December 2019 and for the year then ended

## 2. Long-term loans from banks

Details of the long-term loans from banks are as follows:

Name of lenders	Ending balance (VND)	Principal and interest repayment term	Interest rate	Description of collateral
Joint Stock Commercial Bank for Foreign Trade of Vietnam – Thanh Cong Branch	305,894,350,074	Interest is paid monthly. Principal is payable from December 2019 to September 2025	9.025%	All machineries and equipment under the investment project “Cristobalite material factory” located at Lot CN15 Block B, Phong Dien Industrial Park, Phong Hoa Commune, Phong Dien District, Thua Thien - Hue Province
<b>TOTAL</b>	<b>305,894,350,074</b>			
In which:				
• Current portion of long-term loans	53,199,017,404			
• Long-term loans	252,695,332,670			

## XVI Bonus and welfare funds

Currency: VND

	Current year	Previous year
Beginning balance	24,451,729,711	14,573,029,685
Created during the year (Note XVII.1)	83,584,992,180	71,650,615,652
Utilised during the year	(64,232,613,310)	(61,771,915,626)
Ending balance	43,804,108,581	24,451,729,711

## XVII Owners' equity

### 1. Increase and decrease in owners' equity

Currency: VND

	Issued share capital	Share premium	Treasury share	Investment and development fund	Other funds belonging to owners' equity	Undistributed earnings	Total
<b>Previous year</b>							
Beginning balance	800,000,000,000	60,800,000	-	88,958,137,122	-	1,506,871,526,300	2,395,890,463,422
Purchase treasury shares	-	-	(240,431,166,590)	-	-	-	(240,431,166,590)
Stock dividends	800,000,000,000	-	-	-	-	(800,000,000,000)	-
Bonus and welfare funds appropriation	-	-	-	-	-	(71,650,615,652)	(71,650,615,652)
Dividends declared from profit after tax in 2017	-	-	-	-	-	(160,000,000,000)	(160,000,000,000)
Advance dividends	-	-	-	-	-	(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
<b>Current year</b>							
Beginning 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
Treasury shares dividends (**)	-	68,749,102	240,431,166,590	-	-	(240,247,311,882)	252,603,810
Increase from business combination (Note IV)	-	-	-	-	18,551,233,538	-	18,551,233,538
Bonus and welfare funds appropriation (*)	-	-	-	-	-	(83,584,992,180)	(83,584,992,180)
Advance dividends for 2019 (***)	-	-	-	-	-	(627,200,000,000)	(627,200,000,000)
Net profit for the year	-	-	-	-	-	1,410,114,613,076	1,410,114,613,076
Ending balance	1,600,000,000,000	129,549,102	-	88,958,137,122	18,551,233,538	1,741,047,074,751	3,448,685,994,513

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

as at 31 December 2019 and for the year then ended

(\*) During the year, the appropriation of bonus and welfare funds from profit after tax of 2018 and 2019 were made in accordance with the Resolution No. 01/2019 NQ/VCS-DHDCD dated 12 April 2019 of the 2019 Annual General Shareholders' Meeting.

(\*\*) During the year, the Company paid dividend to existing shareholders from treasury shares in accordance with Resolution No. 02/2019 NQ/VCS-DHDCD dated 5 September 2019 of the 2019 Unusual General Shareholders' Meeting with a rate of 2.04:100.

(\*\*\*) During the year, the Company made advance of dividends in 2019 according to Resolution No. 01/2019 NQ/VCS-DHDCD dated 12 April 2019 of the 2019 Annual General Shareholders' Meeting and Resolution No. 09/2019 NQ/VCS-HDQT dated 24 May 2019 with the amount of VND 313.6 billion and Resolution No. 13/2019 NQ/VCS-HDQT dated 9 August 2019 with the amount of VND 313.6 billion of the Board of Directors.

