

VICOSTONE
The Art of Quartz



**PROMPT TRANSFORMATION
TREND INITIATION**

**ANNUAL
REPORT**

2020



Vicostone quartz product Statuario - BQ8628



Vicostone quartz product Volakano - BQ8885



FORWARD-LOOKING STATEMENTS

Vicostone's Annual Report 2020 ("the Report") is developed in accordance with Appendix 04 of Circular 155/2015/TT-BTC dated October 6, 2015 by the Ministry of Finance instructing business' information disclosure on the securities market.

The analyses and forecasts in the Report reflect the Company's assessments at the time of compiling and may differ from actual figures due to unexpected events. Thus, the analyses, assessments and views stated in the Report may be adjusted 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 institutional or individual recipients of the Report of any changes or inaccuracies regarding the stated assessment, views or recommendations.

Vicostone's 2020 Annual Report contains the information and data obtained from construction-material and engineered-stone industry surveys, publicly made available by third-parties such as Freedonia (a U.S.-based market research company). The reports issued by the third-party organizations comprise research data, assessments or concepts developed independently based on multiple sources, including: manufacturers' financial statements; countries' statistical reports; press releases; specialized magazines and newspapers; and interviews with construction materials manufacturers (including engineered-stone and competing products industries), distributors and trade associations. These sources of information are highly reliable; however, Vicostone cannot attest to the accuracy, veracity or completeness of the information provided by the third-parties as it has neither verified nor had sufficient resources to cross-check the following data:

- The overview of the global and Vietnamese economies;
- The overview of the market and demand for quartz;
- The competitiveness of VICOSTONE® products in the international markets and Vietnam;
- The development of production technologies and material substitutes;
- The challenges and requirements from markets;
- The financial indicators forecast for 2021.

Any optimistic forecast of the market or of the Company's performance contained in the Report should not be considered as the Company's guarantee of its future business performance. Actual performance in 2021 may differ from forecast due to the adverse impacts of risks and uncertainties of which the Company cannot foresee and control.

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

1
**VICOSTONE
OVERVIEW**

2
**REPORT OF
THE BOARD OF
MANAGEMENT**

09	Message from the Chairman
10	Vision – Mission – Core Values
12	Key Financial Indicators 2016 - 2020
14	Notable Achievements of 2020
24	General Information
26	Risk Management
32	Comprehensive Quality Management Excellence
34	Development History
36	Governance Structure, Labor Structure and Management Apparatus
50	Products, Technology, Market
60	The 2020 Market And 2021 Outlook
68	Vicostone Business Performance in 2020
82	Financial Analysis for 2020
110	Key Plans and Missions for 2021

3
**CORPORATE
GOVERNANCE**

4
**SUSTAINABLE
DEVELOPMENT**

5
**CONSOLIDATED
FINANCIAL
STATEMENTS**

114	Development Strategy to 2025 with Vision to 2030
116	Report of the Board of Directors
132	Report of the Board of Internal Auditors
137	Investor Relations
148	Commitment to Sustainable Development
150	Stakeholder Engagement
156	Vicostone’s Code of Conducts with Stakeholders
162	HSEQ Management System
176	Environmental Responsibilities
190	Social Responsibilities
194	Sustainable Human Resources Development
202	General Information
205	Report of Management
206	Report of the Independent Auditor
208	Consolidated Balance Sheet
210	Consolidated Income Statements
211	Consolidated Cashflow Statements
213	Notes to the Consolidated Financial Statements

PROMPT TRANSFORMATION TREND INITIATION



MESSAGE FROM THE CHAIRMAN

Dear Valued Shareholders, Investors, Customers, Partners and other Stakeholders,

Impacts of the Covid-19 pandemic, trade wars, and political instability have made 2020 a year of great turmoil and challenges for the entire world. Viet Nam was inevitably not immune from these adverse trends. However, thanks to the resolute and effective leadership of the Communist Party and the Government of Viet Nam in implementing aggressive measures aimed at pandemic containment and prevention in tandem with economic development and people's livelihood assurance, Viet Nam managed to achieve a record 2.91% GDP growth rate (according to the General Statistics Office's report released in December 2020), ranking among the world's fastest-growing economies in 2020.

In this context, in 2020, Vicostone, by virtue of its prompt adaptability and timely transformation to respond to market changes as well as solid governance foundation, managed to overcome adversities and recovered immediately following the initial shock caused by the outbreak of the Covid-19 pandemic during the first quarter. The Company promptly stabilized its operations and delivered satisfactory outcomes. In particular, in 2020, the Company recorded total net revenue of approximately VND 5,660 billion, which represented a 1.7% increase YOY, and a pre-tax profit of approximately VND1,668 billion, thereby fulfilling business targets approved at the 2020 Annual General Shareholders' Meeting. Furthermore, the Company has continued to sustain and develop markets by expanding export markets to over 50 countries and finalized its closed-loop input supply chains for the production of advanced quartz-based engineered stone.

In addition, a special milestone was reached in 2020 as Vicostone became the third-largest supplier of engineered stone countertops for the global market, according to the independent evaluation and research conducted by the reputable American market research firm Freedonia. The VICOSTONE® brand also continued to be recognized as Vietnam's National Brand in 2020, thereby reaffirming and propelling the value of our brand both at home and abroad.

These positive outcomes are the results of the Company Management's business acumen and determined leadership, as well as corporate risk management capabilities and proactive response to overcome unpredictable changes in the global economy.

The new year 2021 is expected to be full of new challenges due to the continuous complex development of the Covid-19 pandemic. Countries and businesses alike will continue to strive to "recover amidst uncertainties." Vicostone will act on the strategic direction of "Prompt Transformation - Trend Initiation" to pursue sustainable development in the "new normal" period which is coupled with rapid and vigorous digital transformation in all aspects of the economy. The key missions, goals, and roadmaps for implementation are well determined by the Company as follows:

- Continuous promotion of Research and Development (R&D) activities to create new generations of pioneering products, improve business competitiveness through our distinct technological advantages;
- Expansion of business scale and cost optimization;
- Strengthening of the Company's role and connections with other pillar business units of the Phenikaa Group's ecosystem to enhance business values and benefits based on the collective strength of the Group;
- Demonstration of the Company's internal strengths and corporate culture that places the harmonization of stakeholders' interests as the focus for all activities.

On behalf of the Board of Directors, I would like to extend my most sincere gratitude to State agencies, Customers, Shareholders, Investors, Media Agencies, etc., and all of our employees as well as our parent company Phenikaa Group for your constant trust and companionship with Vicostone on our journey towards a sustainable and prosperous future.

Wishing you all Health, Peace and Happiness!

With sincere thanks,

CHAIRMAN OF THE BOARD OF DIRECTORS



HO XUAN NANG

VISION – MISSION – CORE VALUES



VISION

To keep promoting the standing of the brand VICOSTONE® on the international market through limitless innovation and appliance of advanced technologies and materials to create unique, artistic inspirational quartz products.



MISSION

To realize all commitments, pioneer innovations to offer top-quality unique, artistic, trend-leading products, satisfy the demand of customers and inspire individual creativity.



STRATEGIC ORIENTATION

To position smart industrial production as the core business, eco-friendly materials and hi-tech products as the spearheads, and to focus on engineered quartz stone and advanced composite materials.



CORE VALUES

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, and 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

To lead in advanced technologies and materials, create new market trends and achieve eco-friendly, sustainable development.

Inspiration

To make Vicostone’s products the quintessence of the nature and inspire customers to confidently pursue and create personalized living space.

KEY FINANCIAL INDICATORS (2016 – 2020)

	TOTAL ASSETS	VND 6,055.33 billion	increased by 16 %/year in the 2016 – 2020 period
	OWNERS' EQUITY	VND 3,857.82 billion	increased by 29 %/year in the 2016 – 2020 period (In the 2016 – 2020 period, Vicostone made annual dividend payments at the rate of over 40%, including cash and bonus shares from treasury shares ~ VND 3,355 billion)
	TOTAL NET REVENUE	VND 5,659.59 billion	increased by 16 %/year in the 2016 – 2020 period
	PROFIT BEFORE TAX	VND 1,667.95 billion	increased by 20 %/year in the 2016 – 2020 period
	NET PROFIT AFTER TAX	VND 1,428.42 billion	increased by 23 %/year in the 2016 – 2020 period
	ROA AND ROE 2020	24.55 % & 39.10 %	

Items	Unit	2020	2019	2018	2017	2016
1. BUSINESS PERFORMANCE						
Net revenue	VND billion	5,659.59	5,562.76	4,521.60	4,352.52	3,211.49
Cost of goods sold	VND billion	3,695.77	3,650.65	3,025.95	3,085.31	2,220.06
Gross profit	VND billion	1,963.83	1,912.11	1,495.64	1,267.21	991.43
Finance income	VND billion	40.07	26.34	41.40	54.38	25.93
Finance expenses	VND billion	92.88	68.02	69.87	48.81	70.95
Profits or losses from associated and joint venture companies	VND billion	-	-	-	-	3.85
Selling expenses	VND billion	160.51	154.06	99.93	95.65	76.84
General and administrative expenses	VND billion	71.48	62.39	46.10	52.20	59.39
Other income	VND billion	1.55	1.45	1.51	1.18	0.87
Other expenses	VND billion	12.63	2.76	4.15	1.10	1.14
Profit before tax	VND billion	1,667.96	1,652.66	1,318.51	1,125.01	813.76
Current and deferred corporate income tax expenses	VND billion	239.54	242.55	194.97	3.23	137.78
Net profit after tax	VND billion	1,428.42	1,410.11	1,123.54	1,121.78	675.98
Basic earnings per share	VND	8,251	8,114	6,460	13,461	10,813
Diluted earnings per share	VND	8,251	8,114	6,460	13,461	10,813
2. ASSETS AND RESOURCES						
Total assets	VND billion	6,055.33	5,583.76	4,404.33	3,809.75	3,337.93
Current assets	VND billion	4,900.51	4,456.31	3,794.50	3,291.34	2,729.08
<i>In which: Cash and cash equivalents</i>	VND billion	790.35	469.92	427.35	656.28	433.97
Non-current assets	VND billion	1,154.82	1,127.45	609.83	518.41	608.85
Total liabilities and owners' equity	VND billion	6,055.33	5,583.76	4,404.33	3,809.75	3,337.93
Liabilities	VND billion	2,197.51	2,135.07	1,673.77	1,413.86	1,890.79
Owners' equity, minority interests	VND billion	3,857.82	3,448.69	2,730.55	2,395.89	1,447.14
3. OTHER FINANCIAL DATA						
Capital construction investment	VND billion	88.40	50.65	151.73	62.75	200.10
Depreciation and amortisation of fixed assets	VND billion	119.18	103.98	73.43	69.63	67.59
Adjusted EBITDA	VND billion	1,839.94	1,798.32	1,420.41	1,189.08	929.64
EBITDA Margin (%)	%	32.51%	32.33%	31.41%	27.32%	28.95%

NOTABLE ACHIEVEMENTS OF 2020

01

VICOSTONE – THE WORLD’S THIRD-LARGEST PRODUCER OF ENGINEERED STONE COUNTERTOPS



As a result of relentless efforts of its Board of Directors and staff, in 2020 Vicostone became the third-largest supplier of engineered stone countertops to the global market, with 06 production lines operating with total production capacity of more than 3,000,000m² of big-size stone slabs per year, and 02 production factories, with total production capacity of more than 500,000m² cut-to-size stone per year. The ranking was independently conducted by the U.S.-based market researcher Freedonia.

02

VICOSTONE® REMAINED VIETNAM’S MOST VALUED BRAND



The Vietnam Value Award is an exclusive brand-valuing program developed by the Vietnamese Government to promote and develop national branding of distinguished domestic products. Participants are rigorously and transparently selected based on a set of clear criteria that are integral to core values, namely, Quality, Innovation and Pioneering. In 2020, VICOSTONE® – the product brand of Phenikaa Group – was once again honored with the Vietnam Value Award. This was a recognition by the Government, customers and partners, for the efforts, pioneering, and unrelenting innovation of the people at Vicostone in particular, and those at Phenikaa Group in general for sustaining and strengthening the position of Vietnamese brands in the global market.

03

SECURED CLOSED-LOOP INPUT SUPPLY CHAINS FOR ADVANCED QUARTZ PRODUCTION

As a result of localization of and participation in the supply chains of critical input materials - a key strategy developed by the parent firm Phenikaa Group – Vicostone managed to reduce the risks of dependence on imported materials and forex rate volatility, optimized the selling prices and secured the supply and quality of both production materials and end-products; thus enhancing product quality; improving the management of production expenses; and improving competitive advantages.

- Quartz & Cristobalite: Vicostone secured the supply of quartz and cristobalite inputs by acquiring Phenikaa Hue – one of three cristobalite plants in the world.
- Polyester resin: In 2020, Phenikaa Chemical Plant entered into operation with a focal mission to supply polyester resin – a prime material in producing engineered quartz stones, thus driving Vicostone towards full localization and reinforcement production.



NOTABLE ACHIEVEMENTS OF 2020 (CONTINUED)

04 INVESTED IN ADDITIONAL PRODUCTION LINE WITH CAPACITY OF 500,000M² OF SLAB PER YEAR



With a view to enhance production capacity of stone slabs, expand productivity scales, as well as improve technologies to develop new and unique products and enhance the Company's competitiveness, Vicostone installed an additional production line with the capacity of 500,000m² of stone slabs per year. The new production line raised the total number of lines at Vicostone to six and lifted the total output to more than 3,000,000m² of stone slabs per year.

The investment and installment of a new production line demonstrated the strengths and potentials of Vicostone as well as its proactiveness in planning for production in accordance with each developmental phase.

05 EXPANDED EXPORT MARKETS TO MORE THAN 50 COUNTRIES



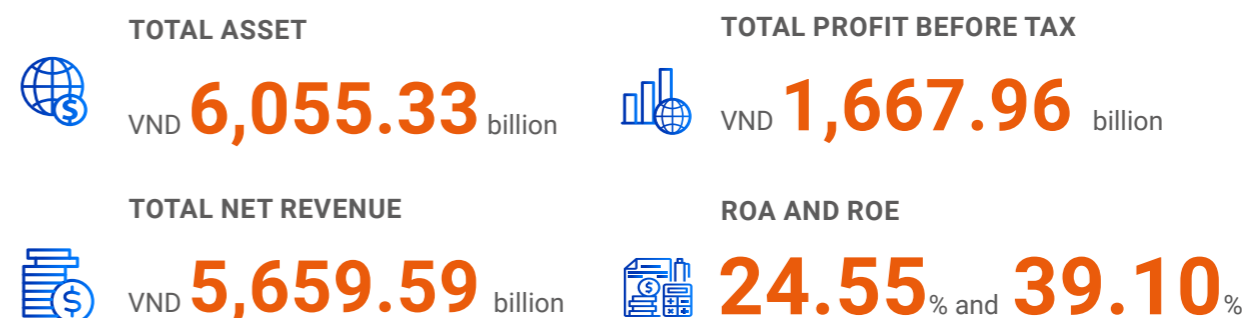
In 2020, despite the severe economic impacts engendered by the COVID-19 pandemic, both domestically and internationally, Vicostone still made its strong impressions by remaining resilient in overcoming difficulties, maintaining business operations, securing jobs for employees and expanding markets. With its goals to achieve sustainable development, contributing towards the fostering a strong and prosperous nation, and promoting domestically manufactured brands to the world, Vicostone continued to strengthen its development in key markets. At the same time, we expanded to new regions by broadening agency networks and spending more on Integrated Marketing and Communication activities. This lifted the total number of export markets for VICOSTONE® products to more than 50 countries worldwide.

06 INTRODUCED THE WORLD'S FIRST-EVER 5MM QUARTZ, PROVIDING ALTERNATIVES FOR GLOBAL CUSTOMERS

As a pioneer and trend-setter with creative, unique and inspirational product lines, in 2020, Vicostone successfully introduced and commercialized VICOSTONE® Ultrathin, the first 5mm-thick quartz product in the world. Driven by the state-of-the-art, cutting-edge technology, the product possessed advanced attributes, including its lightness, thinness, ease of use, and the provision of a variety of options for consumers. The freshness and utility of this brand new product has made strong impressions on our customers, especially the Japanese, who always had a penchant for convenience and simplicity.



07 MAINTAINED STABLE BUSINESS OPERATION AMID COVID-19 PANDEMIC



By the end of 2020, the total asset of Vicostone was valued at VND6,055.33 billion, total net revenue was VND5,659.59 billion and total pre-tax profit was VND1,667.96 billion. The results were encouraging for a global-scale business amid the COVID-19 pandemic and the volatility of global social-economic-political conditions, demonstrating the Company's ability to adapt and proactively transform.

NOTABLE ACHIEVEMENTS OF 2020 (CONTINUED)

08

STABILIZED INCOMES, INCREASED JOBS AMID THE COVID-19 CRISIS



In 2020, in face of the global pandemic with unpredictable developments, Vicostone ensured incomes for its employees and expanded the labor force while implementing safety measures to prevent the contraction and spread of the disease. These actions proved the Company was strong enough to adapt to any changes, defeat obstacles and stand firm against this crisis.

In 2020, Vicostone hired 112 new employees, increasing its staff by 5% from 2019, whereas other businesses were forced to lay people off and scale down operations.

09

ACTIVELY JOINED GOVERNMENT'S SOCIAL ACTIVITIES TO MAKE LIFE SAFER AND BETTER FOR THE COMMUNITY AND SOCIETY



As a conscious global business with a mission to fulfill all commitments to stakeholders, Vicostone continued to focus on developing society and community programs in an effort to make life better every day. In 2020, Vicostone and Phenikaa Group actively joined with the Government to implement meaningful programs that included the donation of VND6.5 billion to assist the Government to fight the COVID-19 pandemic, the donation of VND5 billion directed to the "For the Poor" Foundation, and VND2 billion for Vietnamese children with cancer via the VinaCapital Foundation.

10

VICOSTONE HONORED BY THE PARTY, STATE AND REPUTABLE DOMESTIC, INTERNATIONAL INSTITUTIONS

Vicostone received numerous awards from the Party, the State and the Government and ranked highly by reputable domestic and international institutions.



Vicostone received honorable Emulation Flag of the Hanoi People's Committee



Vicostone is honored in the Top 50 Best Performing Companies in 2020

NOTABLE ACHIEVEMENTS OF 2020 (CONTINUED)

10

VICOSTONE HONORED BY THE PARTY, STATE AND REPUTABLE DOMESTIC, INTERNATIONAL INSTITUTIONS (CONTINUED)



Vicostone is honored in Top 500 Largest Companies in Vietnam



Vicostone is lauded in the Top 50 Most Competitive Listed Companies

- Hanoi City's Emulation Flag from the local People's Committee;
- Vietnam's Top 50 listed companies by Forbes Vietnam;
- Vietnam's 100 Largest Public Companies by Forbes Vietnam;
- Top 100 Sustainable Companies by the Vietnam Business Council for Sustainable Development (VBCSD) under the Vietnam Chamber of Commerce and Industry (VCCI) in co-operation with the Ministry of Labor, War Invalids and Social Affairs, the Ministry of Natural Resources and the Environment, and Vietnam General Confederation of Labor;
- Top 10 Reputable Building Material Companies in Vietnam by Vietnam Report and VietnamNet Newspaper;
- Vietnam's Top 500 Fastest Growing Companies (FAST500) by Vietnam Report and VietnamNet Newspaper;

- Vietnam's 50 Best Performing Companies by Nhip Cau Dau Tu Magazine and Thien Viet Securities JSC;
- Top 500 Most Profitable Companies in Vietnam (PROFIT500) by Vietnam Report and VietnamNet Newspaper;
- Vietnam's Top 500 Largest Companies (VNR500) by Vietnam Report and VietnamNet Newspaper;
- Top 100 Best Tax-paying Companies in Vietnam by the General Tax Department;
- Company with the best Information Transparency and Corporate Governance in 2019-2020 by the Hanoi Stock Exchange (HNX);
- Top 10 Companies with the Best Annual Reports by the Ho Chi Minh Stock Exchange (HOSE), the Hanoi Stock Exchange (HNX) and Dau Tu Newspaper;
- Top 50 Most Competitive Companies by Vietnam Chamber of Commerce and Industry (VCCI), Dien Dan Doanh Nghiep Magazine, Institute of Business Studies and Development (INBUS) and Vietnam Association of Accountants and Auditors (VAA).

VICOSTONE ANNUAL REPORT 2020

**PROMPT TRANSFORMATION
TREND INITIATION**



01

VICOSTONE OVERVIEW

General Information	24
Risk Management	26
Comprehensive Quality Management Excellence	32
Development History	34
Governance Structure, Labor Structure and Management Apparatus	36
Products, Technology, Market	50

OVERVIEW OF VICOSTONE



Vicostone is the third-largest supplier of engineered stone countertops to the global market. The Company has set up a broad distribution network in all five continents as well as secured the intellectual property right for its brand VICOSTONE® in 67 countries.

VICOSTONE JOINT STOCK COMPANY

International name	VICOSTONE JOINT STOCK COMPANY
Abbreviated name	VICOSTONE
The certificate of business registration	0500469512 issued by the Hanoi Department of Planning and Investment on June 2, 2005 and registered for the 18th amendment on April 16, 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
Tel	(+8424) 3368 5826
Fax	(+8424) 3368 6652
Website	https://vicostone.com
Email	quanhecodong@vicostone.com

Stock name: Share of Vicostone Joint Stock Company

Par value: VND 10,000/share

Stock code: **VCS**

Number of listed shares: **160,000,000** shares on the Hanoi Stock Exchange (HNX)

Number of treasury shares: **4,800,000** shares

Number of outstanding shares: **155,200,000** shares



Responsible for information disclosure

Mr. Pham Anh Tuan

Position: General Director

Tel: (+8424) 3368 5826

Fax: (+8424) 3368 6652

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

Mobile: 0977 150 881

Independent auditing unit

ERNST & YOUNG VIETNAM LTD. CO.

Address: 8th Floor, Cornerstone Building, 16 Phan Chu Trinh, Hoan Kiem District, Hanoi

Tel: (+8424) 3831 5100

To audit Vicostone's separated financial statements and consolidated financial statements for 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020.

RISK MANAGEMENT

Based on the review and assessment of the Company's risk profile in 2020, the analysis of the current conditions and the forecast of trends upon information available at the time of reporting, it is foreseen that in 2021 the Company may likely face the following major risks as follows:

I. RISKS FROM THE COVID-19 PANDEMIC

Although several countries have introduced and provided COVID-19 vaccines since late 2020, it will take longer to determine their effectiveness and universality. On the other hand, the complex development of the COVID-19 pandemic with new variants of the SARS-CoV-2 virus being identified is still a substantial challenge.

According to the International Monetary Fund (IMF), the COVID-19 pandemic is the greatest ever socio-economic crisis since World War II. The impact of the pandemic has even surpassed those of the global financial crisis in 2008 and even the Great Depression in 1930s.

According to international financial, economic and research organizations, the recovery of the global economy may vary from one country to another, depending on how effectively the pandemic will be controlled by each, how widely economies will be re-opened, as well as what new economic policies will be taken. In the optimistic scenario, the global economy may reach the bottom low in 2021 and bounce back in late 2021 or early 2022. Still, there are more pessimistic forecasts, for example, the IMF has predicted that the world will have to go through many more difficult months, or even years.

With the above forecasts, 2021 may continue to be a year of hardship for the global economy in all sectors. The quartz-based engineered-stone manufacturers will be not immune from that, including Vicostone, who has been operating in international markets. Major risks may include:

- Disruption in production and business: If another pandemic outbreak occurs in Viet



Nam, the Government may implement lockdown, social distancing, or quarantine policy. In such a case, the Company's operations may be affected, even the production and supply chains may have to be suspended to comply with State regulations.

- Declining revenue and profit: The pandemic affects consumers and the global economy in general, causing a decline in the demand for VICOSTONE® products, especially in key markets such as the U.S., Canada, Belgium, and England, etc.
- Rising competition: Vicostone may face an increase in unfair competition from other competitors as they seek to sell the outputs by any means.

Being aware of these adverse risks, in addition to complying with rules and instructions on disease prevention and containment in the workplace as required by the Ministry of Health, the Company has aggressively developed and executed various trade promotion programs and sales scenarios to proactively offer suitable sales solutions for each market at specific times.

II. INCREASE IN MARKET COMPETITION

1. Competition from other quartz-based engineered stone manufacturers

In recent years, the risk of increased competitive pressure has always been one of the key risks that the Company has focused resources to monitor and evaluate. Especially in the context of the current world economic situation facing many difficulties and challenges, competition risk becomes more and more obvious.

Attractive profitability ratios and low trade barriers have encouraged more companies to enter the industry in recent years. The six major manufacturers, namely Cosentino, Caesarstone, Vicostone, Compac, Shandong Hefeng Group, and Cambria, are holding only 27.8% of the global total output. This is a big downside compared to 10 years ago when Cosentino alone produced 30% of the world's total product output. Regionally, factories located in Asia-Pacific have the highest production capacity, especially in China and India where hundreds of low-cost quartz plants are operating. In China alone, there are more than 300 quartz and marble factories.

At the same time, Freedonia market research company's 2020 report suggested the global quartz market in 2019-2024 would experience a negative growth and scale down by 1.7% each year due to the negative impact of the COVID-19 pandemic.

¹ <https://www.qdnd.vn/thoi-su-quoc-te/doi-song-quoc-te/imf-lac-quan-hon-ve-trien-vong-kinh-te-the-gioi-640884>

² As reported by Freedonia

RISK MANAGEMENT (CONTINUED)



Vicostone quartz product Valley White - BQ2600

Thus, the significant increase in supply and decline in demand will cause fierce competition for market shares among quartz producers. This is the greatest risk for producers using Breton technology in general, and for Vicostone in particular, as their products are often more expensive due to huge investment in production technologies and R&D to bring added values, differentiation, and uniqueness to products while other producers who use China's technology, with lower investment cost, may offer much lower price products with lower quality and design features. As the economy is predicted to remain difficult in 2021, consumers might prefer cheaper products, to save their money. This is considered a major risk factor for the Company in 2021.

To compete and maintain revenue growth, market share, and leadership, Vicostone continues to choose a differentiated strategy for its products. Accordingly, Vicostone continues to focus on investing in R&D, to research new materials and new products with unique and different characteristics that are difficult to imitate with outstanding advantages. Simultaneously, methods to optimize costs are also implemented synchronously by the Company such as localize the materials, implementation of programs to review and optimize costs in all activities, etc., in order to increase competitive advantages.

2. Competition from alternative materials

According to a Freedonia's report, the sales of engineered stone currently accounts for

11% of the global market's total revenue. Alternatives for the engineered stone include granite, marble, ceramic, laminates, and recently developed products such as porcelain slab and sintered stone (such as Dekton), etc. The development of substitute materials and the change of customer appetites will have a direct impact on Vicostone's ambition of market share expansion.

To remain competitive against alternative product producers, Vicostone will enhance product renovation and diversification to create comparative advantages based on customer understanding, design, and technological know-how combined with the intelligence and creativity of Vicostone's human capital. The Company will also constantly upgrade production technologies, maintain merchandise availability, expand distribution networks, and improve customer care services, etc.

III. RISKS IN CYBERSECURITY AND INFORMATION CONFIDENTIALITY

The Fourth Industrial Revolution (Industry 4.0) has raised concerns for both producers and smart digital solutions providers. The business community not only has to seize opportunities to grow but also encounters the risks of cybersecurity and information confidentiality due to the interconnection between industries and the digitalization progress. Producers and their distribution network may suffer from these risks due to a lack of responsive solutions.

As one of the top 3 largest suppliers of engineered stone countertops to the global market, Vicostone could become a target for competitors to copy its business model and technological know-how. Protecting these assets has become a top priority.

On the other hand, Vicostone – as a high profile listed public enterprise – can also be a target for hackers who want to attack its system to steal information on business results and confidential information that are not yet released to the public by the Company in order



to make profits. These actions could damage the interests and benefits of the Company, its investors and shareholders, etc.

With full awareness of these issues, Vicostone has identified two major sources of risks in cyber and information security, namely:

1. Systemic risks

As Vicostone is undergoing an intense stage of digital transformation, systemic interruption is hardly avoidable. The Company's system may be breached, key information could be stolen and the whole system could be infected with viruses and malware programs.

2. Human resource risks

People are often the weakest link in the cybersecurity system of an organization, and in fact, the human factor is typically the main cause behind any cyber-attack. Whether the attack is unintentional or explicit, the consequences are often extremely serious, as information may be leaked by those who left the Company to work for the competitors.

RISK MANAGEMENT (CONTINUED)



This consequence can cause significant damages and losses for the business.

Fully aware of those risks, Vicostone has upgraded its information security system and applied a digitalized internal network, in which all activities are strictly controlled. The system is closely monitored and has been decentralized to mitigate risks to the overall structure.

Furthermore, the Company educates its workers and employees so that they understand and acknowledge their duties and obligations to keep the information secured. Vicostone also imposes internal rules related to information security, and signs information security contracts with the employees during their probationary or long-term contract terms and/or before the expiration of their contracts.

IV. RISKS FROM U.S. TARIFF MEASURES

The risk of high tax imposition by the US may occur when Vietnam is included in the list of currency manipulators and faces the risk that Vietnam's quartz stone production industry will be sued for anti-dumping and anti-subsidy due to the increasing volume of

quartz stone exports to the US from Vietnam and the decreasing in average price due to the market participation of Chinese technology manufacturers in Vietnam, specifically:

1. Risk of high tariffs as Vietnam is labeled as a currency manipulator

The U.S. Department of Treasury on December 16, 2020, released a report on "Macroeconomic policies and currency practices of major U.S. trading partners". The report suggested Vietnam was among several nations that were involved in currency manipulation according to the Omnibus Foreign Trade and Competitiveness Act of 1988. Under the Omnibus Act, to be labeled a manipulator, a country must have at least a \$20 billion bilateral trade surplus with the United States, foreign currency intervention exceeding 2% of GDP, and a global current account surplus exceeding 2% of GDP. Some Vietnamese analysts have estimated that U.S. tariffs may be up to 25% on some imports and the potential increase could make Vietnamese merchandise more expensive, resulting in Vietnam's lower exports to the States.

At the moment, no official decision has been made by the U.S. administration, however, the possibility of such labeling is a cause for concern for Vietnamese companies in general and for Vicostone in particular in 2021 as companies plan to export their products to the U.S.

2. Risk of litigations on export dumping and subsidy charges

In recent years, the risk of being charged with export dumping subsidy is one of the major concerns for the Board of Directors. In 2020, Vietnam was the second largest general exporter to the U.S. after Spain⁴ while remaining the third largest quartz exporter to the U.S. according to the United States International Trade Commission (US ITC). Vietnam has been increasing exports to the U.S. on a lower average selling price with Vietnamese producers using Chinese

technologies. Hence, Vietnam could be the next possible target of such accusations after China, India, and Turkey.

Fully understanding the risk and its damages to the business, Vicostone constantly reviews its internal risk control system to ensure production processes and outputs are completely controlled, and related records and documents are submitted on schedule as per requests.

In addition, the Company also studies the regulatory documents of the U.S. justice agencies on anti-dumping and works with reputable international legal firms to develop a data reporting system in an attempt to abide by the laws and prepare all required papers for potential lawsuits.

V. MACROECONOMIC POLICIES, ADMINISTRATIVE AND LEGAL REGULATIONS

Vicostone is selling products to more than 50 countries and territories across the globe, therefore, the Company fully understands the importance of updates on macroeconomic policies and administrative and legal regulations in every nation and region. It is especially important for the Company in key export markets to maintain responsive business plans and to reduce potential risks. These risks include:

- Macroeconomic policies, tax and non-tax regulations that are regularly changed to match economic and political conditions in the U.S;
- The change of the U.S. presidency may lead to unpredictable revisions of economic policies in the United States, which could have unknown impacts on its trade partners.

Legal and administrative regulations are often amended, hindering potential risks if Vicostone staff are unable to fully understand them.



³ <https://tapchitaichinh.vn/ngan-hang/viet-nam-bi-gan-mac-thao-tung-tien-te-nha-dau-tu-co-nen-lo-lang-330794.html>

⁴ <https://www.sggp.org.vn/xuat-khau-vao-hoa-ky-tang-hang-705582.html>

COMPREHENSIVE QUALITY MANAGEMENT EXCELLENCE

01

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

02

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

03

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's satisfaction; each employee is responsible for helping others improve their job quality;

04

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

05

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

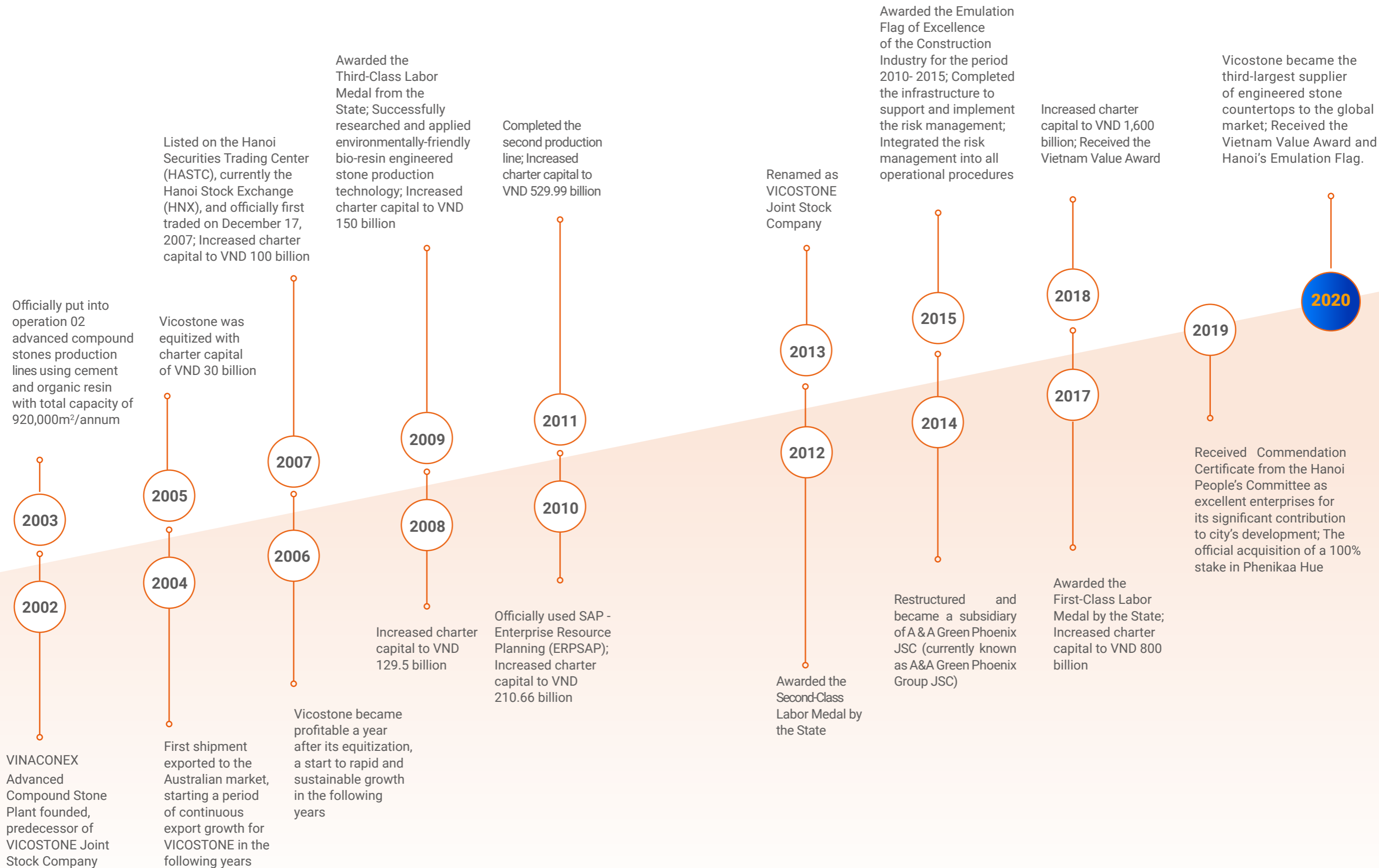
06

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



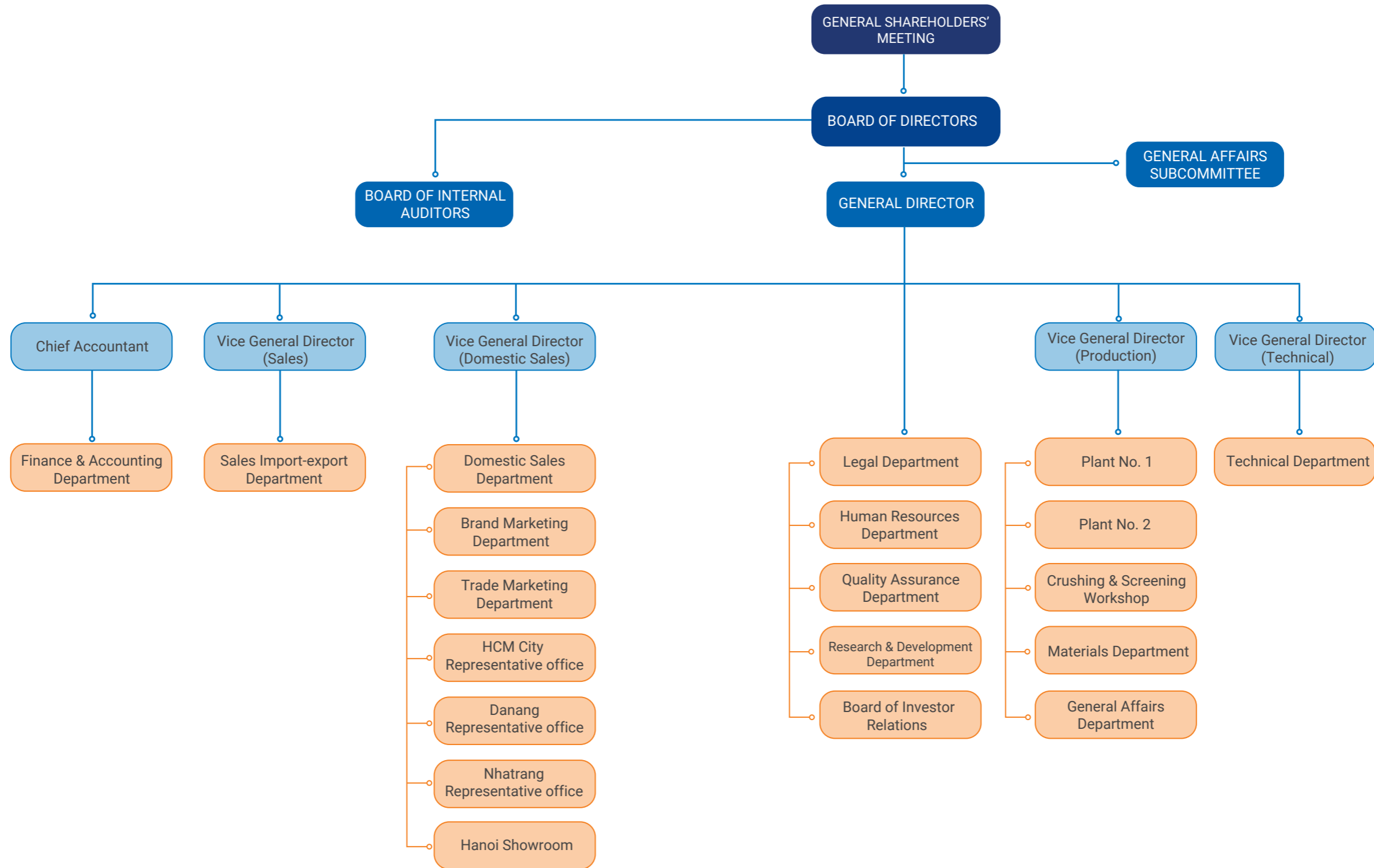
Workers are instructed to run the operation line at one of Vicostone's plant

DEVELOPMENT HISTORY



GOVERNANCE STRUCTURE, PERSONNEL AND MANAGERIAL ORGANIZATION

I. ORGANIZATION CHART



GOVERNANCE STRUCTURE, LABOR STRUCTURE AND MANAGEMENT APPARATUS (CONTINUED)

II. LABOR FORCE STRUCTURE

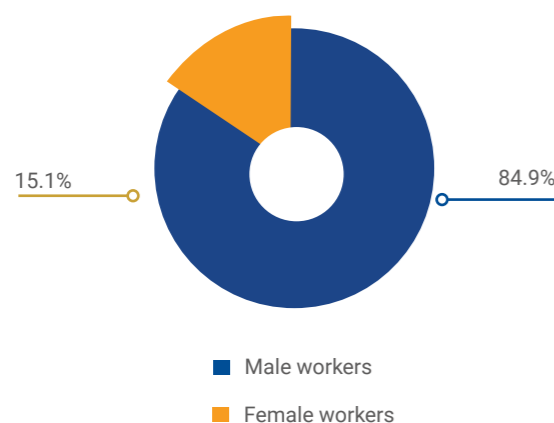
As of December 30, 2020, Vicostone had 724 employees. The percentage of laborers at the age of maximum 35 years was 58.7% of the total. Nearly 85% of the total workers were male and 90% of the total had taken professional training. The number of direct production workers accounted for 67.75% of the total laborers, which is a fair rate as Vicostone is mainly operating in the material production sector.

Nearly 28% of the laborers were university graduates and 61% of the total were qualified from vocational training centers. The figures prove Vicostone workers possess good background knowledge and can improve their qualities to meet the company's demands and strategic objectives.

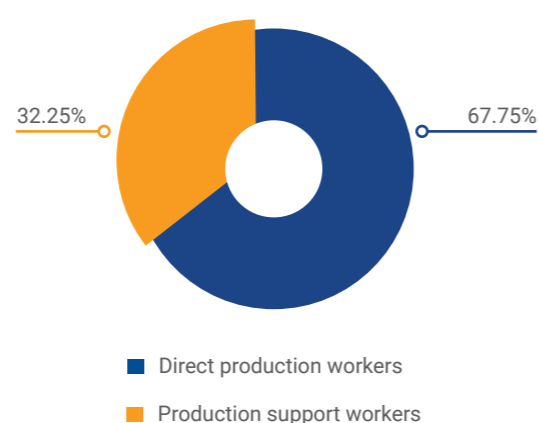
1. Labor force structure by educational qualifications

No	Qualification	2018		2019		2020	
		Number (people)	Percentage (%)	Number (people)	Percentage (%)	Number (people)	Percentage (%)
1	Post-university	10	1.47	11	1.59	12	1.66
2	University	192	28.15	194	28.03	190	26.24
3	College	93	13.64	90	13.01	98	13.54
4	Primary and secondary vocational training	348	51.03	342	49.42	344	47.51
5	High school	39	5.72	55	7.95	80	11.05
	Total	682	100	692	100	724	100

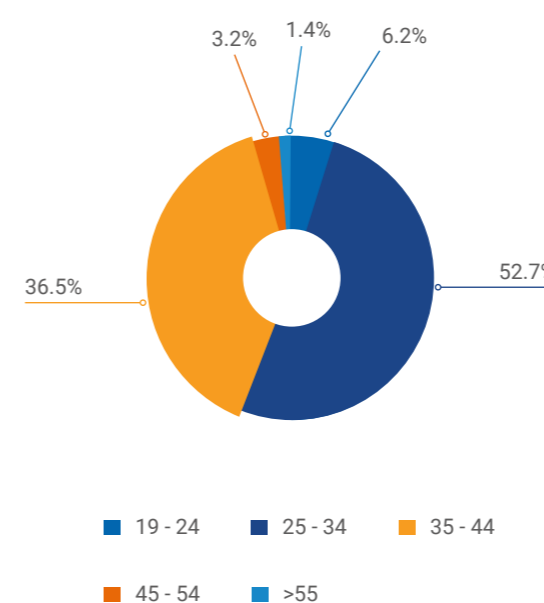
2. Labor force structure by gender



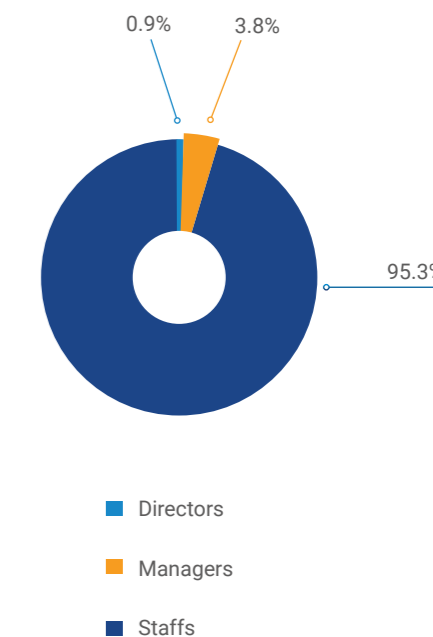
3. Labor force structure by job description



4. Labor force structure by age



5. Labor force structure by professional position



6. Board of Directors

FIVE MEMBERS IN THE BOARD OF DIRECTORS:

MR. HO XUAN NANG	Chairman
MR. PHAM ANH TUAN	Member
MS. TRAN LAN PHUONG	Member
MS. NGUYEN DIEU THUY NGOC	Member
MR. NGUYEN QUANG HUNG	Member

Mr. Ho Xuan Nang, Ms. Tran Lan Phuong and Ms. Nguyen Dieu Thuy Ngoc are non-executive members. Mr. Nguyen Quang Hung is the independent member.