## 2. Share capital

Currency: VND

	Ending balance		Beginning balance	
	Amount	No. of shares	Amount	No. of shares
Share capital	1,600,000,000,000	160,000,000	1,600,000,000,000	160,000,000
• Contributed by A&A Green Phenix Joint Stock Company	1,306,111,980,000	130,611,198	1,280,000,000,000	128,000,000
• Contributed by other shareholders	293,888,020,000	29,388,802	320,000,000,000	32,000,000
Share premium	129,549,102	-	60,800,000	-
Treasury shares	-	-	(240,431,166,590)	(3,200,000)
<b>TOTAL</b>	<b>1,600,129,549,102</b>	<b>160,000,000</b>	<b>1,359,629,633,410</b>	<b>156,800,000</b>

## 3. Capital transactions with owners

Currency: VND

	Current year	Previous year
<b>Contributed capital</b>		
Beginning balance	1,600,000,000,000	800,000,000,000
Issue shares to payment dividends	-	800,000,000,000
Ending balance	1,600,000,000,000	1,600,000,000,000

## 4. Dividends

Currency: VND

	Current year	Previous year
<b>Dividends declared during the year</b>	<b>867,447,311,882</b>	<b>1,276,800,000,000</b>
Dividends on ordinary shares	867,447,311,882	1,276,800,000,000
2nd dividends for 2017 (VND 1,000 per share)	-	160,000,000,000
1st advance dividends for 2018 (VND 1,000 per share)	-	160,000,000,000
2nd advance dividends for 2018 (VND 1,000 per share)	-	156,800,000,000
Stock dividends for 2017 (issuance rate 1:1)	-	800,000,000,000
1st advance dividends for 2019 (VND 2,000 per share)	313,600,000,000	-
2nd advance dividends for 2019 (VND 2,000 per share)	313,600,000,000	-
Treasury shares dividends (issuance rate 2.04:100)	240,247,311,882	-

## 5. Shares

Currency: VND

	Ending balance Quantity	Beginning balance Quantity
<b>Authorized shares</b>	<b>160,000,000</b>	<b>160,000,000</b>
<b>Issued shares</b>	<b>160,000,000</b>	<b>160,000,000</b>
Issued and paid-up shares	160,000,000	160,000,000
Ordinary shares	160,000,000	160,000,000
Preference shares	-	-
<b>Treasury shares</b>	<b>-</b>	<b>(3,200,000)</b>
Held by the Company	-	(3,200,000)
Ordinary shares	-	(3,200,000)
Preference shares	-	-
<b>Shares in circulation</b>	<b>160,000,000</b>	<b>156,800,000</b>
Ordinary shares	160,000,000	156,800,000
Preference shares	-	-

Par value of outstanding share: VND 10,000 per share  
(31 December 2018: VND 10,000 per share)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

as at 31 December 2019 and for the year then ended

## XVIII Off consolidated balance sheet items

ITEM	Ending balance	Beginning balance
Foreign currencies		
• US Dollar (US\$)	6,481,928	9,146,284
• Euro (EUR)	79,936	382,588
• Canada Dollar (CAD)	3,969	2,343,235

## XIX Revenue

### 1 Revenue from sale of goods

Currency: VND

	Current year	Previous year
<b>Gross revenue</b>	<b>5,568,613,461,812</b>	<b>4,522,435,184,761</b>
Sale of goods	5,568,613,461,812	4,522,435,184,761
<b>Sales deductions</b>	<b>(5,850,467,004)</b>	<b>(839,071,951)</b>
Trade discount	(4,489,776,004)	(839,071,951)
Sales return	(1,360,691,000)	-
<b>Net revenue</b>	<b>5,562,762,994,808</b>	<b>4,521,596,112,810</b>
In which:		
Sale to related parties (Note 26)	2,300,179,486,625	1,815,380,893,832
Sale to others	3,262,583,508,183	2,706,215,218,978

### 2 Finance income

Currency: VND

	Current year	Previous year
Foreign exchange gain	24,016,357,892	30,691,907,335
Interest income from bank deposits and loan receivables	2,124,441,929	10,705,402,612
Other	200,274,549	-
<b>TOTAL</b>	<b>26,341,074,370</b>	<b>41,397,309,947</b>