GOVERNANCE STRUCTURE, LABOR STRUCTURE AND MANAGEMENT APPARATUS (CONTINUED)



Mr. Ho Xuan Nang
Chairman of the BOD
Date of birth: November 4, 1964

Professional qualifications

- Doctorate of Mechanical Engineering;
- Master of Business Administration

Position in other companies

- Chairman of the Board of Directors – General Director of A&A Green Phoenix Group JSC
- Chairman of the Council - General Director of Phenikaa University
- Chairman of the Board of Directors of Phenikaa Education Investment JSC
- Chairman of Phenikaa Innovation Foundation
- Director of Phenikaa Research and Technology Institute (PRATI)

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 1994 – 03/1996: Institute of Agricultural Electromechanics;
- From 1986 - 1994: Post-graduate student and lecturer of Hanoi University of Science and Technology.



Mr. Pham Anh Tuan
Member of the BOD
Date of birth: September 12, 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 Phenikaa University Council

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 BOD
Date of birth: October 4, 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 the Board of Directors of Ha Noi - VPM Project Management Consultant JSC
- Member of the Phenikaa University Council

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 BOD
Date of birth: March 12, 1972

Professional qualifications

- Bachelor of Economics

Position in other companies

- Chief accountant at Phenikaa Education Investment JSC

Professional experience

- From 06/2016 - present: Member of the Board of Directors 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.



Mr. Nguyen Quang Hung
Member of the BOD
Date of birth: October 19, 1970

Professional qualifications

- Master of Economics

Position in other companies

- Chairman of HCH Thang Long Trade and Investment Ltd Co

Professional experience

- From 05/2020 – present: Member of the Board of Directors of Vicostone JSC;
- From 2016 – present: Chairman of HCH Thang Long Trade and Investment Ltd Co
- From 2008 – 2015: Official at Global Petroleum Bank (GPBank)
- From 2006 – 2008: Official at Hai Duong Ship Building Company
- From 2002 – 2005: Official at Tradevico Co under the Ministry of Transport;
- From 1998 – 2001: Official at Vietnam Coffee Corporation.

GOVERNANCE STRUCTURE, LABOR STRUCTURE AND MANAGEMENT APPARATUS (CONTINUED)

TWO MEMBERS OF THE BOARD OF INTERNAL AUDITORS



Ms. Nguyen Dieu Thuy Ngoc
Chair of the Board of Internal Auditors
Date of birth: March 12, 1972

(See Members of the Board of Directors)



Mr. Nguyen Van Toan
Member
Date of birth: January 30, 1991

Professional qualifications

- Bachelor of Accounting

Position in other companies

- Member of the Board of Auditors at Green Phoenix A&A JSC

Professional experience

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

BOARD OF MANAGEMENT, CHIEF ACCOUNTANT



Mr. Pham Anh Tuan
General Director
Date of birth: September 12, 1981

(See Members of the Board of Directors)



Mr. Luu Cong An
Vice General Director
Date of birth: July 15, 1965

Professional qualifications

- Dynamics Engineer

Position in other companies

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



Ms. Pham Thi Bich Thuy
Vice General Director
Date of birth: March 21, 1964

Professional qualifications

- Master of Business Administration,
- Bachelor of English,
- Bachelor of Literature.

Position in other companies

- Vice General Director - Director of Strategy Department at Green Phoenix A&A Group JSC

Professional experience

- From 13/12/2019 – present: Vice General Director - Director of Strategy Department at Green Phoenix A&A Group JSC;
- From 2014 - 2017: General Director of VinGT JSC;
- From 2011 - 2014: Director of White Spirits of Diageo ASEAN;
- From 2006 – 2010: General Director of AA Vietnam Co;
- From 1994 – 2003: Director of Chilled Dairy and Director of Sales at Nestle Vietnam's North Division;
- From 1986 – 2000: Lecturer at the University of Education - Hanoi National University.

GOVERNANCE STRUCTURE, LABOR STRUCTURE AND MANAGEMENT APPARATUS (CONTINUED)



Mr. Pham Tri Dung
Vice General Director
Date of birth: October 18, 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: August 16, 1981

Professional qualifications

- Control Engineer

Position in other companies

- Chairman of the Board of Directors of Style Stone JSC;
- Chairman of the Board of Members of Phenikaa Hue Mineral Processing and Investment Co. Ltd.

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: December 15, 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.

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS, BOARD OF INTERNAL AUDITORS, BOARD OF MANAGEMENT AND CHIEF ACCOUNTANT

Board of Directors:

In 2020, the Board of Directors saw one change in its composition: The Annual Shareholders' Meeting approved Mr. Nguyen Quang Hung as the new member of the BOD to replace Ms. Nghiem Thi Ngoc Diep on May 30, 2020.

MR. NGUYEN QUANG HUNG

Member of the Board of Directors

Board of Internal Auditors:

The Board of Internal Auditors saw no changes in its personnel.

Board of Management:

On June 9, 2020, Vicostone JSC's Board of Directors appointed Ms. Pham Thi Bich Thuy as the new Vice General Director taking charge of domestic sales and marketing.

MS. PHAM THI BICH THUY

Vice General Director

Chief Accountant:

Ms. Nguyen Thi Nga remained the Chief Accountant of Vicostone JSC in 2020.

GOVERNANCE STRUCTURE, LABOR STRUCTURE AND MANAGEMENT APPARATUS (CONTINUED)

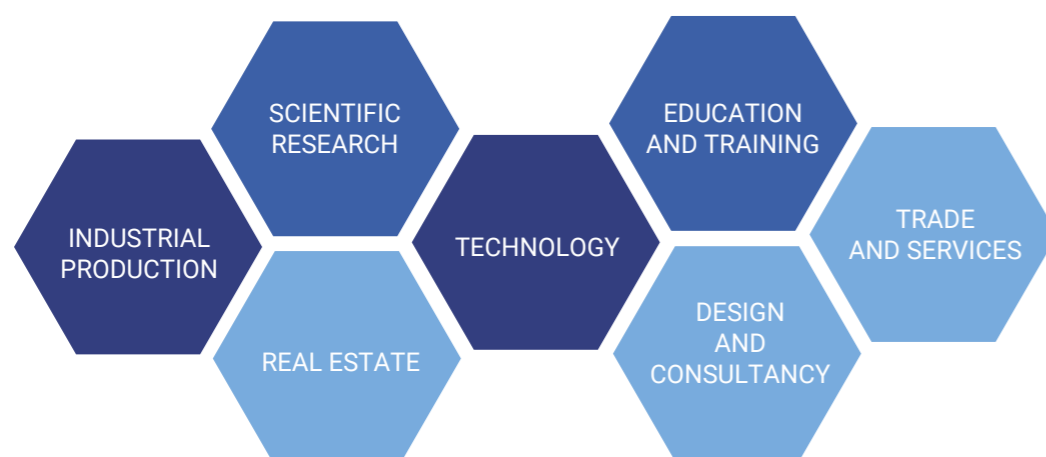
III. RELEVANT COMPANIES

1. PARENT COMPANY: A&A Green Phoenix Group JSC (Phenikaa)



International name	A&A GREEN PHOENIX GROUP JOINT STOCK COMPANY
Abbreviated name	PHENIKAA
Charter capital	VND 3,000,000,000,000 (three trillion Vietnamese dong)
Headquarter address	No. 167 Hoang Ngan Street, Trung Hoa Ward, Cau Giay District, Hanoi, Viet Nam
Tel	+84 24 3368 5980
Fax	+84 24 3368 7095
Email	support@phenikaa.com
Website	https://phenikaa.com

PHENIKAA'S CORE BUSINESS AREAS



Phenikaa's subsidiaries

Industrial Production

- Vicostone JSC (84.16% ownership)
- Style Stone JSC (99.93% ownership)
- Viet Nam Stone Work-top Fabrication JSC (60.53% ownership)

Technology

- Phenikaa Eletronics JSC (99% ownership)
- Phenikaa Smart Solutions JSC (80% ownership)
- Phenikaa Maas JSC (51% ownership)
- Phenikaa Smart Device Development JSC (63.96% ownership)
- Phenikaa Technology Transfer and Trading JSC (48% ownership)
- Phenikaa-X JSC (51% ownership)

Scientific Research

- Phenikaa Research and Technology Institute (100% ownership)

Education and Training

- Phenikaa University (95.16% ownership)
- Phenikaa Education Investment JSC (90% ownership)
- Yersin Vietnam JSC (99.90% ownership)

Trade and Services

- Sec G3 Center JSC (97.60% ownership)
- Phenikaa Accreditation and Certification JSC (85% ownership)
- Stylenquaza LLC. DBA (Vicostone US) established in November 2010, headquartered at 11620 Goodnight Lane, Suite 100, Dallas, Texas, U.S.A. (48.97% ownership)
- Vicostone Canada INC. established in November 2015, headquartered at 341 Edgeley BLVD Vaughan, ON L4K 3Y2, Canada.

Vicostone U.S. and Vicostone Canada are established and operated outside of Vietnam, and provide direct distribution of quartz-based stones under the VICOSTONE® brand in North America (U.S.A, Canada).

Design and Consultancy

- VPM JSC - Hanoi (97.06% ownership)

GOVERNANCE STRUCTURE, LABOR STRUCTURE AND MANAGEMENT APPARATUS (CONTINUED)

2.SUBSIDIARIES AND DEPENDENTS

Subsidiary: Phenikaa Hue Mineral Processing and Investment One-Member Ltd. Co.
(100% ownership)



Dependents



Showroom in Hanoi:

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

Representative office in Danang:

No. 502-504 Nguyen Huu Tho, Khue Trung Ward, Cam Le Dist., Danang.

Representative office in Nhatrang:

No. 2 To Huu, Phuoc Hai Ward, Nhatrang, Khanh Hoa Province.

Representative office in HCM City:

72 Nguyen Co Thach Street, An Loi Dong Ward, District 2, HCM City



International name	PHENIKAA HUE MINERAL PROCESSING & INVESTMENT ONE MEMBER COMPANY LIMITED
Abbreviated name	PHENIKAA HUE
Charter capital	VND 50,000,000,000 (Fifty billion Vietnamese dong)
Headquarter address	Lot CN15 section B, Phong Dien Industrial Park, Phong Hoa Commune, Phong Dien District, Thua Thien Hue Province, Vietnam
Main business	Manufacturing of non-metallic products
Number of laborers	Phenikaa Hue Mineral Processing & Investment One-Member Company Limited currently has 175 employees. Average income is more than VND 10 million/person/month. In 2020, the Company paid over VND 1.6 billion in social insurance, health insurance, and unemployment insurance premiums.

PRODUCTS, TECHNOLOGY, MARKETS

I. PRODUCTS

VICOSTONE® has made a name for itself by penetrating many markets and is featured in millions of homes and top-class construction projects throughout the world, including hotel and resort chains such as Marriott, Hilton Garden Inn, Crowne Plaza, Sheraton, and Hyatt, and world class marbles such as the Las Vegas City Center, Apple Campus (U.S.), Sydney Airport (Australia), and Interlomas Mall (Mexico) by delivering products, which are carefully crafted with perfection from combining “Technology – Intelligence – Creativity” to strike a balance between the highest of quality and bold emotion. These are the key ingredients that differentiate and make VICOSTONE® the leading brand in the market.

Driven by the vacuum vibro-compression technology of Breton S.p.A (Italy) in combination with Vicostone’s breakthrough technological know-how, VICOSTONE® quartz meets international standards of quality and safety for consumers. Natural quartz composes more than 90% of VICOSTONE® products, leading the latter to score level 7 on the Mohs scale of mineral hardness – compared to diamond’s level 10 – and attain superior scratch-resistant and waterproof attributes. The super density of the structure keeps VICOSTONE® quartz stainless, easy to clean and highly durable over time. Most importantly, due to its outstanding physio-mechanic values, VICOSTONE® has passed the toughest tests by reputable international bodies such as NFS and Greenguard/Greenguard Gold in terms of safety for consumers and protection of the environment. VICOSTONE® has become the product of choice of experts and consumers for the most of interior surfaces, such as: kitchen counters, bathtubs, sinks, walls, bar counters, floors, and many others..

To Vicostone, modern technologies and know-how are the fundamental determinants that differentiate our products from others. The limitless passion and creativity offer versatility and a range of options for the varied tastes of our customers. Each product is the result of unending creativity made by Vicostone’s ‘human touch’ combined with its modern technological innovation that brings consumers excellent choices for their living spaces.



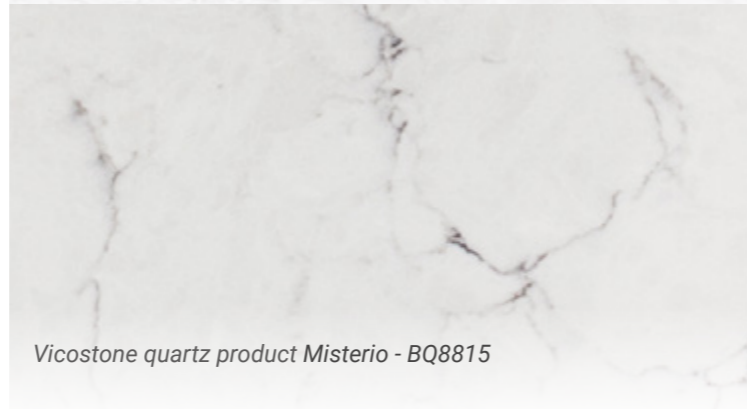
Vicostone quartz product Venatino - BQ8660



Vicostone quartz product Arabescato - BQ8912



Vicostone quartz product White Fusion - BQ8825



Vicostone quartz product Misterio - BQ8815

Each year, Vicostone introduces new unique, trend-setting products which are comparatively advantageous. In 2020, the Company released a series of new designs, including two outstanding products in its Exotic collection: Amacord – BQ9500 and Bahia – BQ8883. These products, inspired by natural stones and unique natural phenomena, satisfy consumers’ tastes and at the same time bring elegance and style to the living space.

- Vicostone Amacord – BQ9500: Inspired by the powerful color of the veins of natural quartz, Calacatta Amacord. Vicostone Amacord reflects upon a white jade surface and mimics the flow of streams in the forest as they follow the call of spring into uncharted lands.
- Vicostone Bahia – BQ8883: Stimulating the contrast between light and shadow deep in geologic layers, this design represents the beauty and mysterious power of sediment as it moves below our feet. The design of this product also follows the trending style known as “Big Chunk”.
- In early 2020, Vicostone revealed Ultrathin at IMM Exhibition in Germany. The product was highly appreciated and well received by major markets such as Europe and Japan. Vicostone Ultrathin is only 5mm thick and super light. It is easily installable for many surfaces including kitchen counter,



Vicostone quartz product Amacord - BQ9500



Vicostone quartz product Bahia - BQ8883

PRODUCTS, TECHNOLOGY, MARKETS (CONTINUED)

kitchen cabinet, bathroom cabinet and wall, and can be clad onto other materials such as wood and iron.

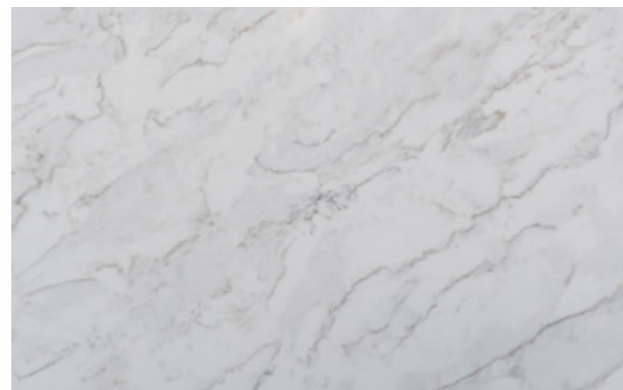


Vicostone Ultrathin quartz product - BQ5621

Other quartz products that were successfully commercialized in 2020 include Volakano - BQ8885, Vivalioro - BQ8918, Madreperola - BQ8891 and Thasos - BQ206. These product lines are developed based on intensive research of the market as well design trends, making them a favorite choice in the international market.

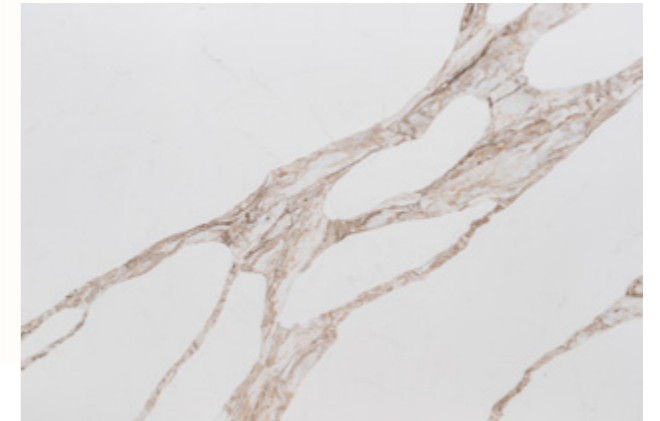
Volakano - BQ8885

A new win for natural Volakano stone as the product is created with inconsistent dotted vein lines hidden in the light gray patches throughout the whole plate.



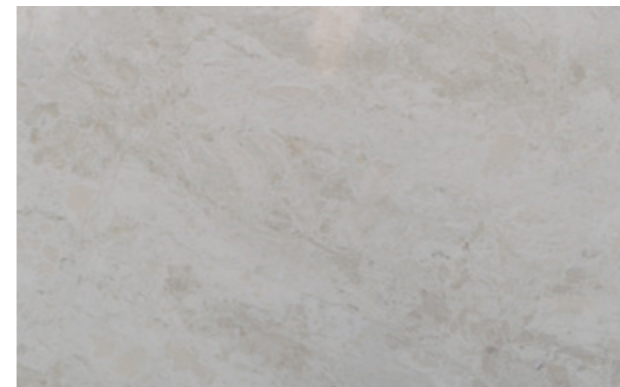
Vivalioro - BQ8918

Inspired by the warm color in the vein of Calacatta Vivalioro natural stone, the product simulates lava flowing deeply through the ground, waiting to burst out.



Madreperola - BQ8891

Retaining the essence and color of natural Quartzite Madreperola, combines the unique design of rare Quartzite with the stones used to construct the Taj Mahal, and it is close to becoming a new fascination of the quartz world.



Thasos - BQ206

3D veins are covered by natural white color, simulating snow crystals on a sunless day or ice in a frozen lake waiting for the spring sunshine.



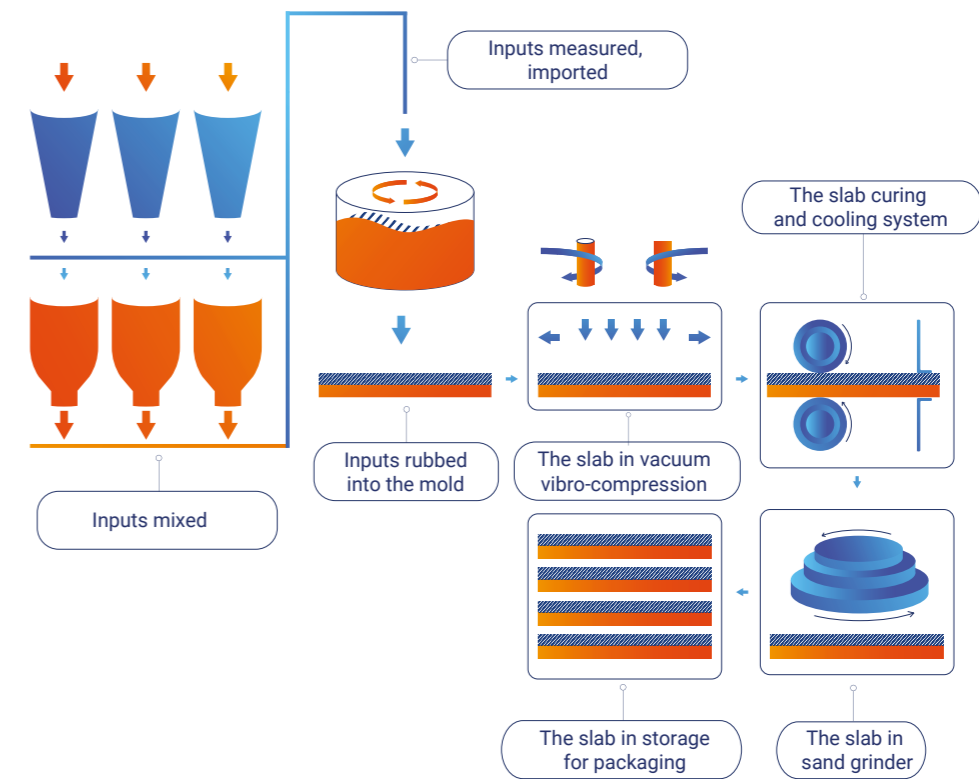
PRODUCTS, TECHNOLOGY, MARKETS (CONTINUED)

II. TECHNOLOGY

Vicostone products are manufactured with “Compaction by Vibro-compression under Vacuum” technology using machinery transferred from Breton S.p.A (Italy), combined with technological and mechanical innovations achieved by Vicostone engineers. After 20 years of research and development, Vicostone’s engineers have introduced modern technologies and techniques to optimize and increase customizations, helping diversify the creativity of not only the products but also of the comprehensive production line.

The slab-shaping process is implemented through a modern, highly-automated production line, in which each step is strictly overseen as follows:

- Insert input materials:** The materials are inspected and measured automatically in compliance with a pre-existing formula before being imported into the mixer.
- Mix materials:** The mixer blends the materials together before moving the mixture into the mold.
- Molding:** After being blended, the materials are extracted into the molds of various sizes. The largest mold is 3,340mm long and 1,650mm wide.
- Vibro-compress:** Next, the slab is automatically weighed, the mold is moved into the vibro-compression machine, in which the slab is vibrated and compressed under a pressure of 100 tons to make an ultimately dense, hard slab.
- Curing:** The vibrated, compressed slab is then cured and settled to make sure chemical reactions are fully completed.
- Grinding:** 24 hours after the curing and settlement, the slab is grinded to form the expected perfect output.
- Quality Control and Branding:** Before the production ends, the slab is checked, classified and labeled to make sure it is always at the highest quality upon delivery.



Technical processes



Vicostone’s slab manufacturing technology is completely friendly to the environment and measures are always executed to assure the best working conditions for workers, especially the air and environment. The Company has also improved its technologies to guarantee the best performance of the recycling system: The water system is closed to discharge with no wastewater to the environment; the sludge is re-used to produce other environmentally-friendly outputs such as unburnt brick and tile adhesive.

Driven by the modern, cutting-edge technology, a highly automated production line, rapid advancement, and pure, environment and user-friendly materials, each Vicostone product is a passion project made with utmost respect to its customers and partners. As a result, VICOSTONE® products have far superior characteristics over other natural and engineered stone products manufactured with other technologies.

PRODUCTS, TECHNOLOGY, MARKETS (CONTINUED)

III. MARKETS



Vicostone products in over 50 countries and territories across all five continents

In 2020, Vicostone was one of the three largest suppliers of engineered stone countertops to the global market, exporting and selling products in more than 50 countries spanning over all five continents with more than 10,000 local sellers/partners. Exports still accounted for a majority of Vicostone's total revenue with strong focus on North American and European markets. In North America, given the support of the parent firm Phenikaa Group, Vicostone not only partnered with big distributors but also set up its own retail network with 09 distribution centers in the U.S. (05 centers) and Canada (04 centers).

The outbreak of the COVID-19 pandemic adversely affected the global economy with severe contractions in nearly all sectors, especially construction works. A large number of building projects were delayed or canceled, which had strong negative impact on both construction and material companies – especially those having depended mostly on exports. Directed by the strategic direction of “Proactive Adaptation for Sustainable Development”, Vicostone actively studied the new conditions of the market and implemented appropriate actions to stabilize its production. Export sales in key markets – the U.S. and Europe – were kept stable, particularly, Vicostone saw slight growth of sales in the U.S., making Vietnam one of the three largest quartz exporters to that market. According to the United States International Trade Commission (USITC), the total value of engineered stone imports in the U.S. from Vietnam in 2020 accounted for 15.78% of total imports. The figure was up 57.2% year-on-year and it was considered highly positive amid the unpredictability of the COVID-19 pandemic. This development gave Vicostone the opportunity to expand its market share for the foreseeable future in the U.S. in particular and throughout North America in general.

Similar to the international market, the Vietnamese construction market also suffered a downturn. This was especially true in ongoing real estate projects, causing difficulties for all material firms. Revenue in 2020 from domestic real estate projects fell from 2019 level. Despite the challenges and the unpredictable nature of the COVID-19 pandemic, the Company stood out among local material-based businesses as sales of civil purchases grew well. Besides, the Phenikaa Hue Plant properly came into operation to meet the demands of Cristobalite from Vicostone, Phenikaa Group and the domestic market. With these achievements, Vicostone stood out among all building material companies amid the complicated fallout of the COVID-19 pandemic.

After three years of focusing on Integrated Marketing and Communication, Vicostone in 2020 enhanced its brand image, won market confidence and became one of most reputable and



valuable choices for domestic consumers. By the end of 2020, the Company had opened one showroom in Hanoi and three representative offices in Ho Chi Minh City, Nha Trang and Da Nang as well as positioning its products on shelves at more than 1,000 local sellers across the country. By keeping its business going forward amid the COVID-19 pandemic, Vicostone demonstrated the policies set by the Board of Directors and the Board of Management were accurate, constantly responsive, highly adaptive and effective for dealing with an ever-changing business environment.

VICOSTONE ANNUAL REPORT 2020

**PROMPT TRANSFORMATION
TREND INITIATION**



02

**REPORT OF THE BOARD
OF MANAGEMENT**

The 2020 Market And 2021 Outlook	60
Vicostone Business Performance in 2020	68
Financial Analysis for 2020	82
Key Plans and Missions for 2021	110

THE MARKET IN 2020 AND OUTLOOK FOR 2021

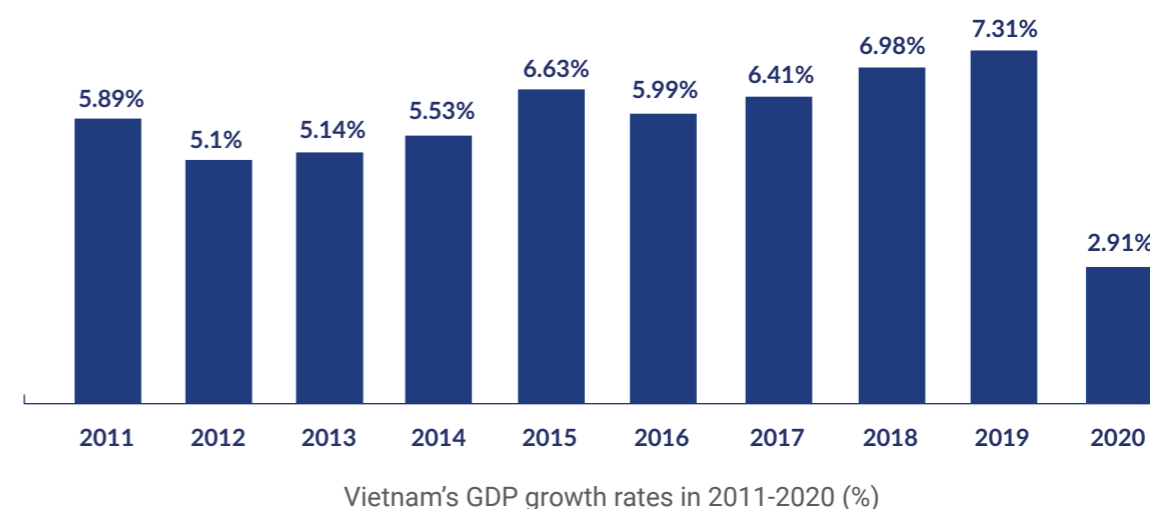
I. THE MARKET IN 2020

1. Economic and political conditions



The COVID-19 pandemic and the endless China-United States (U.S.) trade war really took a toll upon the world in 2020, dragged down the growth of all economies and resulted in negative growth rates for some countries. According to the World Economic Outlook by IMF, the 2020 global economy was projected to record a negative growth rate of 3.5%¹. The U.S. was expected to be particularly hard-hit with an estimated drop of 3.4% in GDP in 2020. It would also take some time for new policies adapted by President Biden's administration to come into effect, thus the U.S. economic growth may continue growing at a slow pace in the short term. This circumstance is expected to have an impact on the global economy. The Chinese economy, as the second-largest economy on the globe, was projected to rise only 2.3% in 2020 – the lowest in several years – though strict measures had been implemented to control the disease.

Vietnam maintained positive outlook for economy recovery in 2020, recording a positive GDP growth rate, and a high trade surplus while keeping inflation under control. According to the General Statistics Office (GSO), despite the fact that the country's GDP growth in 2020 hit the 10-year low of 2.91%, Vietnam remained one of the best-performing economies across the globe amid a global recession. Some outstanding indicators can be seen in key sectors of the economy, with the agriculture, forestry, aquaculture sector, the industry and construction sector, as well as the service sector all recording positive annual growth of 2.7%, 4% and 2.3% respectively². The Consumer Price Index (CPI) rose 3.23% year-on-year, remaining lower than the 4% target set by the Government for 2020³.



Vietnam's GDP growth rates in 2011-2020 (%)

Source: GSO

These results can be attributed in part to Vietnam's rapid successful repression of the COVID-19 outbreak that facilitated the nation to stabilize domestic manufacturing activities and become the top destination for a global supply chain shift. At the same time, the European Union-Vietnam Free Trade Agreement (EVFTA) taking effect in August 2020 also introduced new opportunities for Vietnamese exports. In 2020, Vietnam's total export-import value was up 5.1% year-on-year to \$543.9 billion, resulting in a trade surplus of \$19.1 billion. The total realized capital of foreign direct investment (FDI) projects in 2020 was estimated at nearly \$20 billion, down 2% on-year, but remained better than expected as the global figure fell 30% on-year. These economic figures were not only mere numbers that showed the stability of the nation amid difficult times but also proved the continued and strong interest of international investors in Vietnam.

At the end of 2020, the Vietnamese economy was again stunned after the United States in mid-December labeled Vietnam as a currency manipulator. After investigations and hearings, however, the Office of the U.S. Trade Representative decided not to take any punitive action against Vietnamese exports³. Amongst the uncertainty of trade policies, the Vietnamese Government and companies should stay cautious and informed of new actions from the U.S. trade representative so that immediate responses can be implemented in the event of unexpected negative developments.

¹ <https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update>

² https://www.vndirect.com.vn/cmsupload/beta/CapnhatVimo_20210111.pdf

³ <https://www.gso.gov.vn/du-lieu-va-so-lieu-thong-ke/2020/12/hop-bao-cong-bo-so-lieu-kinh-te-xa-hoi-quy-iv-va-nam-2020/>

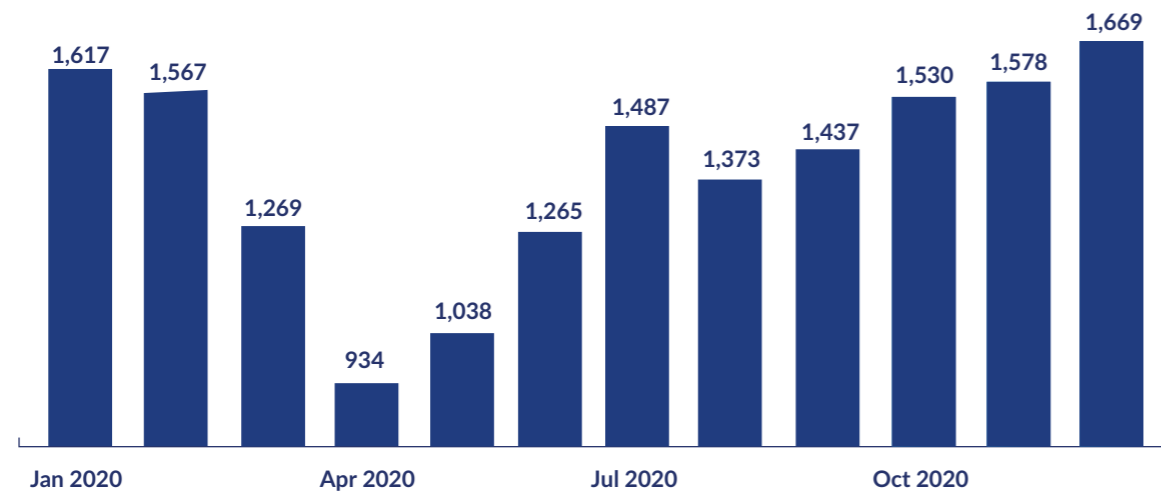
³ <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2021/january/ustr-releases-findings-section-301-investigation-vietnam-acts-policies-and-practices-related>

THE MARKET IN 2020 AND OUTLOOK FOR 2021 (CONTINUED)

2. Construction and real estate sector

The global economic recession dampened the international construction and real estate sector in the first few months of 2020. However, after governments in most countries launched economic stimulus packages and reduced interest rates, this sector witnessed significant growth during the following period. For example, a total of 552,000 apartments were sold in Canada during 2020 on the MLS platform, up 12.6% year-on-year⁵. According to Trading Economics, the number of Canadian housing starts in December of 2020 reached nearly 228,000 units, an increase of 16.3% over a year⁵.

Likewise, the number of housing starts in the United States declined in early 2020 due to the COVID-19 pandemic and national lockdowns, yet managed to reach 1.66 million units by the end of the year, up 4.4% on-year⁶.



Housing starts in the U.S. in 2020 (Thousand units)

Source: Trading Economics/U.S. Census Bureau

The Vietnamese real estate and construction sector also improved in late 2020. The real estate sector improved by a total of 0.31% during 2020, accounting for 4.42% of the nation's total GDP⁷. Meanwhile, the FDI capital registered for real estate trading in 12 months increased by 18.6% from 2019, standing at \$4.1 billion⁸. The capital for FDI projects in the real estate market is expected to shoot up in the coming period thanks to the investment from international real estate funds. This trend shows promising signs of growth in this sector for Vietnam.

⁵ <https://www.cbc.ca/news/business/canada-home-sales-1.5874577#:~:text=Almost%2055%2C000%20homes%20traded%20hands,the%20final%20month%20of%202019.>

⁶ <https://tradingeconomics.com/canada/housing-starts#:~:text=Housing%20Starts%20in%20Canada%20is,213.00%20in%2012%20months%20time.>

⁷ <https://tradingeconomics.com/united-states/housing-starts#:~:text=Housing%20Starts%20in%20the%20United%20States%20is%20expected%20to%20be,1170.00%20in%2012%20months%20time.>

⁸ <https://vneconomy.vn/phuc-hoi-manh-quy-4-nganh-bat-dong-san-tang-truong-duong-nam-2020-20201228100918183.htm>

II. OUTLOOK FOR 2021

1. Economic outlook for 2021

The recent approvals of coronavirus vaccine and vaccination programs in multiple countries raised hopes of putting an end to the COVID-19 pandemic. Nevertheless, the risks remain high as many countries are still struggling with the expansion of virus infection cases from time-to-time. The IMF has projected that the global economy would recover and grow at the rate of 5.5% in 2021 – which is slightly more optimistic than previous forecasts – on expectations for the global vaccination and additional support programs by major economies like the U.S. and Japan. Global trade is also estimated to gain 8% year-on-year in 2021⁹ with merchandise trading outpacing services trading.

The economic recovery is expected to vary from one nation to another depending on their flexibility and adaptability to respond to the crises. For instance, the United States and Japan are expected to achieve economic growth of 5.1% and 3.1% respectively in 2021. Economic forecasts in both countries expect them to regain their 2019-end economic performances in the second half of 2021 after stimulus packages and fiscal policies were implemented at the end of 2020. Meanwhile, the economic growth of the Eurozone and the United Kingdom would remain below 2019 year-end levels until the end of 2022 due to the unpredictable developments of the virus outbreak and cross-continent lockdowns.



Vicostone quartz product Argento - BQ8780

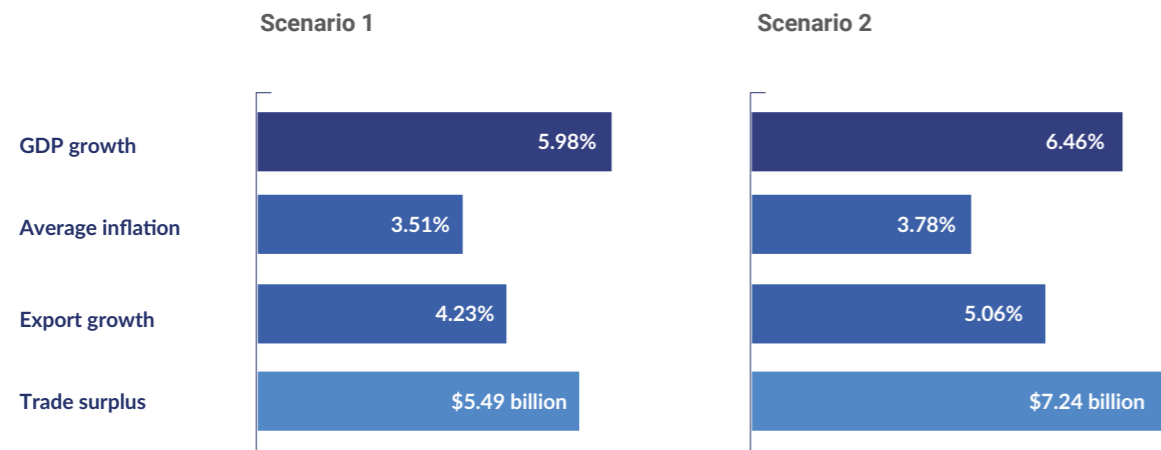
⁹ <https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update>

THE MARKET IN 2020 AND OUTLOOK FOR 2021 (CONTINUED)

Among emerging economies, China is expected to outperform others with an 8.1% growth rate in 2021. These gains can be attributed to the efficient measures for virus containment and cash injections to support economic activities. India may be another front runner with projected growth rates of 11.5% in 2021 after lockdown is eased.

In preparation and prevention of the possibility of up-side-down scenarios, government responses will be key influences on the outcomes. They must strengthen multilateral co-operation for better containment of the virus and direct extra funding towards the development of vaccine and treatment methods. Governments are also urged to boost funding for the development of vaccine and treatment methods to make them globally available and affordable.

The Vietnamese Government eyes a 6.5% GDP growth in 2021, which is considered ambitious amid uncertainty over the COVID-19 pandemic. "Vietnam's economic performance in 2020 and outlook for 2021: Reform to transform" report by the Central Institute of Economic Management (CIEM) has mapped out two scenarios for 2021, suggesting the nation has the chance to achieve the GDP growth from 5.98% to 6.46%¹⁰. According to CIEM specialists, in order to achieve these rates, Vietnam needs to improve macroeconomic fundamentals and reform economic institutions to become more eco-friendly, proactive and creative, and able to deal with potential risks.



Vietnam's two economic performances in 2021 projected by CIEM

Source: Central Institute for Economic Management of Vietnam

¹⁰ <https://vneconomy.vn/trien-vong-kinh-te-viet-nam-2021-phuc-hoi-trong-bat-dinh-20210118232145672.htm>



2. Construction sector in 2021

According to a report by FitchSolutions¹¹, the global construction sector is expected to return to its uptrend in 2021, with the strongest growth witnessed in Latin America. The projects in Asia, however, would still account for the majority of the global investments for construction projects.

In North America, total residential construction is expected to rise 5% in 2021, following a 2% drop in 2020. Single-family housing starts will rise 7% in 2021, marking the highest increase since 2007. In the commercial segment, overall starts are estimated to have dropped 23% in 2020, followed by a slight increase of 5% in 2021¹².

Backed by efficient pandemic prevention and the national economic recovery, the Vietnam National Real Estate Association (VNREA) predicts residential real estate could pick up in 2021, as total market supply may soar after legal obstacles are cleared for pending projects and economic recovery may also bring about greater demand for property purchases. VNREA forecasts that the market purchasing power will reach about 70% of the demand recorded in 2019¹³, resulting in increased sales for Vicostone in the coming year.

¹¹ <https://www.fitchsolutions.com/corporates/infrastructure-project-finance/three-key-charts-robust-growth-bounce-back-2021-global-construction-growth-12-11-2020>

¹² <https://www.enr.com/articles/50766-construction-forecast-a-slow-road-to-recovery>

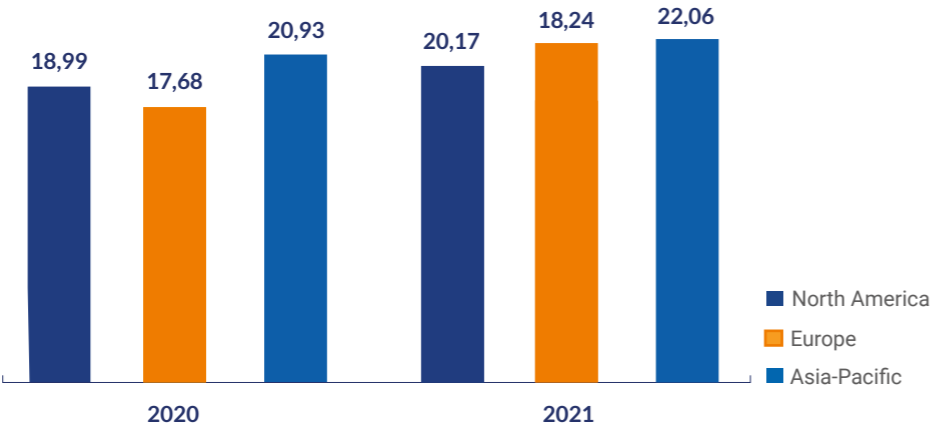
¹³ <http://baochinhphu.vn/Thi-truong/Du-bao-lac-quan-hon-ve-thi-truong-bat-dong-san-trong-nam-2021/419745.vgp>



Vicostone quartz product Venatino - BQ8660

3. Projection of the quartz market for 2021

A global engineered stone countertop market report released in 2020 by Freedonia¹⁴ – a U.S.-based market research firm with years of experience in countertop materials – showed the total global sales of quartz products in 2020 was 62.2 million square meters. This figure could increase to 65.2 million square meters in 2024 with a CAGR of 4.8%.



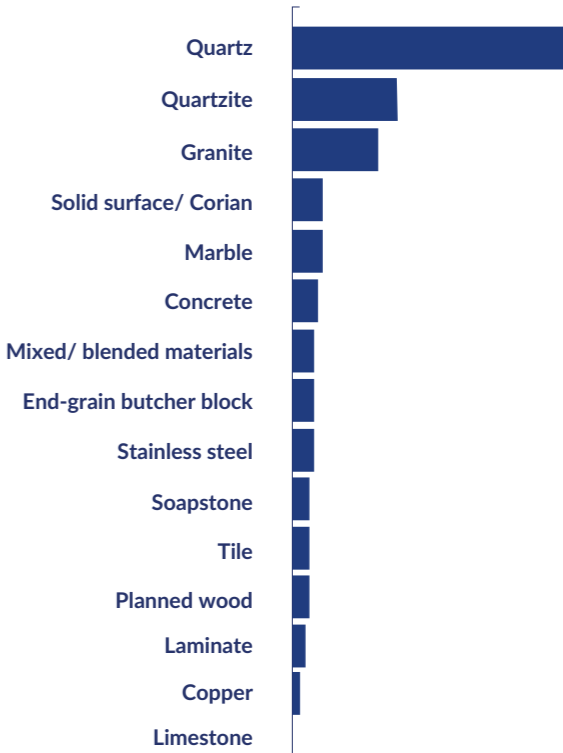
Sales of quartz outputs by markets (Million square meters)

Source: Freedonia, 2020

Engineered stone was among the best selling materials in Asia-Pacific with the sales volume of about 21 million square meters in 2020, accounting for 53% of the global volume. This market is also forecasted to expand at an average pace of 5% per annum in 2020-2024, with total sales expected to reach 22 million square meters in 2021.

¹⁴ <https://www.freedoniagroup.com/World-Countertops.html>

The second largest market for countertops was North America with total sales of 18.9 million square meters in 2020. The number is also predicted to climb to 20.1 million square meters in 2021. This region could have the fastest growth with a 6.2% CAGR in 2020-2024. A recent report by National Kitchen & Bath Association Magazine (NKBA Report, 2021) on material schemes for 2021 shows that 78% of the more than 700 interior designers and specialists that were surveyed agreed that quartz would be the most popular countertop material over the next three years. This result showed promising trend for countertop producers in general and for Vicostone in particular. On the strategic direction of "Prompt Transformation - Trend Initiation" combined with a strong foundation for developments, Vicostone in 2021 will maximize existing competitive advantages and create new breakthroughs while maintaining a leadership position in the market by responding to the changes of the market in a protective manner.