## XX Cost Of Goods Sold

Currency: VND

	Current year	Previous year
Cost of goods sold	3,650,651,586,771	3,032,307,009,105
Utilisation of provision for obsolete inventories	-	(6,353,558,887)
<b>TOTAL</b>	<b>3,650,651,586,771</b>	<b>3,025,953,450,218</b>

## XXI Finance expenses

Currency: VND

	Current year	Previous year
Loan interest	59,995,756,140	32,204,626,279
Foreign exchange losses	8,023,322,533	37,663,577,213
<b>TOTAL</b>	<b>68,019,078,673</b>	<b>69,868,203,492</b>

## XXII Selling expenses and general and administrative expenses

Currency: VND

	Current year	Previous year
<b>Selling expenses</b>		
• Loading and delivery costs	86,514,850,422	62,987,281,432
• Packaging costs	17,944,182,965	10,720,258,475
• Labour costs	11,512,927,017	5,564,230,904
• Others	38,090,251,445	20,654,616,391
<b>TOTAL</b>	<b>154,062,211,849</b>	<b>99,926,387,202</b>
<b>General and administrative expenses</b>		
• Labour costs	28,850,233,802	19,949,346,036
• Depreciation	9,231,543,576	8,528,020,127
• Others	24,312,619,711	17,618,378,587
<b>TOTAL</b>	<b>62,394,397,089</b>	<b>46,095,744,750</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

as at 31 December 2019 and for the year then ended

## XXIII Production and operating costs

Currency: VND

	Current year	Previous year
Raw materials and merchandises	3,471,184,531,891	2,900,241,008,682
Expenses for external services	157,475,235,065	109,586,601,787
Labour costs	127,730,295,119	84,207,910,711
Depreciation and amortisation of fixed assets	103,861,827,370	73,311,383,678
Other expenses	44,492,160,213	14,959,385,461
<b>TOTAL</b>	<b>3,904,744,049,658</b>	<b>3,182,306,290,319</b>

## XXIV Corporate income tax

The Company and its subsidiary are obliged to pay corporate income tax ("CIT") as follows:

- Vicostone Joint Stock Company

### For sale of finished goods of Factory No.1 as the initial investment project:

The CIT rate applied for activities in this year is 20% of taxable profits.

### For sale of finished goods of Factory No.2 as the investment expansion project

The Factory No.2 project meet the conditions as investment expansion project as required under 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 for this expansion project similar to CIT incentive applied for a new project located in the same area, which is exemption from CIT for 4 years commencing from the first year of earning taxable profits and a 50% CIT 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 to the CIT tax year 2015 onwards, thus, the Company is entitled to an exemption from CIT from 2015 to 2017 and a 50% CIT reduction in the following 9 years (from 2018 to 2026). Accordingly, CIT rate applied for income of this expansion project during the current year is 10% of taxable profit.

### For trading activities:

CIT rate applicable for income earned from this activity is 20% of taxable profit.

- Phenikaa Hue company, subsidiary

CIT rate applied for Phenikaa Hue Company is 17% of taxable profit in 10 years commencing from the first year in which this Company has revenue from its Investment Project. Phenikaa Hue company is entitled to an exemption from CIT for 2 years from the first year of earning taxable income (2019 to 2020) and 50% CIT reduction in the following 4 years (from 2021 to 2024). Accordingly, Phenikaa Hue company is entitled to an exemption from CIT in this year.

The tax returns filed by the Company and its subsidiary 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 consolidated 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 CIT expenses	238,986,868,579	193,231,308,456
Adjustment for over accruals of CIT in prior years	3,561,186,364	1,735,408,895
<b>TOTAL</b>	<b>242,548,054,943</b>	<b>194,966,717,351</b>

### 2. Current tax

The current CIT payable is based on the estimated taxable profit for the current year. The taxable profit of the Company and its subsidiary for the year differs from the profit as reported in the consolidated 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 and its subsidiary's liability for current tax is calculated using tax rates that have been enacted by the consolidated balance sheet date.