Consumption scheme of countertop materials over the next 03 years in the United States

Nguồn: NKBA Report 2021

¹⁶ NKBA-Design-Trends-2021.pdf (drurydesigns.com)

OVERVIEW OF BUSINESS PERFORMANCE IN 2020

I. VARIANCE ANALYSIS OF BUSINESS PERFORMANCE IN 2020

No.	Items	Unit	Actual 2019	Target 2020	Actual 2020	Actual vs. Target 2020	YoY Growth
1	Total net revenue	VND billion	5,562.76	5,632.00	5,659.59	100.49%	1.74%
2	Profit before tax	VND billion	1,652.66	1,669.00	1,667.96	99.94%	0.93%

II. OPERATING ACTIVITIES

1. Main indicators of operating activities

No.	Items	Unit	Actual 2018	Actual 2019	Actual 2020	YoY Growth
1	Total business and production value	VND million	2,453,366	2,758,537	2,847,432	3.22%
2	Import and export turnover of goods	USD million	204.63	224.46	202.68	(9.71%)
	In which:					
	Import turnover	USD million	64.38	42.21	39.05	(7.49%)
	Export turnover	USD million	140.25	182.25	163.63	(10.22%)
3	Gross revenue	VND million	4,521,596	5,562,763	5,659,594	1.74%
4	Profit before tax	VND million	1,318,511	1,652,663	1,667,955	0.93%
5	Profit after tax	VND million	1,123,544	1,410,115	1,428,420	1.30%
6	Depreciation & amortization of fixed assets	VND million	73,429	103,979	119,185	14.62%
7	Owners' equity at the year end	VND million	2,730,553	3,448,686	3,857,821	11.86%
8	Construction in progress	VND million	151,733	50,651	88,395	74.52%
9	Employee & Salary					
	Employees as at the year end	Person	682	832	902	8.41%
	Average income per employee/month	VND 1,000	18,678	21,073	17,674	(16.13%)

Source: Vicostone's audited consolidated financial statements)

Despite a volatile global financial market and economy in 2020, with drastic direction and administration of the Board of Directors of the Company, the risk management capability, readiness towards changes and the continuous efforts of employees, Vicostone basically completed the plan.

- Net revenue in 2020 reached 100.49% of the plan, increased by 1.74% in comparison with 2019
- Profit before tax in 2020 reached 99.94% of the plan, grew by 0.93% in comparison with 2019

With a sustainable foundation and spirit of "Proactive Transformation for Sustainable Development", in 2020 with the world being dragged by the COVID-19 pandemic, Vicostone overcame the challenges and stabilized production activities, and posted slight growths in revenue and profit before tax:

- The coronavirus spread was prevented: Strictness, initiative and creativity in the prevention of the COVID-19 pandemic to ensure occupational safety and health;
- Overcame unpredictable challenges in all markets amid the COVID-19 pandemic, achieved business goals;
- The Company's internal strength continued to be built and improved in terms of human resources, system, technology, finance...;
- Effective governance, especially in risk management: identified and managed the risks so that the Company was always prepared for responsive reaction, at the same time proactively exercised possible solutions in all circumstances. Expenses were reduced and controlled in all activities on applicable technologies, initiatives... to ensure standards were met at the optimal cost.



OVERVIEW OF BUSINESS PERFORMANCE IN 2020 (CONTINUED)

2. Key financial indicators

Items	2018	2019	2020
1. Liquidity ratios			
Current Ratio:			
Current assets/Current liabilities	2.27	2.37	2.45
Quick ratio:			
(Current Assets-Inventories) /Current liabilities	1.08	1.35	1.44
2. Capital structure			
Liabilities/Total assets	0.38	0.38	0.36
Liabilities /Equity	0.61	0.62	0.57
3. Efficiency			
Inventory turnover days:			
360*(Average inventory/Cost of goods sold	208	192	191
Accounts receivable turnover days:			
360*(Average accounts receivable – Average advances from customers)/Net revenue	84	100	120
Accounts payable turnover days:			
360*(Average accounts payable – Advances to suppliers)/Cost of goods sold	41	31	30
Net revenue/Total assets	1.03	1.00	0.93
4. Profitability ratios			
Profit after corporate income tax/Net revenue	0.25	0.25	0.25
Profit after corporate income tax/Owners' equity	0.41	0.41	0.37
Profit after corporate income tax/Total assets	0.26	0.25	0.24
Net profit from operating activities/Net revenue	0.29	0.30	0.30

In year 2020, the Company did not have any long outstanding payables, receivables and assets that affected business results.

- Current ratio and quick ratio in 2020 were higher than those in 2019 because the growth rate of current assets outpaced that of current liabilities;



- Liabilities/Total assets and Liabilities/Owners' equity ratios over the years were small and the figure of 2020 declined from the previous year. Therefore, the Company was able to settle current financial obligations and had no risk with other loans if interest rates suddenly rose;
- Inventory turnover days in 2020 decreased slightly compared to 2019 because the Company maintained production output based on forecasts closely with market demand;
- Account turnover receivable days in 2020 increased by 20 days compared to 2019 on high revenue in the last months of the year, leading to an increase in closing balance at the end of 2020. Customers with slow payment were traditional customers with good financial capacity;
- Profit after tax/Net revenue, Net profit from operating activities/Net revenue, Profit after tax/Equity ratios in 2020 remained at high levels, showcasing the Company's qualities in cost management;
- Profit after tax/Total assets in 2020 was lower than in 2019 because the growth rate of profit after tax was lower than that of total assets.

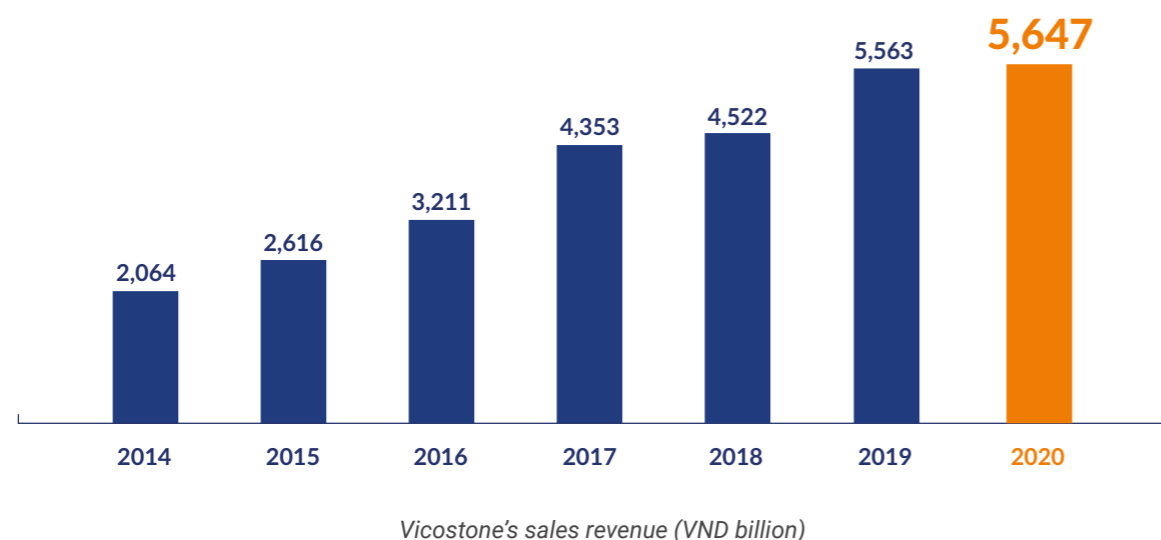
Thus, most of liquidity ratios and profitability ratios in 2020 were higher than in 2019, proving the corporate governance at Vicostone was of high quality.

RESULTS IN ALL MARKETS

The COVID-19 outbreak ravaged the global economy and most of the industries suffered a downturn in market demand, especially the construction and repairing sector. Heavily affected by the disease, many construction projects were canceled and delayed, therefore, construction and material companies had to scale down their businesses, especially those depending on exports like Vicostone.

Upon the strategic direction of “Proactive Adaptation for Sustainable Development”, Vicostone responded immediately to devise a suitable solution to stabilize operations. As a result, the Company recorded total net revenue of VND 5,659.59 billion in 2020, a 1.74% YOY increase, with a CAGR of 18.3% for 2014-2020.

I. EXPORT MARKETS



The United States is one of the primary markets for Vicostone. According to the Federal Open Market Committee (FOMC)¹⁷, the U.S. economy was estimated to contract by 2.4% in 2020, the unemployment rate was estimated at 6.7% and inflation rate was reported to fall short of the 2% target set out by the FED early in the year. The economic downturn, with a number of negative indicators caused by the COVID-19 pandemic during the year, made the demand for engineered countertops in the U.S. shrink for the first time in 10 years. Data from the U.S. International Trade Commission (USITC) showed the total volume of quartz imported in America during 2020 slipped 3.8% YOY to 12.5 million square meters.

The Canadian market did not fare much better. The statistics of the Canadian government figured that the country imported total of \$217 million worth of quartz outputs in 2020, up 4.2% year on year.

In spite of the global economic difficulties, the trustworthiness of the business remained strong and surprisingly continued to grow steadily in some key export markets thanks to the distribution network of more than 10,000 agencies and partners across more than 50 countries, together with the support of Phenikaa Group, and the strengthening of the nine VICOSTONE® authorized centers in the U.S. and Canadian markets. Particularly in the U.S. – one of the worst-hit nations amid

the COVID-19 pandemic – responsive actions and proper policies helped maintain the Company's local operation. This contributed towards propelling Vietnam to one of the top three quartz exporters to the United States while recording a 20% annual surge in exports to Canada .

Sales in Europe also accounted for a big proportion of Vicostone's total overseas sales in 2020. The Company's key export markets in Europe were Belgium, England, Ireland and Russia where combined revenues rose 3% year-on-year – which was a big encouragement as the European socio-economic conditions had been struck by the COVID-19 pandemic.

Asia was also a highlight of 2020 as sales in this region soared 210% year-on-year and contributed to 2% of the Company's total overseas data in 2020.

These results stemmed from the astute and drastic measures adopted by Vicostone during the COVID-19 pandemic to shore up existing markets while developing new opportunities in other areas, and increased brand recognition globally.



Vicostone quartz product Diamante - BQ8788

¹⁷ <https://bnews.vn/fed-danh-gia-tich-cuc-hon-ve-kinh-te-my-trong-hai-nam-toi/181101.html>

RESULTS IN ALL MARKETS (CONTINUED)



Phenikaa Hue Plant in Thua Thien-Hue Province

II. DOMESTIC MARKET

Domestic sales were recognized as one of several positive outcomes in 2020. Domestic sales had previously been a small part of Vicostone’s annual sales volume. Amid the difficulty and unpredictability of the COVID-19 pandemic, consumption in the Vietnamese market improved whereas traditionally this market added up to a very small part of the Company’s total revenue. To meet the earnings projection this past year, Vicostone had to dig deeper to explore the domestic market in both product merchandising and self-supply of inputs for quartz production. This past year marked a success in completing the localization of the key input material – Cristobalite – as 80% of material outputs from Phenikaa Hue Plant in Thua Thien-Hue Province were realized for both Vicostone

and Phenikaa Group and the remainders (20% of the outputs) were sold in both domestic and overseas markets. This success, as one of the essentials goals of the Company, diminished the impact of risks inherent in foreign exchange rate volatility, as well as decreased dependence on material imports. This process also helped assure the quality and supply of production materials, enhanced the quality of the final product, helped the Company control costs, and improved its overall competitive advantages.

Additionally, the Company also expanded the distribution network that covered a showroom, agencies and representative offices in major regions to improve connections with consumers and specialists (designers and architects). By the end of 2020, Vicostone had



Vicostone quartz product Ventisca - BQ8330

one showroom in Hanoi, three representative offices in Da Nang, Nha Trang and Ho Chi Minh City, and more than 1,000 agencies across the country.

Facing the rise of local competitors with strategies to improve cost efficiencies, stronger investment in technology R&D was seen as a key activity that could improve the quality of Vicostone’s products and services. Astute, flexible and appropriate policies implemented by the leaders that buoyed up the Company, allowing it to grow to one of the biggest engineered stone countertop producers in both Vietnam and throughout the world.

MARKETING AND COMMUNICATION

In 2020, Vicostone continued the expansion of the product distribution network, launched more promotions to boost sales in both domestic and overseas markets, and created more touch points through showrooms and electronic channels. These included: websites, social media pages and commercial channels to enhance the experiences customers had with the products.

I. DOMESTIC MARKET

Nearly three years after domestically launching integrated marketing and communication (IMC) campaigns, Vicostone had become the most popular brand in the sector, as well as the best option for consumers, according to a survey conducted by a top market research firm in Vietnam. In 2020, in addition to extended brand promotion, the Company increased its focus on improving the sales system. In particular, an overhaul and extension of the distribution network, more beneficial policies for distribution partners, agencies and retailers, and various promotions for buyers.

1. Activities targeted at End Consumers

Retail sales in 2020 posted positive growth as Vicostone successfully implemented customary IMC activities for end consumers. Some outstanding marketing campaigns included “The Flower of Quartz” and “Home Comes First” promotions. Additionally, the Company launched the contest entitled “Kitchen Story 7.0” to tighten the bond with customers and retain its brand recognition in the market. All of these activities were done offline (at the selling point) and online (with diverse, attractive digital advertisements, fanpage writings and television commercials) to improve the Company’s brand recognition during prime times.

Campaign “Flower of Quartz”:

Time: From March 6, 2020 to April 30, 2020

Result: Revenue beat the expectation by **21%**



Campaign “Home Comes First”

Time: From November 6, 2020 to November 30, 2020

Result: Revenue rose **105%** on-year



Contest “Kitchen Story 7.0”

Result: During the contest, total views on Vicostone Vietnam fanpage was up 40% from the pre-contest figure and total reactions soared 500%. After the contest, the fanpage received hundreds of fan writings and nearly one million reaches and reactions to the contest through offline and online communications. In addition, brand valuation indicators jumped 125% in comparison to the pre-contest stage with a quarter of all comments being positive.



MARKETING AND COMMUNICATION (CONTINUED)

24h News on VTV9

The Company sponsored the show to broadcast all 182 episodes and 26 features with the presence of Vicostone quartz, tapping tens of millions of potential buyers in the South.



2. Activities targeted at Professionals

Following Vietnam's first-ever architecture film series "The Perfect Balance", "Vicostone – Interior Design Highlight" and other shows featuring designers and architects in 2019, Vicostone in 2020 extended the connection with professionals through the contest "S.O.S 2020" – a playground that was launched for the designer community – and set up Vico Pro Club to familiarize VICOSTONE® and agencies and retailers with architects, designers and consultancy offices. The activities started in October 2020 and attracted many architects and designers across the country.



Outcomes of the S.O.S 2020 Contest:

- Vicostone cooperated with seven communication groups and Vietnam's interior-design student forum to promote the contest and received positive reactions from designers and architects.
- The Fanpage received more than 300,000 reactions and views in over one month.
- Vicostone's owned media pages received nearly 100,000 views that sought information about the contest.
- Following the contest, Vicostone raised the total number of architects and designers (people who learned about Vicostone through the Company's communication activities) by 25%.

Under the guidelines of "Customers come first", Vicostone in 2020 kept up with the plan of expanding influence on the domestic market, completed and broadened the nationwide distribution networks, and promoted integrated multimedia marketing measures to increase purchasing power, aid agencies and link with professionals and architects in big cities, etc. Through these activities, not only do customers become more familiar with the Company's products, they can also easily access and experience directly Vietnamese international-standard merchandises that had conquered the most difficult markets such as America, Europe, and Asia.



The design of architect Nguyen Van Tien won First Prize at SOS 2020 contest

MARKETING AND COMMUNICATION (CONTINUED)



Vicostone-made products on show at IMM Cologne Exhibition 2020 in Germany

II. INTERNATIONAL MARKETS

Due to the COVID-19 pandemic, many countries implemented social distancing measures to safeguard the safety and health of their people. In its proactive response to the realities of the pandemic, Vicostone in 2020 strengthened its presence through online approaches to enhance customers' website experience, digitalize shopping activity, and approach and consult customers to adapt to the change, as well as traditional exhibitions.

1. Tapping Potential Markets

As the third largest supplier of engineered stone countertops to the global market, Vicostone in early 2020 attended the International Furniture and Interiors Fair - IMM Cologne 2020 in Germany. This is one of Europe's three most valuable interior exhibitions where the world's most reputable brands gather to display the finest products. The event also sparks new trends for future designs and materials. It was here that Vicostone unveiled its Vicostone Ultrathin quartz product, the thinnest commercial quartz stone, registering at merely 5mm thick. The product was not only superior in characteristics and utility but also a trend-setter of the engineered stone industry due to its unrestricted applicability.

Regarding online advertising, Vicostone launched digital promotions to gain attention from European professionals and to offer German, French, Brazilian and Chinese versions of the website to further attract overseas markets. In 2020, Vicostone developed the new Visualizer version with smart and convenient features to provide customers and professionals with the best, most practical experience and ease in composing VICOSTONE® quartz products, with other materials, to make their own designs.

2. Tapping Key Markets

In the U.S., one of our strategic markets, Vicostone continued to participate in reputable international exhibitions such as KBIS – the largest fair in the industry – in January 2020. Subsequently, to respond to the spread of the coronavirus in the U.S., Vicostone USA encouraged its customers, employees, and sellers to wear masks and adopt social distancing measures at all selling points to ensure their safety. Furthermore, Vicostone implemented several digital transformation measures, such as setting up a product store for the Company's online distribution network and agencies to maintain popularity and assist online customers in selecting Vicostone for their projects and attending electronic international fairs of quartz and stone such as Coverings in April 2020 and HD Expo in May 2020.

In October 2020, at Design Chicago 2020 – the largest civil design conference in the Midwestern U.S. – Vicostone virtually introduced its new product Amarcord, which is now recommended for construction by some of the most well-known designers.

In Canada, Vicostone officially opened a store in Calgary – the fourth store in Canada – to expand its distribution network. The Canadian unit also proactively responded to the COVID-19 pandemic by changing its selling activities from offline to online channels, optimizing the website, launching new promotional programs on the digital platform, and constructing a visualized showroom for the website. The visualized showroom helped customers visit the facility and measure the slabs electronically, and kept customers and staff safe from the virus.



Vicostone quartz product Amarcord - BQ9500

FINANCIAL SITUATION ANALYSIS FOR 2020

I. PROFITABILITY RATIOS, LIQUIDITY RATIOS

No.	Items	Unit	2016	2017	2018	2019	2020
1	Profit before tax/Net revenue	%	25.34%	25.85%	29.16%	29.71%	29.47%
2	Profit after tax/Net revenue	%	21.05%	25.77%	24.85%	25.35%	25.24%
3	Profit before tax/Total assets	%	24.38%	29.53%	29.94%	29.60%	27.55%
4	Return on Average Equity (ROAE)	%	55.28%	58.38%	43.83%	45.64%	39.10%
5	Return on Average Assets (ROAA)	%	22.09%	31.39%	27.36%	28.24%	24.55%
6	Current ratio	Times	1.77	2.69	2.63	2.62	2.76
7	Liquidity ratio	Times	1.59	2.33	2.27	2.37	2.45
8	Quick ratio	Times	0.74	1.26	1.08	1.35	1.44
9	Earnings per share (EPS)	VND	10,813	13,461	6,548	8,114	8,251
10	Book value	VND/Share	24,119	29,949	17,414	21,554	24,857

(Source: Vicostone's audited consolidated financial statements)

Financial year (FY) 2020 was a remarkably difficult year with the global economy, especially for business in general as well as the Company in particular. In comparison with 2020 and 2019, the Company witnessed a slight increase in the profit before tax and profit after tax. In contrast, the ratio of Profit before tax/Net revenue and the ratio of Profit after tax/Net revenue slightly decreased compared to FY2019.

- The increase of sales led to the growth of net revenue, about VND 96.83 billion which was equivalent to 1.74%. The gross profit went up to VND 51.72 billion;
- Financial income increased by VND 13.73 billion mainly due to the increase of VND 3.52 billion of interest income; VND 9.74 billion foreign exchange gain;
- Financial expense increased by VND 24.86 billion due to VND 7.87 billion foreign exchange loss; loan interest increased by VND 16.99 billion;
- Selling expenses increased by VND 6.45 billion mainly due to increase of VND 0.95 billion in tools and supplies, external services expenses and other expenses also recorded an increase of VND 8.65 billion in line with the increase of revenue;
- General and administrative expenses increased by VND 9.09 billion due to the increase of office equipment, fees and charges, external service expenses, and other expenses, with the amount of VND 0.88 billion, VND 2.22 billion, VND 11.94 billion and VND 1.59 billion, respectively;
- As the result, the profit before tax increased by VND 15.29 billion, and the profit after tax increased

by VND 18.31 billion compared to year-end (YE) 2019;

- In 2020, the COVID-19 pandemic had significant impact on the income statement, which resulted in a less-than-expected growth rate. However, the ratios of ROAE and ROAA in YE2020 remained stable at high level, which indicated that the Company used capitals effectively;
- Current ratio and quick ratio were at high level of 2.76 and 2.45 times.

Factors impacted the current ratio:

Unit: VND Billion

Items	Amount
Increase in current assets:	444.21
Because:	
Increase in cash and cash equivalent	320.43
Increase in inventory	101.22
Increase in trade receivables	37.77
Decrease in value-added tax deductible, tax and other receivables from the State	14.99
Decrease in other current assets	0.22
Increase in current liabilities:	115.76
Because:	
Decrease in trade payables and advances from customers	34.11
Increase in tax and other receivables from the State	42.62
Decrease in payables to employees	5.93
Increase in short term loan and finance lease	115.67
Decrease in other payables	2.50

- The quick ratio in YE 2020 was 1.44 and higher than that of YE2019 due to the increase in inventory and current assets of VND 342.99 billion and increase of current liabilities of VND 115.76 billion. The current ratio and quick ratio remained at high level, which indicated the capability of paying their short-term obligations.
- Book value in YE2020 was higher than that of year 2019 in the absolute value: VND 409.14

Book value per share in FY2020 increased by VND 3,302.81 compared to year 2019, mainly due to the increase in equity:

- » The profit after tax in FY 2020: VND **1,428.42** billion
- » Decrease in undistributed earnings due to the payment of dividends: VND **630.40** billion
- » Decrease in undistributed earnings due to the distribution of bonus and welfare fund: VND **95.55** billion
- » Acquisition of treasury shares: VND **293.33** billion.

FINANCIAL SITUATION ANALYSIS FOR 2020 (CONTINUED)

II. BOOK VALUE

Unit: VND

No.	Items	Ending balance (31/12/2016)	Ending balance (31/12/2017)	Ending balance (31/12/2018)	Ending balance (31/12/2019)	Ending balance (31/12/2020)	Increase/Decrease YE 2020 compared to YE 2019 (+/-)
A	ASSETS						
1	Current assets	2,729,081,767,293	3,291,343,374,668	3,794,495,007,360	4,456,305,278,663	4,900,512,297,699	444,207,019,036
1.1	Cash and cash equivalents	433,971,607,316	656,279,062,859	427,351,751,020	469,919,515,100	790,349,857,796	320,430,342,696
1.2	Short-term investments	-	30,000,000,000	-	-	-	-
1.3	Current trade receivables	699,403,325,617	951,290,523,619	1,249,984,440,619	1,915,443,533,555	1,953,209,393,596	37,765,860,041
1.4	Inventories	1,458,170,374,347	1,513,931,435,283	1,986,792,777,928	1,913,745,246,413	2,014,961,208,129	101,215,961,716
1.5	Other current assets	137,536,460,013	139,842,352,907	130,366,037,793	157,196,983,595	141,991,838,178	(15,205,145,417)
2	Non-current assets	608,848,996,604	518,411,252,031	609,832,297,541	1,127,451,451,166	1,154,822,046,234	27,370,595,068
2.1	Long-term receivables	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	-
2.2	Fixed assets	548,377,023,352	483,762,757,473	548,662,662,740	1,058,231,180,457	1,018,159,912,711	(40,071,267,746)
2.3	Construction in progress	4,674,389,078	20,669,627,555	40,498,242,919	47,698,857,585	118,194,912,231	70,496,054,646
2.4	Long-term investments	38,248,003,359	-	-	-	-	-
2.5	Other long-term assets	17,519,580,815	13,948,867,003	20,641,391,882	21,491,413,124	18,437,221,292	(3,054,191,832)
2.6	Goodwill	-	-	-	-	-	-
	TOTAL ASSETS	3,337,930,763,897	3,809,754,626,699	4,404,327,304,901	5,583,756,729,829	6,055,334,343,933	471,577,614,104
B	RESOURCES						
1	Liabilities	1,890,794,978,521	1,413,864,163,277	1,673,774,768,632	2,135,070,735,316	2,197,513,273,144	62,442,537,828
1.1	Current liabilities	1,714,188,084,146	1,413,416,219,225	1,673,444,027,380	1,882,161,864,194	1,997,920,622,226	115,758,758,032
1.2	Non-current liabilities	176,606,894,375	447,944,052	330,741,252	252,908,871,122	199,592,650,918	(53,316,220,204)
2	Owners' equity	1,447,135,785,376	2,395,890,463,422	2,730,552,536,269	3,448,685,994,513	3,857,821,070,789	409,135,076,276
2.1	Owners' equity	1,447,135,785,376	2,395,890,463,422	2,730,552,536,269	3,448,685,994,513	3,857,821,070,789	409,135,076,276
2.2	Other funds	-	-	-	-	-	-
C	NON-CONTROLLING INTEREST	-	-	-	-	-	-
	TOTAL LIABILITIES AND OWNERS' EQUITY	3,337,930,763,897	3,809,754,626,699	4,404,327,304,901	5,583,756,729,829	6,055,334,343,933	471,577,614,104

(Source: Vicostone's audited consolidated financial statements)

FINANCIAL SITUATION ANALYSIS FOR 2020 (CONTINUED)

Total assets for YE2020 increased in comparison to YE2019 by VND **471.58** billion, including:

- Increase in current assets: VND **444.21** billion; Increase in non-current assets: VND **27.37** billion.

Current assets increased due to:

- Cash and cash equivalents increased by VND **320.43** billion.
- Current receivables increased by VND **37.77** billion, as follows:

Unit: VND

Items	Beginning balance	Ending balance	Movement
Short-term trade receivables	1,890,709,549,117	1,921,424,011,443	30,714,462,326
Short-term advances to suppliers	21,282,711,304	29,685,255,365	8,402,544,061
Short-term loan receivables	50,129,329	50,129,329	-
Other receivables	4,306,452,577	2,955,306,231	(1,351,146,346)
Provision for doubtful short-term receivables	(905,308,772)	(905,308,772)	-
TOTAL	1,915,443,533,555	1,953,209,393,596	37,765,860,041

Short-term trade receivables increased by VND 30.71 billion from VND 1,890.71 billion at the beginning of the year to VND 1,921.42 billion at the end of the year. The late payment customers were traditional customers with good financial capacity, always paid on time in previous years.

Short-term advances to suppliers increased by VND 8.40 billion from VND 21.28 billion at the beginning of the year to VND 29.69 billion at the end of the year.

Other receivables decreased by VND 1.35 billion as receivables from employees decreased by VND 1.29 billion; advances to employees decreased by VND 0.06 billion.

Inventories increased by VND **101.22** billion, including:

Unit: VND Billion

Items	Amount
Increase in goods in transit	6.04
Decrease in raw materials	38.09
Increase in tools and supplies	23.66
Decrease in work in process	12.13
Finished goods, trading goods	121.73

Inventories of tools and supplies rose VND **23.66** billion to meet the production plan, preventive repairs and equipment of the Company.

The slow-moving finished goods, merchandise goods increased VND **121.73** billion as the growth rate of sale of goods for FY2020 was affected by the COVID-19 pandemic, besides, the Company still maintained sufficient inventories to meet the market demand of express delivery.

Other current assets decreased by VND **15.21** billion, including:

Unit: VND Billion

Items	Amount
Decrease in short-term prepaid expenses	0.22
Decrease in value-added tax deductible	15.00

Non-current assets increased by VND **27.37** billion, including:

Unit: VND Billion

Items	Amount
Decrease of fixed assets	40.07
Decrease due to depreciation for the year	119.18
Increase in new purchases and transfer from construction in progress	79.11
Increase of construction-in-progress expense	70.50
Decrease in the number of construction-in-progress projects	(14.78)
Increase in new purchases	85.27
Decrease of other long-term assets	(3.05)
Decrease in long-term prepaid expenses	(5.64)

FINANCIAL SITUATION ANALYSIS FOR 2020 (CONTINUED)

Capital covering the growth of assets increased as:

Liabilities increased by VND **62.44** billion, in which:

Unit: VND Billion

Items	Amount
Decreases of short-term trade payables and short-term advances from customers	(34.11)
Decreases of long-term loans and finance lease obligations	(53.20)
Increases of short-term loans and finance lease	115.67
Increase other statutory obligations	42.62
Increases of dividends payables	6.02
Decreases of others long-term and short-term payables	(14.57)

Owners' equity increased by VND **409.14** billion, in which:

Unit: VND Billion

Items	Amount
Profit from operating activities FY2020	1,428.42
Acquisition of treasury shares	(293.33)
Decrease of undistributed profit after tax due to paid dividend	(630.40)
Decrease of undistributed profit after tax due to the distribution of bonus and welfare fund	(95.55)

Thus, the total assets increased due to the raise of both Current and Non-current assets.

Capital covered for the increased of assets was due to the increase of liabilities and Owner's equity.



FINANCIAL SITUATION ANALYSIS FOR 2020 (CONTINUED)

III. SELLING EXPENSES, GENERAL AND ADMINISTRATIVE EXPENSES

Unit: VND

Items	2016	2017	2018	2019	2020
Net revenue	3,211,489,780,383	4,352,524,092,876	4,521,596,112,810	5,562,762,994,808	5,659,594,518,666
Total selling expenses, general and administrative expenses					
Labour costs	26,918,224,498	27,380,348,589	25,513,576,940	40,363,160,819	29,816,345,766
Percentage %	0.84%	0.63%	0.56%	0.73%	0.53%
Material, tools and supplies costs	9,358,263,710	13,321,939,880	18,734,670,015	25,300,690,295	27,132,541,917
Percentage %	0.29%	0.31%	0.41%	0.45%	0.48%
Depreciation expenses	8,188,359,761	8,494,440,007	8,744,006,369	9,786,432,991	9,725,293,970
Percentage %	0.25%	0.20%	0.19%	0.18%	0.17%
Warranty expenses	-	-	-	-	-
Percentage %	0.00%	0.00%	0.00%	0.00%	0.00%
Taxes, fees, charges	344,118,401	362,583,440	357,541,897	1,044,489,700	3,261,974,771
Percentage %	0.01%	0.01%	0.01%	0.02%	0.06%
Provision, goodwill, trademark	163,670,575	280,673,174	58,320,012	127,361,667	51,523,817
Percentage %	0.01%	0.01%	0.00%	0.00%	0.00%
Expenses for external services	72,610,662,579	81,005,720,128	80,062,121,096	119,633,436,185	135,653,834,152
Percentage %	2.26%	1.86%	1.77%	2.15%	2.40%
Other expenses	18,652,619,067	17,002,160,943	12,551,895,623	20,201,037,280	26,354,122,744
Percentage %	0.58%	0.39%	0.28%	0.36%	0.47%
Total selling expenses, general and administrative expenses	136,235,918,591	147,847,866,161	146,022,131,952	216,456,608,938	231,995,637,137
Percentage %	4.24%	3.40%	3.23%	3.89%	4.10%

(Source: Vicostone's audited consolidated financial statements)

FINANCIAL SITUATION ANALYSIS FOR 2020 (CONTINUED)

The selling expenses, general and administrative expenses of the Company for FY2020 increased in comparison with previous year: Selling expenses, general and administrative expenses for FY2020 increased by VND15.54 billion on-year to VND232 billion, accounting for 4.10% of the total Net revenue and up 0.21 percentage point over a year.

Details of the increase and decrease are as follows:

- Labor costs decreased by VND10.55 billion or 26.13% on-year to VND29.8 billion, equal to 0.53% of total net revenue and down 0.20 percentage point from 2019;
- Material, tools and supplies costs increased by VND1.83 billion, taking up 7.24% of the total net revenue. The ratio increased from 0.45% to 0.48% as the volume of sold goods during 2020 increased, making the material costs gain accordingly. In addition, during the year, domestic sales were also boosted, so these costs also increased compared to FY2019.

- Depreciation and amortization of fixed assets decreased by 0.62% on-year or VND0.06 billion to VND9.72 billion. The figure's percentage over total net revenue decreased from 0.18% to 0.17%.
- Expenses for external services increased by VND16.02 billion or 13.39% year-on-year to VND135.65 billion. The number represented 2.40% of total net revenue, up from 2.15% in 2019.
- Other expenses were up VND6.15 billion or 30.46% on-year to VND26.35 billion in 2020. The figure's proportion in the total net revenue climbed to 0.47% in 2020 from 0.36% in 2019.

IV. LIABILITIES

Unit: VND

Items	2016	2017	2018	2019	2020	Increase/decrease 2020 compared to 2019
Short-term loan and finance lease	1,083,352,550,815	955,024,601,355	1,150,561,555,555	1,417,553,641,838	1,533,227,187,070	115,673,545,232
Others current liabilities	630,835,533,331	458,391,617,870	522,882,471,825	464,608,222,356	464,693,435,156	85,212,800
Non-current liabilities	176,606,894,375	447,944,052	330,741,252	252,908,871,122	199,592,650,918	(53,316,220,204)
TOTAL LIABILITIES	1,890,794,978,521	1,413,864,163,277	1,673,774,768,632	2,135,070,735,316	2,197,513,273,144	62,442,537,828

(Source: Vicostone's audited consolidated financial statements)

Specific payables increases/decreases are as follows

Items	Amount	Currency
Short-term loans and liabilities	115,673,545,232	VND
Increased short-term loans	115,673,545,232	VND
Other current liabilities	85,212,800	VND
Decrease in short-term trade payables	38,297,568,264	VND
Increase in short-term advances from customers	4,186,348,666	VND
Increase in statutory obligations	42,623,726,872	VND (*)
Decrease in payables to employees	5,925,008,372	VND

Items	Amount	Currency
Decrease in other short-term payables	3,618,501,165	VND
Increase in Bonus and Welfare Fund	1,116,215,063	VND

(*) This fluctuation was mainly resulted from the corporate income tax (CIT) payable. At the end of 2019, the Company had a CIT payable of VND29.79 billion; at YE 2020, the CIT payable was VND73.75 billion.

Items	Amount	Currency
Non-current liabilities	53,316,220,204	VND
Decrease in long-term loans and non-current liabilities	53,199,017,404	VND
Downsize of the Scientific and Technological Development Fund	117,202,800	VND

FINANCIAL SITUATION ANALYSIS FOR 2020 (CONTINUED)

V. INVENTORIES

Unit: VND

Items	2016	2017	2018	2019	2020
Cost of goods sold	2,220,055,820,303	3,085,309,497,515	3,025,953,450,218	3,650,651,586,771	3,695,766,493,820
Goods in transit	26,704,251,421	56,557,798,286	54,474,340,275	43,013,849,103	49,053,962,104
Raw materials	110,092,084,679	105,223,708,093	124,253,280,221	192,756,347,566	154,669,799,424
Tools and supplies	27,377,003,498	43,829,087,955	74,626,818,042	74,079,740,327	97,742,007,186
Work in progress	318,277,186,910	32,146,742,719	14,482,115,768	28,960,892,798	16,827,197,992
<i>In which: Housing construction costs</i>	275,356,571,531	-	-	-	-
Finished goods	996,355,217,321	1,287,309,735,495	1,723,738,302,000	1,579,716,494,997	1,701,450,319,801
Goods on consignment					
Provision for obsolete inventories	(20,635,369,482)	(11,135,637,265)	(4,782,078,378)	(4,782,078,378)	(4,782,078,378)
Total Inventories	1,458,170,374,347	1,513,931,435,283	1,986,792,777,928	1,913,745,246,413	2,014,961,208,129

Inventories at YE2020 increased by VND101.22 billion compared to YE2019, in which finished goods and merchandises rose VND121.73 billion. Though the Company still saw revenue grow, in fact, the annual revenue growth was lower as the performance was weighed down by the COVID-19 pandemic. The Company still maintained the quantity of finished goods and merchandises to meet demand of express delivery and will try to release the obsolete inventories and maintain inventory days in accordance with sales policy.

(Source: Vicostone's audited consolidated financial statements)

VI. INVENTORIES TURNOVER RATE

Inventories

Unit: Time

Items	2016	2017	2018	2019	2020
Inventories turnover rate	1.72	2.08	1.73	1.87	1.88

Inventories turnover rate for FY2020 of the Company slightly increased in comparison with FY2019 because the volume of inventories was kept at a certain level to meet the demand of express delivery as mentioned.

VII. CHANGING IN SHAREHOLDER'S EQUITY

Unit: VND Billion

	2016	2017	2018 (*)	2019	2020 (*)
Contributed charter capital	600	800	1,568	1,600	1,552

(*) The amount of treasury shares at YE2018 was 3,200,000 shares and 4,800,000 shares at YE 2020.

Total number of shares by category: As of December 31, 2020, the number of outstanding shares on the market was 155,200,000 shares and that of treasury shares was 4,800,000 shares.

FINANCIAL SITUATION ANALYSIS FOR 2020 (CONTINUED)

VIII. ANALYZING THE INDICATORS IN INCOME STATEMENT

1. Income Statement over the years

Unit: VND

ITEMS	2016	2017	2018	2019	2020
Revenue from sale of goods and rendering of services	3,211,964,848,407	4,352,524,092,876	4,522,435,184,761	5,568,613,461,812	5,674,600,425,338
Deductions	475,068,024	-	839,071,951	5,850,467,004	15,005,906,672
Net revenue from sale of goods and rendering of services	3,211,489,780,383	4,352,524,092,876	4,521,596,112,810	5,562,762,994,808	5,659,594,518,666
Cost of goods sold and services rendered	2,220,055,820,303	3,085,309,497,515	3,025,953,450,218	3,650,651,586,771	3,695,766,493,820
Gross profit from sale of goods and rendering of services	991,433,960,080	1,267,214,595,361	1,495,642,662,592	1,912,111,408,037	1,963,828,024,846
Finance income	25,934,115,295	54,377,404,040	41,397,309,947	26,341,074,370	40,073,177,690
Finance expenses	70,953,282,040	48,814,490,753	69,868,203,492	68,019,078,673	92,877,592,099
In which: Interest expenses	50,242,971,449	40,596,080,433	32,204,626,279	59,995,756,140	76,985,258,575
Shares of profit/(loss) of associates, joint ventures	3,854,482,424	-	-	-	-
Selling expenses	76,843,762,966	95,648,232,925	99,926,387,202	154,062,211,849	160,513,261,846
General and administrative expenses	59,392,155,625	52,199,633,236	46,095,744,750	62,394,397,089	71,482,375,291
Operating profit	814,033,357,168	1,124,929,642,487	1,321,149,637,095	1,653,976,794,796	1,679,027,973,300
Other income	869,766,648	1,178,903,601	1,509,915,834	1,447,542,683	1,552,175,940
Other expenses	1,140,985,779	1,096,988,069	4,148,980,489	2,761,669,460	12,625,030,979
Other profit	(271,219,131)	81,915,532	(2,639,064,655)	(1,314,126,777)	(11,072,855,039)
Accounting profit before tax	813,762,138,037	1,125,011,558,019	1,318,510,572,440	1,652,662,668,019	1,667,955,118,261
Current corporate income tax expense	139,608,246,117	3,233,701,436	194,966,717,351	242,548,054,943	242,123,826,716
Deferred tax expense	(1,827,825,932)	-	-	-	(2,588,472,166)
Net profit after tax	675,981,717,852	1,121,777,856,583	1,123,543,855,089	1,410,114,613,076	1,428,419,763,711
Net profit after tax attributable to shareholders of the parent	675,981,717,852	1,121,777,856,583	1,123,543,855,089	1,410,114,613,076	1,428,419,763,711
Net profit after tax attributable to non-controlling interests	-	-	-	-	-
Basic earnings per share	10,813	13,461	6,548	8,114	8,251

(Source: Vicostone's audited consolidated financial statements)

FINANCIAL SITUATION ANALYSIS FOR 2020 (CONTINUED)

2. Other financial data

Unit: VND

ITEMS	2016	2017	2018	2019	2020
1. Net profit after tax (1)	675,981,717,852	1,121,777,856,583	1,123,543,855,089	1,410,114,613,076	1,428,419,763,711
2. Current and deferred tax expenses (2)	137,780,420,185	3,233,701,436	194,966,717,351	242,548,054,943	239,535,354,550
3. Depreciation and amortisation (3)	67,588,776,716	69,627,210,979	73,428,586,478	103,979,030,170	119,184,581,565
4. Finance expenses	70,953,282,040	48,814,490,753	69,868,203,492	68,019,078,673	92,877,592,099
In which:					
Interest expenses (4)	50,242,971,449	40,596,080,433	32,204,626,279	59,995,756,140	76,985,258,575
Foreign exchange losses (5)	20,710,310,591	8,156,543,240	37,663,577,213	8,023,322,533	15,892,333,524
Loss on disposal of investments (6)					
Other finance expenses (7)		61,867,080	-	-	-
5. Finance income	25,934,115,295	54,377,404,040	41,397,309,947	26,341,074,370	40,073,177,690
In which:					
Interest income (8)	5,365,302,094	12,271,399,748	10,705,402,612	2,124,441,929	5,642,720,046
Foreign exchange gains (9)	17,297,046,372	22,050,257,892	30,691,907,335	24,016,357,892	33,753,761,597
Gain from disposal of investments (10)		20,055,746,400	-	-	994,500
Other finance income (11)				200,274,549	675,701,547
6. Adjusted EBITDA (9)=(1)+(2)+(3)+(4)+(5)+(6)+(7)-(8)-(9) -(10)-(11)	929,641,848,327	1,189,075,855,711	1,420,410,052,463	1,798,319,702,492	1,839,944,114,235
7. EBITDA Margin (%)	28.95%	27.32%	31.41%	32.33%	32.51%

EBITDA stands for earnings before taxes, interest, depreciation and amortization; and its margins reflect a firm's short-term operational efficiency. The EBITDA formula is calculated by subtracting all expenses except interest, taxes, depreciation, and amortization from net income.

Adjusted EBITDA is also a way that makes comparisons more meaningful across variety of companies in the same industry by figuring out the differences caused by capital structure change (affected by loan interests), changes in foreign exchange rates (affecting financial expense and financial income), the difference of corporate income tax rate (affecting companies with different rates), and cost of fixed assets difference (affecting depreciation and amortization). On the other hand, adjusted EBITDA excludes interests and losses from liquidation of investments because the entity believes that adjusted EBITDA helps better compare operational efficiency of the business in different periods.

Adjusted EBITDA is widely accepted by stock analysts, lenders and others in evaluating a company's ability to generate profits from sales. However, adjusted EBITDA is not allowed to replace other measurements such as: profit after corporate income tax, net cash flow from operation activities, profitability ratio, liquidity ratio, or any other performance measurement. There are some limitations in adjusted EBITDA as other analysis tools, therefore, the adjusted EBITDA should not be used or replaced separately in analyses.

FINANCIAL SITUATION ANALYSIS FOR 2020 (CONTINUED)

IX. EFFICIENCY COMPARATION IN DIFFERENT PERIODS

The table shows operational performance as the percentage to revenue in different periods:

With the target of increasing efficiency and maximizing profits, the ratio of Profit before tax to Net revenue remained high at least 25% across years. Specially, in the last 3 years, this ratio was over 29%.