Reconciliation between CIT expense and the accounting profit multiplied by CIT rate is presented below:

Currency: VND

	Current year	Previous year
<b>Accounting profit before tax</b>	<b>1,652,662,668,019</b>	<b>1,318,510,572,440</b>
At CIT rate of 20%	330,532,533,604	263,702,114,488
<i>Adjustment to increase:</i>		
Penalty for late payment	54,704,803	564,609,039
Adjustment for under accrual of tax from prior year	3,561,186,364	1,735,408,895
Unrealised foreign exchange loss of the current year	57,573,359	2,229,718,818
Non-deductible expenses	359,555,590	128,725,579
Adjustments for consolidation	6,512,095,309	-
Reversal of unrealised foreign exchange loss of previous year realised in the current year	(2,229,718,818)	-
Tax exempted, reduction	(96,299,875,268)	(73,393,859,468)
<b>CIT expense</b>	<b>242,548,054,943</b>	<b>194,966,717,351</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

as at 31 December 2019 and for the year then ended



The primary segment reporting format is determined to be geographical segments as the Company and its subsidiary's risks and rates of return are affected predominantly by differences in the locations where the Company and its subsidiary sells its products.

The operating businesses are organised and managed separately according to the locations where the Company and its subsidiary operates, with each segment representing a strategic business unit that offers different products.

## Geographical segment

The following table presents revenue, expenditure and certain asset information regarding to the Company and its subsidiary's geographical segments:

Currency: VND

	Domestic activities	Export activities	Deductions	Total
<b>As at 31 December 2019 and for the year then ended</b>				
<b>Revenue</b>				
Sales to external customers	1,339,397,578,206	4,223,365,416,602	-	5,562,762,994,808
Inter-segment sales	151,254,564,963	-	(151,254,564,963)	-
Total revenue	1,490,652,143,169	4,223,365,416,602	(151,254,564,963)	5,562,762,994,808
<b>Results</b>				
Segment gross profit	260,672,226,814	1,659,542,900,102	-	1,920,215,126,916
Unallocated cost of sale	-	-	-	(8,103,718,879)
Gross profit	-	-	-	1,912,111,408,037
Unallocated income, expense	-	-	-	(259,448,740,018)
Net profit before corporate income tax	-	-	-	1,652,662,668,019
Corporate income tax expense	-	-	-	(242,548,054,943)
Net profit for the year	-	-	-	1,410,114,613,076
<b>Assets and liabilities</b>				
Segment assets	568,052,021,280	1,322,657,527,837	-	1,890,709,549,117
Unallocated assets	-	-	-	3,693,047,180,712
Total assets	-	-	-	5,583,756,729,829
Unallocated liabilities	-	-	-	2,135,070,735,316
Total liabilities	-	-	-	2,135,070,735,316
<b>Other segment information</b>				
Capital expenditure of tangible fixed assets	-	-	-	50,432,946,756
Depreciation	-	-	-	103,979,030,170

Currency: VND

	Domestic activities	Export activities	Deductions	Total
<b>As at 31 December 2018 and for the year then ended</b>				
<b>Revenue</b>				
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
<b>Results</b>				
Segment gross	255,220,404,353	1,245,891,534,409	-	1,501,111,938,762
Unallocated cost of sale	-	-	-	(5,469,276,170)
Gross profit	-	-	-	1,495,642,662,592
Unallocated income, expense	-	-	-	(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
<b>Assets and liabilities</b>				
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
<b>Others segment information</b>				
Capital expenditure of tangible fixed assets	-	-	-	138,328,491,745
Depreciation	-	-	-	73,428,586,478

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 expense except for cost of goods sold, assets except for trade receivables and provision for those trade receivables, and payables, are not allocated into geographical segment as they are not clearly identified for each segment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

as at 31 December 2019 and for the year then ended



## Transactions with related parties

Significant transactions of the Company and its subsidiary with related parties during the year were as follows:

Currency: VND

Related parties	Relationship	Transactions	Current year	Previous year
A&A Green Phoenix Group Joint Stock Company	Parent company	Sales of materials, consumables	236,289,673,726	386,304,091,533
		Purchase of merchandises and services	637,079,448,132	801,260,219,582
		Dividend payables	512,000,000,000	384,000,000,000
		Payment of loan principal	228,843,150,670	-
Style Stone Joint Stock Company	Fellow subsidiary	Purchase of merchandise	676,189,570,075	643,099,680,793
		Sales of materials, consumables, finished goods	233,558,749,968	358,584,601,812
Stylenquaza LLC.	Associate of parent company	Sales of finished stone products, consumables	1,156,445,552,924	641,403,162,286
		Sales return	1,360,691,000	-
Vietnam Stone Work - Top Fabrication Joint Stock Company	Fellow subsidiary	Sales of finished stone products, consumables	485,437,633,231	308,784,413,377
		Purchase of merchandise	595,138,238,442	250,334,436,514
Tran Long Industry Joint Stock Company	Fellow subsidiary	Sales of finished stone, consumables	69,128,098,319	109,296,498,384
		Purchase of merchandise	128,103,556,263	39,207,226,392
Phenikaa Hue Mineral Processing & Investment One Member Company Limited	Fellow subsidiary until 23 May 2019	Purchase of materials	82,349,890,000	-
		Sales of consumables	1,187,210,176	11,008,126,440
Sec G3 Center Joint Stock Company	Fellow subsidiary	Purchase of stationery, merchandises	11,497,642,388	7,971,484,274
		Construction service charge	407,680,690	-
		Land rental fee, utilities, other service charge	2,084,486,246	2,069,520,404
VPM Hanoi Project Management Consultancy Joint Stock Company	Fellow subsidiary	Construction costs	1,351,332,210	4,738,060,895
Sitotech Global Design and Technology Consultancy Joint Stock Company	Under common owner	Purchase of merchandises and consumables	30,232,727	-
Phenikaa University	Fellow subsidiary	Sales of goods, consumables	119,493,259,281	-

## Terms and conditions of transactions with related parties

The sales to and purchases of goods, services with related parties are made at normal quoted price which is approved by the Board of Directors.

Receivables and payable due from/to related parties as at the balance sheet date are unsecured, interest free and will be settled in cash or offsetting with receivable and payable accounts. Receivables from related parties as disclosed in Note 6 have the payment terms from 3 to 12 months. For the year ended 31 December 2019, the Company and its subsidiary have not made any provision for doubtful debts relating to amounts owed by related parties.

As at the balance sheet date, amounts due to and due from related parties were as follows:

Currency: VND

Related parties	Relationship	Transactions	Ending balance	Beginning balance
<i>Short-term trade receivables (Note VI)</i>				
Stylenquaza Co., LLC.	Associate of parent company	Receivables from sales of finished stone	539,401,462,435	283,227,452,416
Vietnam Stone Work - Top Fabrication Joint Stock Company	Fellow subsidiary	Receivables from sales of consumables, finished goods	290,810,913,263	184,089,313,453
Tran Long Industry Joint Stock Company	Fellow subsidiary	Receivables from sales of consumables, finished goods	119,962,031,451	152,760,686,798
Phenikaa University	Fellow subsidiary	Receivables from sales of consumables, finished goods	35,351,610,942	-
Phenikaa Hue Company	Fellow subsidiary and direct subsidiary since 23 May 2019	Receivables from sales of consumables, finished goods	-	10,242,579,321
A&A Green Phoenix Group Joint Stock Company	Parent company	Receivables from sales of materials	21,366,180,000	-
Style Stone Joint Stock Company	Fellow subsidiary	Receivables from sales of materials	25,758,337,000	-
			1,032,650,535,091	630,320,031,988
<i>Short-term trade payables (Note XII)</i>				
A&A Green Phoenix Group Joint Stock Company	Parent company	Purchase of finished stone	51,167,886,459	116,013,165,671
Sec G3 Center Joint Stock Company	Fellow subsidiary	Purchase of stationeries, consumables	1,780,117,493	1,962,447,041
Style Stone Joint Stock Company	Fellow subsidiary	Purchase of finished stone	36,717,224,439	45,307,057,052
			89,665,228,391	163,282,669,764
<i>Other short-term payables (Note XIV)</i>				
A&A Green Phoenix Group Joint Stock Company	Parent company	Deividends payable	-	87,602,906,000
			-	87,602,906,000



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

as at 31 December 2019 and for the year then ended

## Transactions with other related parties

Remuneration to members of the Board of Directors and Management:

Currency: VND

	Current year	Previous year
Salaries and bonus	14,323,853,132	13,707,461,339
<b>TOTAL</b>	<b>14,323,853,132</b>	<b>13,707,461,339</b>

## XXVII 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.

The Company used the following information to compute earnings per share.