Unit: VND Billion

Items	2016		2017		2018		2019		2020	
	Amount	Ratio on net revenue	Amount	Ratio on net revenue	Amount	Ratio on net revenue	Amount	Ratio on net revenue	Amount	Ratio on net revenue
Revenue from sale of goods and rendering of services	3,211.96		4,352.52		4,522.44		5,568.61		5,674.60	
Deduction	0.48		-		0.84		5.85		15.01	
Net revenue from sales of goods and rendering of services	3,211.49		4,352.52		4,521.60		5,562.76		5,659.59	
Cost of goods sold and services rendered	2,220.06		3,085.31		3,025.95		3,650.65		3,695.77	
Gross profit from sale of goods and rendering of services	991.43	30.87%	1,267.21	29.11%	1,495.64	33.08%	1,912.11	34.37%	1,963.83	34.70%
Finance income	25.93	0.81%	54.38	1.25%	41.40	0.92%	26.34	0.47%	40.07	0.71%
Finance expenses	70.95	2.21%	48.81	1.12%	69.87	1.55%	68.02	1.22%	92.88	1.64%
In which: Loan interest	50.24	1.56%	40.60	0.93%	32.20	0.71%	60.00	1.08%	76.99	1.36%
Gains/Losses in affiliate	3.85	0.12%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Selling expenses	76.84	2.39%	95.65	2.20%	99.93	2.21%	154.06	2.77%	160.51	2.84%
General and administrative expenses	59.39	1.85%	52.20	1.20%	46.10	1.02%	62.39	1.12%	71.48	1.26%
Operating profit	814.03	25.35%	1,124.93	25.85%	1,321.15	29.22%	1,653.98	29.73%	1,679.03	29.67%
Other incomes	0.87	0.03%	1.18	0.03%	1.51	0.03%	1.45	0.03%	1.55	0.03%
Other expenses	1.14	0.04%	1.10	0.03%	4.15	0.09%	2.76	0.05%	12.63	0.22%
Other profit	(0.27)	-0.01%	0.08	0.00%	(2.64)	-0.06%	(1.31)	-0.02%	(11.07)	-0.20%
Net profit before tax	813.76	25.34%	1,125.01	25.85%	1,318.51	29.16%	1,652.66	29.71%	1,667.96	29.47%
Current corporate income tax expense	139.61	4.35%	3.23	0.07%	194.97	4.31%	242.55	4.36%	242.12	4.28%
Deferred corporate income tax expense	(1.83)	-0.06%	-	0.00%	-	0.00%	-	0.00%	(2.59)	-0.05%
Net profit after tax	675.98	21.05%	1,121.78	25.77%	1,123.54	24.85%	1,410.11	25.35%	1,428.42	25.24%
Net profit after tax attributable to non controlling interest	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Net profit after tax attributable to shareholders of the parent	675.98	21.05%	1,121.78	25.77%	1,123.54	24.85%	1,410.11	25.35%	1,428.42	25.24%
Basic earnings per share: (unit: VND)	10,813		13,461		6,548		8,114		8,251	

(Source: Vicostone's audited consolidated financial statements)

FINANCIAL SITUATION ANALYSIS FOR 2020 (CONTINUED)

X. FOREIGN CURRENCY RISK & INTEREST RATE RISK

As Vicostone operates in both domestic and international markets and makes some borrowings from banks, the production and performance of the Company are influenced by the exchange rates between USD, EUR, CAD and VND and by banks' lending interest rates.

1. The risk of foreign exchange rate volatility

To mitigate the risk of foreign exchange rates, the Company thoroughly calculated payment terms of all contracts and took advantage of derivative financial instruments.

The Company had closing balance of cash and cash equivalents, receivables and liabilities with foreign currency at December 31, 2020 as below:

Foreign currency items	USD	EUR	CAD
Cash	6,621,413	590,085	1,258
Receivables	28,074,783	16,459	9,698,069
Payables	(7,286,817)	(296,378)	-
Loans	(48,096,894)	-	-
TOTAL	(20,687,514)	310,166	9,699,327

Provided with the closing balance of cash and cash equivalents, receivables, payables and loans at December 31, 2020, if the exchange rates between USD, EUR and CAD increased or decreased by between 1% and 5%, the impact on profit before tax of the Company would be as below:

Increase (+)/ decrease (-) FX USD	Increase (+)/ decrease (-) FX EUR	Increase (+)/ decrease (-) FX CAD	Impact on profit before tax (*)
1%	5%	5%	4,213,566,872
-1%	-5%	-5%	(4,213,566,872)

(*) The impact on profit before tax is the multiplication between the level of variance and the closing balance of liabilities at the end of financial year.

The impact of foreign exchange fluctuation on income statement was not high.

2. Interest rate risk

The interest rate risks are managed by analyzing the overall business environment to make the optimal loan decisions to obtain the best interest rates and re-structure the loans on suitable float rate and fixed rate.

On December 31, 2020, the Company had closing balances with float rates of USD as follows:

	USD	Converted to VND
Short-term loans	38,245,299	886,769,833,250
Current portion of long-term loans		53,199,017,404
Long-term loans		199,496,315,266

The rate of short-term loan in USD for FY 2020 of the Company was from 1.9% per year to 3.2% per year. If the bank loan rate fluctuated by 1.3% on either sides for the USD-nominated outstanding loan recorded on December 31, 2020, the Company would see its profit before tax change as below:

	Short-term Loans	Change in profit before tax (**)
USD	130	(11,528,007,832)
USD	-130	11,528,007,832

(**) The change in profit before tax of the Company is the multiplication between the increase/decrease of basic point of the rate, as represented above, and the closing balance of loans with float rate recorded on the last day of the report term.

The impact of interest rate fluctuation on income statement was not remarkable.



FINANCIAL SITUATION ANALYSIS FOR 2020 (CONTINUED)

XI. LIQUIDITY RATIO AND EQUITY

The income in FY2020 was mainly from: sales of merchandises and finished goods; VAT settlements; and current loans received from credit institutions.

Major capital requests in FY2020 aimed to facilitate the working capital in attempts to make loan payments, trade payables and dividend payments for the shareholders. Working capital requests were affected by some determinants, which derived for raw materials, equipment and machinery for production, transporting services, goods and other inputs.

The Company in 2020 wanted to keep inventories at a certain level that allowed instant product delivery on consumers' requests. In 2020, the Company posted a big gain in inventories as sales in North America, Australia and some European countries soared amid the COVID-19 pandemic. In the years to come, this inventory strategy would be kept and the Company would focus on the improvement of product quality and quantity by raising the output and productivity at plants and promoting the brand in different markets.

Based on the current business plan, cash and cash equivalents, cash form operating activities and available loans under short-term and long-term credit contracts, it is believed that the Company could meet the capital requirements for production and sale activities in FY 2020 and next years.

The cashflow in operating activities, investing activities and financing activities is classified by period in the table below:

Unit: VND

Code	Items	2018	2019	2020
I. Cash flows from operating activities				
01	Profit before tax	1,318,510,572,440	1,652,662,668,019	1,667,955,118,261
	<i>Adjustments for:</i>			
02	Depreciation and amortization of fixed assets (including amortisation of goodwill)	73,311,383,678	103,861,827,370	119,067,378,765
03	Provisions	(6,353,558,887)	-	-
04	Foreign exchange (gains)/ losses arisen from revaluation of monetary accounts denominated in foreign currency	14,558,364,655	28,114,223	(3,505,066,527)
05	Profits from investing activities	(10,788,956,248)	(2,124,441,929)	(5,642,720,046)
06	Interest expenses	32,204,626,279	59,995,756,140	76,985,258,575

Code	Items	2018	2019	2020
08	Operating profit before changes in working capital	1,421,442,431,917	1,814,423,923,823	1,854,859,969,028
09	Increase in receivables	(338,745,283,287)	(604,986,876,688)	(20,016,029,440)
10	(Increase)/decrease in inventories	(466,507,783,758)	88,265,536,716	(101,215,961,716)
11	Decrease in payables	(104,162,599,172)	(14,169,178,938)	(105,376,842,984)
12	(Increase)/decrease in prepaid expenses	(6,907,943,910)	(2,004,949,282)	5,862,640,365
14	Interest paid	(32,204,626,279)	(55,684,099,565)	(81,061,138,974)
15	Corporate income tax paid	(90,110,382,305)	(276,235,539,417)	(198,162,331,778)
16	Other cash inflows from operating activities	-	-	-
17	Other cash outflows for operating activities	(61,771,915,626)	(64,232,613,310)	(94,437,099,499)
20	Net cash flows from operating activities	321,031,897,580	885,376,203,339	1,260,453,205,002
II. Cash flows from investing activities				
21	Purchase and construction of fixed assets and other long-term assets	(151,732,739,001)	(50,651,275,363)	(88,395,274,034)
22	Proceeds from disposals of fixed assets	91,909,000	-	-
23	Loans to other entities and payments for purchase of debt instruments of other entities	(2,200,000,000)	-	-
24	Collections from borrowers and proceeds from sale of debt instruments of other entities	32,200,000,000	-	-
25	Payments for investments in other entities (net of cash hold by entity being acquired)	-	(49,269,557,490)	-
26	Proceeds from sale of investments in other entities (net of cash hold by entity being disposed)	-	-	-
27	Interest and dividends received	10,705,402,612	2,124,441,929	5,642,720,046
30	Net cash flows used in investing activities	(110,935,427,389)	(97,796,390,924)	(82,752,553,988)

FINANCIAL SITUATION ANALYSIS FOR 2020 (CONTINUED)

Unit: VND

Code	Items	2018	2019	2020
III. CASH FLOWS FROM FINANCING ACTIVITIES				
31	Capital contribution and issuance of shares	-	252,603,810	-
32	Capital redemption	(240,431,166,590)	-	(293,331,372,873)
33	Drawdown of borrowings	1,774,781,625,802	2,092,507,128,245	2,668,622,825,548
34	Repayment of borrowings	(1,582,405,125,369)	(2,124,196,594,726)	(2,605,681,700,628)
35	Payment of principal of finance lease liabilities	-	-	-
36	Dividends paid/Profit distributed	(388,181,228,100)	(713,512,226,500)	(627,149,566,575)
40	Net cash flows from financing activities	(436,235,894,257)	(744,949,089,171)	(857,539,814,528)
50	Net increase/(decrease) in cash for the year (50 = 20+30+40)	(226,139,424,066)	42,630,723,244	320,160,836,486
60	Cash and cash equivalents at the beginning of the year	656,279,062,859	427,351,751,020	469,919,515,100
61	Impact of exchange rate fluctuation	(2,787,887,773)	(62,959,164)	269,506,210
70	Cash and cash equivalents at the end of the year (70 = 50+60+61)	427,351,751,020	469,919,515,100	790,349,857,796

1. Cash from operating activities

Cash from operating activities is identified by the total of accounting profit before tax which is adjusted for depreciation and amortization of fixed assets, allowances, loan interests, unrealized losses from foreign exchange, profits/losses from finance investment, liquidation of fixed assets (which are classified as non-monetary items and excluded from the operating activities). In addition, cash from operating activities is influenced by the change in receivables, payables, inventories and prepaid expenses, loan interests and incurred expenses.

Compared to FY2019, the Company in FY2020 recorded: The net cash flow from operating activities increased by VND 375.08 billion as profit before tax excluding non-cash and non-operating items was up VND 40.44 billion (of which, the total of profit before tax gained VND 15.29 billion) and working capital rose VND 334.64 billion.

In FY2020, cash flow from financing activities was VND 1,260.45 billion, including an accounting profit before tax of VND 1,667.96 billion that excluded VND 186.9 billion worth of non-cash and non-operating items and VND 594.41 billion worth of reduction after accounting items had been changed.

FINANCIAL SITUATION ANALYSIS FOR 2020 (CONTINUED)

The change of items is specified as below:

- Increase in receivables: VND 20.02 billion
- Increase in inventories: VND 101.22 billion
- Decrease in payables: VND 105.38 billion
- Decrease in prepaid expenses: VND 5.86 billion
- Paid interest: VND 81.06 billion
- Paid corporate income tax: VND 198.16 billion
- Other cash outflows for operating activities: VND 94.44 billion

2. Cash flow from investments

Net cash flow from investing activities in FY2020 was negative VND82.75 billion, which was specified as below:

- Purchase and construction of fixed assets and other long-term assets: VND 88.4 billion, of which: VND 17.72 billion on buying compressors, VND 7.70 billion on installing electrical cabinets, and VND 5.02 billion on the installation of the feeding system.
- Incomes from interests, dividends and profits: VND5.64 billion worth of bank savings interests.

3. Cash flow from financing activities

Net cash flow from financing activities in FY2020 was negative VND857.54 billion, specified as below:

- Short-term and long-term borrowings received in FY 2020 was VND 2,668.62 billion, in which the total loan receipt was short-term working capital borrowings for operating activities with the term under 9 months.
- Original loan payment: VND 2,605.68 billion
- Dividends paid/Profit distributed for the shareholders in FY2020 was VND 627.15 billion. This was mainly from dividends distributed for shareholders from profit after tax according to the Resolution No.02/2020 NQ/VCS-HĐQT dated January 31, 2020 and the Resolution No.16/2020 NQ/VCS-HĐQT dated November 24, 2020 by the Company's BOD.

IMPLEMENTATION OF KEY PROJECT IN 2020



In 2020, Vicostone studied and installed the second vibro-compression line at the Plant No. 1 to raise the productivity and quality of stone slab.

Total investment estimate	Approximately VND 249 billion
Funding	The owners' equity of the company
Investment purposes	<ul style="list-style-type: none"> • To improve Vicostone's production of stone slab, raise the designed production capacity of the Plant No. 1 from 500,000m of slab per year to around 1,000,000m² of slab per year. • To improve technologies for new, unique, highly-competitive
Status	Completed and operated in January 2021
Location	Plant No.1 - Vicostone JSC, Hoa Lac Hi-Tech Park, Thach Hoa Commune, Thach That District, Ha Noi

KEY PLAN AND MISSIONS FOR 2021

I. KEY FINANCIAL TARGETS 2021

No.	Targets	Unit	2020	Plan for 2021	Annual increase (%)
1	Total net revenue from sales and service supplies	VND Billion	5,660	6,797	20.1%
2	Total profit before tax	VND Billion	1,668	1,919	15.1%

II. DIRECTION AND PLAN 2021



1. Business plan

- Accomplish the business goals set for 2021 under the resolutions of the Annual General Shareholders' Meeting and guarantee the benefits of all stakeholders;
- Concentrate resources on science and technology R&D to create market competitive advantages, stay at the top of the sector and drive the market with uniqueness, differentiation, innovation and creativity on the hunger for better products and services.

2. Corporate governance

- Continue assessing and standardizing the corporate governance system to meet the requirements on trade defense; apply scientific and technological solutions to improve corporate governance and working productivity;
- Hasten the digital transformation in the Company by investing in the infrastructure and facilities to take the advantage of smart technologies and respond to all changes of economy, market and technology;
- Keep implementing Kaizen-5S program to guarantee the quality of products, services and environment and better control the costs.



3. Human resources

- Make better solutions to draw high-quality labor; and assure the readiness and availability of young, capable next generations for all positions;
- Improve training policies to raise the quality of professional knowledge and skills for employees;
- Develop proper working and remuneration policies to create a united, happy environment and make the Company a true home for employees.

4. Corporate culture

- Maintain and improve the culture of the Company – a culture of commitment, determination, resilience, creativity and consciousness for the benefits of all stakeholders.

VICOSTONE ANNUAL REPORT 2020

**PROMPT TRANSFORMATION
TREND INITIATION**



03

CORPORATE GOVERNANCE

Development Strategy to 2025 with Vision to 2030	114
Report of the Board of Directors	116
Report of the Board of Internal Auditors	132
Investor Relations	137

DEVELOPMENT STRATEGY TO 2025 WITH VISION TO 2030



Based on the result achieved in 2020 and the analyses and forecasts of the socio-economic development, Vicostone will continue improving the strategy on science-technology development, business restructuring, market development, risk management, human resource training and financial management... to match the conditions of the Company and of the market to pursue the sustainable development in years to come.

The following are key missions in Vicostone's five-year strategy for 2020-2025 with vision to 2030:



I. TECHNOLOGY

- Pursue digital transformation in all business activities;
- Hasten R&D activities of the Group and Vicostone, work with the Group's research institutes to transfer their research outcomes to improve the Company's production;
- Further study smart product technologies using artificial intelligence (AI), automate the production lines in need of high precision and optimize production efficiency, thus, creating advanced, cost-efficient products to raise the Company's competitiveness.

II. HUMAN RESOURCES

As current and future directors and managers are required to possess leadership mindsets and skills, which should suit the technological development trend and serve the Company's long-term vision, the human resource development is the major concern with following activities:

- Leaders and managers are sent to short-term/long-term training courses in Master of Business Administration (MBA) to help improve administration and leadership qualities.
- Officials and employees at specialized/professional divisions/departments enjoy insightful training in digitalization, smart production, AI and IoT...;

The happiness of employees is raised to lift their productivity and efficiency while assuring their commitment to the business.

III. MANAGEMENT SYSTEMS

- Transit the system to meet comprehensive digital transformation criteria, complete the smart administration system and optimize the resources;

- Invest in modern IT system, create fast, effective working tools to help employees maximize their capabilities
- Better perfect the risk management system and perform the required tasks to oversee potential risks.

IV. MARKETS

- Keep expanding on the international markets because they are the major source of sale revenues, actively manage the risks on those markets and the risks of depending on those markets;
- As Vietnam is a highly potential market, raise the proportion of domestic sales in the total revenue to reduce the risks of depending on major export markets.

V. FINANCE

- Maintain financial indicators at high levels, keep the owners' equity-over-total asset ratio at minimum 80% by 2023;
- Strengthen the ability of cost control to make selling prices more reasonable but still maintain the product quality to improve the firm's competitiveness.

VI. RESTRUCTURING

Continue the restructuring plan to become the sole member of the Group to produce slabs and production materials. The Company will keep expanding and upgrading its production facilities to increase productivity on expectations that two new quartz production lines will be installed and the total production will be raised to 5 million square meters/year from 2021 to 2024.

REPORT OF THE BOARD OF DIRECTORS

I. MEMBERS AND STRUCTURE OF THE BOARD OF DIRECTORS

1. Members of BOD and their stakes at Vicostone

No.	Name	Title & Position	Date of appointment/ election/dismissal	Number of owned shares	Owned shares-to-total outstanding shares ratio (%)
1	Mr. Ho Xuan Nang	BOD Chairman, non-executive	Elected on April 12, 2019	5,804,231	3.74%
2	Mr. Pham Anh Tuan	BOD member, General Director	Elected on April 12, 2019	19,317	0.01%
3	Ms. Nghiem Thi Ngoc Diep	Independent BOD member	Dismissed on May 30, 2020	-	-
4	Ms. Nguyen Dieu Thuy Ngoc	Non-executive BOD member	Elected on April 12, 2019	-	-
5	Ms. Tran Lan Phuong	BOD member	Elected on April 12, 2019	18	-
6	Mr. Nguyen Quang Hung	BOD member	Elected on May 30, 2020	-	-

On May 30, 2020, the General Meeting of Shareholders decided the restructuring of the BOD as follows:

- Ms. Nghiem Thi Ngoc Diep was dismissed from the Board of Directors.

Reason: Ms. Diep had been a member of BOD for 05 consecutive years, therefore no longer met the conditions of being an independent member of the Board of Directors.

- Mr. Nguyen Quang Hung was elected as a new member of BOD for the term of 2019-2024.

As of December 31, 2020, Vicostone's BOD had: 01 independent member and 03 non-executive members, assuring the eligible number of independent BOD members in a listed Company as regulated.

Vicostone's BOD were all experienced, having operated in various fields such as finance, accounting, international trade, business administration and human resource management. Their jobs were done with high accountability and credibility, prioritizing the benefits of shareholders, ensuring effective and tight supervision of the Company.

(Details of BOD members are presented in section GOVERNANCE STRUCTURE, LABOR STRUCTURE

AND MANAGEMENT APPARATUS)

2. The list of BOD members with corporate governance certificates

- All BOD members finished training programs on corporate governance as regulated.

II. OPERATION OF THE BOD IN 2020

1. Organizing the Annual General Meeting of Shareholders 2020

On May 30, 2020, the Annual General Meeting of Shareholders (AGM) was successfully organized to:

- Approve the BOD's report on the business performance in 2019;
- Approve the Board of Internal Auditors' report on internal audit results in 2019;
- Approve the business results in 2019 and the business plan for 2020;
- Approve the Annual Report 2019;
- Approve the audited financial report for 2019, select the independent audit firm to assess the financial report 2020;
- Approve the plan on 2019 profit distribution, the plan on profit distribution for 2020 and the plan on BOD numeration for 2020;
- Approve the plan on the amendment and addition of business sectors of the Company;
- Approve the amendment of the Company's Charter;
- Approve the amendment of the Company's internal governance regulation;
- Approve the authorization of the BOD to make the final decision on investment projects, transactions and contracts signed between Vicostone and stakeholders;
- Approve the dismissal of Ms. Nghiem Thi Ngoc Diep from the BOD and the election of Mr. Nguyen Quang Hung as a new BOD member.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

2. Obtaining written opinions of shareholders

In addition to direct voting at the AGM, on December 7, 2020, the BOD approved the content for obtaining written opinions of shareholders on some subjects under the authority of the AGM. On December 25, 2020, Vicostone's extraordinary General Meeting of Shareholders 2020 approved:

- The plan to issue bonus shares for existing shareholders using treasury shares: The entire quantity of 4.8 million treasury shares would be issued for existing shareholders of the Company. The funding for the share issuance included share premium, development and investment fund, and undistributed profit after tax.
- The plan to switch transaction from the Hanoi Stock Exchange to the Ho Chi Minh Stock Exchange.

3. Organizing regular BOD meetings to assess the business performance and market conditions, and study possible development strategies

In 2020, the BOD organized 23 meetings with the presence of the Board of Management to discuss key issues.

The meetings were held in accordance with the Law on Enterprises and the Corporate Charter. All BOD members were presented in the meetings and the voting complied with the Corporate Charter and the Regulation on BOD's operation.

The rate of attendance among all BOD members in 2020:

No	BOD members	Position	Number of BOD meetings attended	The percentage of attended meetings	Reasons of absence
1	Mr. Ho Xuan Nang	Chairman	23	100%	
2	Mr. Pham Anh Tuan	Board member	23	100%	
3	Ms. Nghiem Thi Ngoc Diep	Board member	13	100%	Dismissed as the member of the Board of Directors from May 30, 2020
4	Ms. Nguyen Dieu Thuy Ngoc	Board member	23	100%	
5	Ms. Tran Lan Phuong	Board member	23	100%	
6	Mr. Nguyen Quang Hung	Board member	10	100%	Elected as a new member of the Board of Directors on May 30, 2020

At the meetings, the BOD focused on key topics concerning the implementation of the Resolution passed at the AGM 2020; the development and implementation of 2020 business scenarios as approved by the AGM; and monitoring of the implementation of the business plans, key missions and the resolutions of AGM 2020. The resolutions agreed upon at the BOD meetings would guide the Board of Management to execute the business plans efficiently and stabilize the performance amid common difficulties caused by the COVID-19 pandemic.