Currency: VND

	Current year	Previous year (Restated)
Net profit after tax	1,410,114,613,076	1,123,543,855,089
Estimated/ actual appropriation in bonus and welfare funds (*)	111,936,197,162	89,883,508,407
<b>Net profit attributable to ordinary equity holders adjusted for the effect of dilution</b>	<b>1,298,178,415,914</b>	<b>1,033,660,346,682</b>
Weighted average number of ordinary shares adjusted for basis earnings per share	160,000,000	160,000,000
<b>Earnings per share</b>		
• Basic earning per share	8,114	6,460
• Diluted earning per share	8,114	6,460

(\*) Net profit used to compute earnings per share for the year ended 31 December 2018 was restated from figures previously disclosed in the financial statements for the year ended 31 December 2018 to present the actual appropriation to Bonus and welfare funds from retained earnings. The estimated appropriation in bonus and welfare funds for the year ended 31 December 2019 followed the Resolution No. 01/2019 NQ/VCS-ĐHĐCĐ of the General Shareholders' Meeting dated 12 April 2019.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

## XXVIII Commitments and contingencies

### 1. Operating lease commitments

The Company and its subsidiary lease land under operating lease arrangements. As at 31 December 2019, payables for rental fee in the future under the operating lease agreements is as follows:

Currency: VND

	Ending balance	Beginning balance
Less than 1 year	797,320,575	226,210,950
From 1-5 years	4,460,466,300	904,843,800
More than 5 years	23,806,539,455	1,809,687,600
<b>TOTAL</b>	<b>29,064,326,330</b>	<b>2,940,742,350</b>

Additionally, the Company also leases 27,451 m2 land area at Plot 2A, Bac Phu Cat Industrial Zone under the operating lease contract No. 10/VC/HDKT-TLĐKCNBPC dated 30 May 2008 with the lease term of 48 years, 7 months and 19 days commencing from the contract date. The fees of land rental are VND 10,000/m2 per annum and management service charge of VND 3,500/m2 per annum. The land rental price for the remaining year can be adjusted depending on agreement between the Company and the Industrial Zone management in subsequent discussions.

### 2. Commitment related to operating lease contract

The Company leases land under an operating lease. According to the signed land lease contract, the Company is obliged to remove all construction works, architectural objects, equipment, materials on the leased land and restore the site to its original conditions as at the time of receiving the land at the end of the lease period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

as at 31 December 2019 and for the year then ended

## 3. Litigation

In May 2013, the Company received a claim from Cambria Co., Ltd. ("Cambria"), a company incorporated in the United States of America for the infringement of intellectual property rights in relation to the sale of certain of products in the U.S. market. This lawsuit has been handling by Minnesota District Court.

The Company has appointed Sapiientia Law Group PLLC as its legal representative on this lawsuit. On 6 November 2013, the Minnesota District Court ordered the stay of litigation. 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 2019 and at the date of these consolidated financial statements.



## Events After The Balance Sheet Date

In accordance with Resolution No.02/2020 NQ/VCS-HĐQT dated 31 January 2020, the Company's Board of Directors has approved the third advance payment for dividends for the year 2019 with the dividend rate of 20% per share (equivalent to VND 2,000 per share).

There is no other matter or circumstance that has arisen since the consolidated balance sheet date that requires adjustment or disclosure in the consolidated financial statements of the Company and its subsidiary.

**Doan Thi Ngoc**

Preparer  
9 March 2020

**Nguyen Thi Nga**

Chief Accountant

**Pham Anh Tuan**

General Director





**VICOSTONE**  
*The Art of Quartz*

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