4. BOD's resolutions issued in 2020

In 2020, the BOD approved the following key activities:

No	Resolution number	Date	Content
1	01a/2020 NQ/VCS-HDQT	January 8, 2020	Change the Company's legal representative and authorize a corporate representative to take control of its equity in Phenikaa Hue Mineral Processing and Investment One Member Co. Ltd.
2	01/2020 NQ/VCS-HDQT	January 9, 2020	Approve the contracts and transactions in 2020 between the Company and its suppliers and partners
3	02/2020 NQ/VCS-HDQT	January 31, 2020	Develop the plan on AGM 2020 and make the third cash dividend payment for 2019
4	04/2020 NQ/VCS-HDQT	March 11, 2020	Change the schedule of AGM 2020
5	05/2020 NQ/VCS-HDQT	March 17, 2020	Approve the treasury share buyback plan
6	06/2020 NQ/VCS-HDQT	April 10, 2020	Change the schedule of AGM 2020
7	07/2020 NQ/VCS-HDQT	May 12, 2020	Approve the business plan to submit to the AGM
8	08/2020 NQ/VCS-HDQT	May 14, 2020	Approve the schedule and draft plan of AGM 2020
9	09/2020 NQ/VCS-HDQT	May 19, 2020	Nominate potential members to join Vicostone's BOD in 2019-2024 term
10	10/2020 NQ/VCS-HDQT	June 9, 2020	Appoint key positions of the Company
11	11/2020 NQ/VCS-HDQT	June 30, 2020	Change the name of departments, and issue the Regulation on organizational operation
12	12/2020 NQ/VCS-HDQT	July 6, 2020	Select the independent auditing firm to review the Company's 2020 half-year and full-year financial reports
13	13/2020 NQ/VCS-HDQT	July 29, 2020	Re-appoint key positions
14	14/2020 NQ/VCS-HDQT	September 16, 2020	Approve the loan agreement between Vicostone JSC and Phenikaa Hue Mineral Processing and Investment One Member Co. Ltd.
15	15/2020 NQ/VCS-HDQT	November 10, 2020	Obtain written opinion of shareholders
16	16/2020 NQ/VCS-HDQT	November 24, 2020	Approve the first cash dividend payment for 2020
17	18/2020 NQ/VCS-HDQT	December 7, 2020	Approve the content for getting shareholders' written opinions
18	19/2020 NQ/VCS-HDQT	December 15, 2020	Issue the Vote Counting regulations and plan, members of the Voting Committee and Voting Supervisory Committee
19	20/2020 NQ/VCS-HDQT	December 28, 2020	Approve the plan on funding, pricing and handling of the odd number of remaining treasury shares after being sold to shareholders as bonus shares

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

5. Activities of independent and non-executive BOD members

As of December 31, 2020, Vicostone's BOD had 01 independent member – Mr. Nguyen Quang Hung – assuring the eligible number of independent BOD member in a listed Company as regulated, and 04 non-executive members – Mr. Ho Xuan Nang, Ms. Nguyen Dieu Thuy Ngoc, Ms. Tran Lan Phuong and Mr. Nguyen Quang Hung.

BoD members at Vicostone were all experienced, having operated in various fields such as finance, accounting, international trade, business administration and human resource management. Their jobs were done with high accountability and credibility, prioritizing the benefits of shareholders, ensuring effective and tight supervision of the Company.

Mr. Ho Xuan Nang – Chairman of the BOD

Mr. Ho Xuan Nang was among the first people to develop fundamental strategic directions for Vicostone in the formative years of the Company, leading VICOSTONE® to become the third largest supplier of engineered stone countertops to the global market. At present, Mr. Nang is not directly involved in Vicostone's operation; however, with his insightful knowledge and significant experience, the Chairman has been supporting the Board of Management to operate the Company's production and sale activities, proactively respond to any changes in both domestic and international markets in order to make accurate and timely business decisions.

Ms. Nguyen Dieu Thuy Ngoc – BOD non-executive member

Ms. Nguyen Dieu Thuy Ngoc has many years of experience in finance and accounting and she has been appointed the Chief Accountant in different businesses. Ms. Ngoc plays a key role in internal auditing activities and the supervision of financial-accounting activities. She also oversees and ensures the making and the audit of financial statements to be done in an accurate, transparent and timely manner.

Ms. Tran Lan Phuong – BOD non-executive member

Ms. Tran Lan Phuong has years of experience in human resource management. She has made great contribution to help the Company develop and implement the human resource strategy and training strategy so that Vicostone has an abundant source of high-quality employees to meet its needs of expansion and further development.

Mr. Nguyen Quang Hung – BOD independent member

Since becoming the independent BOD member on May 30, 2020, Mr. Nguyen Quang Hung – with his expertise and experience in financial, accounting and banking – has made great contributions to the operation of BOD such as: assisting the BOD and BOM; advising international governance standards to improve the Company's performance; and counseling the BOM to develop suitable marketing and business plans for the domestic market.

6. Operation of subcommittees under the BOD

General Affairs Subcommittee

In 2020, the General Affairs Subcommittee executed the following activities:

- Organized the annual meeting for shareholders, the meetings for the Board of Directors and the Board of Management;
- Worked with related departments of the Company to respond to shareholders' inquiries;
- Monitored and analyzed the market changes ; gathered and reported information about the Company to the BOD in a proactive and timely manner;
- Worked with other departments in the Company to deliver legal advice to the BOD in regards to the Law on Enterprises and the Law on Securities;
- Fulfilled other tasks and duties.



REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

7. Operation of subcommittees under the BOD

Board of Internal Auditors



a. Members of the Board of Internal Auditors

No	Member	Position	Date of joining/quitting the Board of Internal Auditors	Professional Qualifications
1	Ms. Nguyen Dieu Thuy Ngoc	Chief of the Board of Internal Auditors	Voted to join the board on June 28, 2019	Bachelor of Accounting
2	Mr. Nguyen Van Toan	Member of the Board of Internal Auditors	Voted to join the board on June 28, 2019	Bachelor of Accounting

b. Meetings and rate of attendance

No	Member	Number of meetings attended	Rate of attendance	Rate of voting	Reason for absence
1	Ms. Nguyen Dieu Thuy Ngoc	02	100%	100%	
2	Mr. Nguyen Van Toan	02	100%	100%	

Internal audit on the Board of Directors and the Board of Management:

- Assessed the performances of the BOD and BOM;
- Assessed the Company's operational performance;
- Reviewed, updated regulations on internal audit to assure Vicostone meets the standards in Viet Nam and other markets;
- Assessed the qualities of risk management and internal audit, gave advice to the BOD to improve the two systems
- Worked with other departments and divisions, especially the BOD and BOM;
- Suggested the solutions for the BOD and BOM to improve the Company's performance and governance.

Other activities

Risk Management

- Analyzed the conditions of the markets and studied the local and international socio-economic development to identify key risks that may threaten the Company's operation, thus, advising the BOD and BOM to develop the most proper business plans and minimize the risk effects;
- Since the beginning of the COVID-19 pandemic, the Board of Internal Auditors had predicted it as a major risk that could pose significantly negative impacts on the Company's performance. Therefore, the division was able to advise the BOD and BOM to develop proper action plans to cope with the development of the disease and minimize the impact it could have on the business;
- Gave independent evaluation of the internal audit and risk management systems regarding their law compliance, cost efficiency, validity and effectiveness;
- Reviewed, monitored and gave advice to improve the systems of governance, management and operation at the Company;
- Guaranteed all activities at the Company were in line with the laws.



REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

III. THE SUPERVISION OF THE BOD OVER THE OPERATION OF THE BOM

1. Supervisory methodology

- The BOD conducted regular and periodic supervision of the BOM through meetings, emails and phone calls to oversee the implementation of the business strategy, the business plan and the Regulation approved by the AGM. On the contrary, the BOM also proactively and frequently updated the BOD on the implementation of the business plan, discussed the difficulties and obstacles with the BOD and asked for the best recommendations and solutions.
- The Board of Internal Auditors worked with functional departments to execute and oversee the activities of risk management, internal audit and the audit of financial statements.

2. Areas of supervision

- Supervised the development of 2020 business plan and the implementation of the plan as approved by the AGM;
- Reviewed and improved the qualities of corporate governance, internal audit and risk management;
- Supervised the compilation of separate and combined financial reports for each quarter and financial year 2020 in accordance with procedure, schedule and regulations;
- Supervised the payment of dividends for shareholders.

3. Results of supervision done by the BOD towards the BOM

In 2020, the COVID-19 pandemic had severe impacts on the global socio-economic development, especially Vicostone's key markets such as America, Europe and Australia. In that context, the BOD actively kept up-to-date on developments related to the global community, political and economic issues, amendments to the business plan so that the Company adapted to the new conditions, and provided direction the BOM to achieve the following results:

In Manufacturing & Sales

- Directing the implementation of the business plan and manufacturing activities with the aim to increase the quality of products and services, ensure cost cost efficiency to raise the Company's competitiveness, especially when the market was highly impacted by the COVID-19 pandemic;
- Directing to build up positive and cautious business plans for 2020 to properly match the market changes amid the COVID-19 pandemic, which had significant impacts on the Company's major export markets;
- Directing to focus on market research, new markets development to diversify the revenue streams for the Company and limit the risks when major export markets got shattered by the pandemic and changes of the world's geographical, political, social, and economic conditions;
- Directing to focus on enhancing localization and greater control over input materials, thus increasing the Company's adaptability to market changes amid the COVID-19 pandemic and reducing dependence on imported materials;

- Directing to focus on research and development (R&D) in science and technology. New technologies were applied to standardize and automate all production lines with the goal of increasing productivity and product quality. Some studied technologies were transferred and applied to lower production costs and help create new types of materials with superior properties that outperform the existing materials;
- Directing to promote Kaizen programs to encourage workers to save costs, cut down working time and increase productivity.

In Investor Relations

- The BOD took charge of holding the AGM 2020 successfully on May 30, 2020 amid the COVID-19 pandemic;
- Directing the Board of Investor Relations to develop and publicize the 2019 Annual Report and 2019 Sustainable Development Report. As a result, Vicostone was named among the top five large-cap listed companies with the best annual reports at the Vietnam Listed Companies Awards in 2020. The award was organized by the Ho Chi Minh Stock Exchange (HOSE), the Hanoi Stock Exchange (HNX) and Dau Tu Newspaper;
- Directing the Board of Investor Relations to make correct, on-time, and transparent information disclosures as regulated. Vicostone was honored among the companies with the best information disclosures by the Hanoi Stock Exchange (HNX).

In Human Resource Development

- The Deputy General Director in charge of Domestic Market was appointed to boost the performance and influence of the Company in Vietnam to counter the severe impact of the COVID-19 pandemic.

In Corporate Governance

- Directing the development of new working methods, new technologies and new products as well as the enhancement of automation in the manufacturing process.
- Directing to develop and implement responsive plans to cope with changes in both domestic and overseas markets and react to unfair competition.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

IV. RESULTS OF THE IMPLEMENTATION OF AGM 2020 RESOLUTION

1. Business performance in 2020

The global economy was devastated by the COVID-19 pandemic. This was especially true in the home building and remodeling sector. Amid the pandemic, many construction projects were canceled or delayed, thus decimating the business of most companies in the construction industry. In particular, the companies with a large proportion of revenues coming from foreign markets like Vicostone were most adversely impacted. During the peak of the COVID-19 pandemic, Vicostone's second-quarter earnings dropped sharply as governments adopted emergency measures such as social distancing, travel restrictions and border closures. In the third and fourth quarters, however, the Company's business results quickly recovered. Annual net revenue rose 1.74% on-year to VND 5,659.59 billion and total profit before tax reached VND 1,667.96 billion. The good performance in the second half of the year helped Vicostone reach the business targets that had been approved at the 2020 AGM.

Unit: VND billion

Item	Actual 2019	Target 2020	Actual 2020	Actual vs Target 2020	YoY Growth
Total net revenue	5,562.76	5,632.00	5,659.59	100.49%	1.74%
Profit before tax	1,652.66	1,669.00	1,667.96	99.94%	0.93%

The results not only demonstrated the determination, hard work and judgment of the leadership and employees at Vicostone but also indicated the Company had been well-prepared for suitable solutions to stabilize operations and maintain its position in both domestic and international markets.

2. Selection of the independent auditor for 2020 financial reports review

Authorized by shareholders at the AGM, the BOD contracted with Ernst & Young Vietnam Co. Ltd. – Hanoi Branch to review Vicostone's mid-year and full-year separate and consolidated financial reports in 2020.

Ernst & Young Vietnam Co. Ltd. is the member of Ernst & Young, one of the "Big Four" largest and most reputable auditing firms in the world. Ernst & Young Vietnam, licensed by the State Securities Commission, is capable of reviewing financial reports of local listed companies. Since 2012, Ernst & Young Vietnam – Hanoi Branch is Vicostone's independent auditor, ensuring the progress and quality as contractually required at a reasonable price. The auditor has also given advice to help Vicostone improve the financial management and compliance with existing regulations.

Vicostone's financial reports are consistently accurate, transparent, credible, in-line with regulations and they are considered an honest source of information. These reports provide investors and analysts with an accurate view of the business' financial strength.

3. Profit distribution in 2020

The Company in 2020 allocated its profit into the funds in accordance with the AGM Resolution dated May 30, 2020 as follows:

Unit: VND

Items	Realized figure	Percentage/ Ratio (%)	Note
Undistributed profit from previous years	1,314,581,611,640		
Profit before tax in 2020	1,595,462,871,540		
Corporate income tax (CIT)	242,123,826,716		
Current CIT	242,123,826,716		
Deferred CIT	-		
Profit after tax in 2020	1,353,339,044,824		
First dividend payment for 2020	310,400,000,000	20.00%	Of the par value of VND 10,000 per share
Dividend payment as bonus shares for shareholders using treasury shares	293,331,372,873		4,800,000 treasury shares
Bonus for BOD, BOM	27,066,780,896	2.00%	Of the profit after tax
Allocation for the Awards and Welfare fund	81,200,342,689	6.00%	Of the profit after tax
Distributed profit	711,998,496,458		
Cumulative undistributed profit	1,955,922,160,006		

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

In 2020, the BOD approved cash dividend payments at the following rates:

- December 2020: The first advance cash dividend payment for 2020 at the rate of 20%.

Amendment and Addition of Business Sectors of the Company

The AGM 2020 approved the BOD's plan to add new sectors to the Company's portfolio and amend the Corporate Charter.

The BOD directed functional units to complete registration procedures and reported to the Business Registration Office and State agencies, and amended the Corporate Charter.

Amendment of the Internal Corporate Governance Regulation

The AGM 2020 approved the amendment of the Internal corporate governance regulation.

The BOD directed functional units to adjust and make changes to Vicostone JSC's Internal corporate governance regulation.

Authorization of the BOD to Review Investment Projects and Contracts between Vicostone and Stakeholders

The BOD on January 9, 2020 approved the merchandise and service transactions in 2020 between Vicostone and relevant companies.

The details of the principal contract were available on the websites of the Company, the Hanoi Stock Exchange and the State Securities Commission in accordance with legality and transparency regulations.

Remuneration of the BOD Members in 2020:

In 2020, Vicostone paid BOD members total VND 312 million in accordance to the AGM Resolution 2020 as follows:

No	BOD	Position	Months	Payment (VND)
1	Mr. Ho Xuan Nang	BOD Chairman	12	72,000,000
2	Mr. Pham Anh Tuan	BOD member – General Director	12	60,000,000
3	Ms. Nguyen Dieu Thuy Ngoc	BOD member	12	60,000,000
4	Ms. Nghiem Thi Ngoc Diep	BOD member	05	25,000,000
5	Ms. Tran Lan Phuong	BOD member	12	60,000,000
6	Mr. Nguyen Quang Hung	BOD member	07	35,000,000
TOTAL				312,000,000

In addition to these payments, BOD members working at the Company also received salaries as contracted.

(Details of payments for BOD and BOM members are clarified in the Report of the Board of Internal Auditors).

V. GENERAL EVALUATION OF BOD PERFORMANCE IN 2020



Annual General Meeting of Shareholders

- Amid the difficulties in Vietnam and the world, the BOD played a key role in leading the Company to perform well and reach the targets set at the AGM, and supervised the operation via an established corporate governance system to assure the benefits of the shareholders and stakeholders, including: customers; employees; the community in accordance with the Law on Enterprises and the Corporate Charter.
- The BOD directed and supervised the BOM and units in the Company to implement the resolutions passed by the 2020 AGM.
- Sub-committees under the BOD also played an important role in assisting the BOD in risk management, internal audit, investment and appointment of high-ranking managers.
- BOD members were assigned specific tasks and were all proactive in their roles, they made the best efforts to accomplish the assignments, and showed great leadership skills to drive their units to enable the Company to reach goals and implement plans. As a result of their extraordinary efforts the Company was able to realize earning targets and pursue sustainable development. With years of experience in finance, international trade, business administration, human resource management, production technology and so forth, they were capable of delivering effective analysis and judgments, performed their roles with integrity and transparency, and assured the benefits of shareholders and stakeholders be secure and balanced.
- The Chairman of BOD had the key role to deploy the activities, encouraged all members to discuss the topics under the board's jurisdiction, and developed action plans for the next financial year that aim to maximize the collective strength of Vicostone.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

VI. PLANNING FOR BOD ACTIVITIES IN 2021

The global economy is forecast to slowly recover in 2021 as businesses, especially construction and material companies and export-dependent firms like Vicostone, will still struggle with the negative effects of the COVID-19 pandemic. Based on the direction of "Prompt Transformation - Trend Initiation", the BOD has identified core missions for 2021 as follows:

1. Manufacturing and Sales

The Company will continue seeking and exploring new markets, raise the revenues from non-key markets (all other markets except for the United States, Canada, Australia, Belgium, England and Vietnam) by more than 20%, and make sure total revenue grows as planned by improving the product quality and differentiation, productivity and cost controls.

2. Product Development and Scientific Research

Vicostone will hasten the development of new unique products that are impressive to consumers and different from competitors; develop and implement the solutions to stabilize the manufacturing process; and increase the productivity and quality of existing products.

The Company will also enhance the R&D activities to develop smart manufacturing technologies to optimize the efficiency, bring added values into the products, pursue sustainable business development and maintain the firm's credibility on the market.

3. Branding and Marketing

The year 2021 will still be challenging for the engineered stone industry because of the COVID-19 pandemic's expected long-term impacts and this will also be a big challenge for the Company. Consequently, branding activities will be a key and vital mission for Vicostone to maintain and expand the market shares as well as improve its competitiveness:



- Enhance marketing activities to promote the brand and collect customer data in overseas markets such as the Middle East, South America and Asia (e.g., South Korea, Japan, Singapore);
- Enhance international sales activities, organize field trips to study the market, explore new markets and approach new customers to boost sales after the COVID-19 pandemic.
- Develop the database of potential customers in new markets and carry out direct marketing campaigns to collect new leads and approach potential customers.
- Build up and develop new marketing tools for supporting sales, including prosite, visualizer and mobile apps.
- Maintain and further develop B2B Trading Online platforms to seek and approach new customers.

4. Staff Development

- Vicostone will execute its human resource development plan and enhance the training programs for improving the quality of employees for the current and future stages of business operations. Furthermore, all employees will be offered advanced training programs to improve their professional knowledge and skills in an effort to cultivate their skills to be in alignment with the Company's development plans. Vicostone will strive to build a conscious business environment as the third largest supplier of engineered stone countertops to the global market.



Vicostone and Phenikaa Group officials engage in the Master of Business Administration (A-MBA) Course co-organized by U.S.-based Andrews University and Phenikaa University

VII. PROFIT DISTRIBUTION PLAN FOR 2021

No	Items	Unit	Percentage of profit after tax extraction	Note
1	Awards and welfare fund	%	6.0	Of the profit after tax
2	Bonuses for directors and managers	%	2.0	Of the profit after tax

REPORT OF THE BOARD OF INTERNAL AUDITORS



The Board of Internal Auditors in 2020 continued performing effectively as advisors of our leaders. Their efforts to maintain and improve the operations of the Company were invaluable. Through independent reports on internal supervision and corporate governance, the Board of Internal Auditors provided many recommendations and important ideas for the BOD and BOM, assisting them to make strategic decisions and strategies to strengthen the Company's business operations.

I. MAJOR ACTIVITIES IN 2020

- Supervising the BOD and BOM's strategy development, management, execution and decision making;
- Reviewing quarterly financial reports before publication and working with the independent auditor to review half-year and full-year financial reports of 2020;
- Assessing and improving the internal supervision system through planned audits;
- Ensuring the publicly disclosed information was accurate, timely and transparent in representation of the Company's operations;
- Assisting the BOD and BOM in strategic development, business management and operations.

II. AUDIT RESULTS

1. Internal supervision

Supervision of the BOD

- The BOD always strived to comply with the legal requirements, the Corporate Charter, and the Internal corporate governance regulation;
- The BOD actively stayed updated with changes in the domestic and international political and economic development, especially in relation to the COVID-19 pandemic. Thus, the BOD was able to adjust the business operation plans to match the constantly changing conditions while managing emerging challenges;
- There were no conflicts of interests among BOD members, nor were there any conflicts between BOD members and the Company;
- The BOD members, who were contracted by the Company, received salaries and bonuses in accordance with their labor contracts, salary regulations issued by the BOD and the compensation levels approved at the AGM;
- The BOD members that were not contracted by the Company also received financial compensations as approved by the AGM.

Supervision of the BOM

In the context of COVID-19, the sharp and quick response of the BOM helped the Company remain compliant with Government regulations on COVID-19 control and prevention. These actions were meant to maximize safety for employees while stabilizing production and business activities. Consequently, 2020 was considered a year of significant and successful accomplishment for the BOM.

Unit: Billion VND

Item	Actual 2019	Target 2020	Actual 2020	Actual vs Target 2020	YoY Growth
Total net revenue	5,562.76	5,632.00	5,659.59	100.49%	1.74%
Total profit before tax	1,652.66	1,669.00	1,667.96	99.94%	0.93%

- The BOM strictly followed existing laws of the Government, the Corporate Charter and the Internal corporate governance regulation of the Company;
- There were no conflicts of interest between the BOM and the BOD and between the BOM and the Company;
- The BOM always cooperated with and provided support for the Board of Internal Auditors, allowing them to complete their work and fulfill their assignments;
- The salary and bonuses for the BOM members complied with the labor contracts and regulations of the Company.

REPORT OF THE BOARD OF INTERNAL AUDITORS (CONTINUED)

The details of salaries and bonuses for the BOD and BOM members are as follows:

Unit: VND

Name	Duration of holding the BOD member position	Duration of holding the BOM member/ Chief Accountant position	Duration of holding the position of a member of the Board of Internal Auditors	Duration of receiving salary and bonuses	Total income from salary and bonus for BOD/BOM members	Fuel, vehicle assistance	Total salary and bonus for the Chief Accountant	Compensation for BOD members
Ho Xuan Nang	Whole year			Whole year	3,431,621,674	-		72,000,000
Pham Anh Tuan	Whole year	Whole year		Whole year	2,536,643,540	165,000,000		60,000,000
Nghiem Thi Ngoc Diep	January 1-May 30			January 1-May 30	-			25,000,000
Nguyen Quang Hung	May 30-December 31			May 30-December 31				35,000,000
Nguyen Dieu Thuy Ngoc	Whole year		Whole year	Whole year	-			60,000,000
Pham Tri Dung		Whole year		Whole year	2,437,437,540	165,000,000		
Luu Cong An		Whole year		Whole year	2,581,581,994	165,000,000		
Nguyen Chi Cong		Whole year		Whole year	2,178,207,377	165,000,000		
Pham Thi Bich Thuy		June 9-December 31		June 9-December 31	39,203,190			
Tran Lan Phuong	Whole year			Whole year	-			60,000,000
Nguyen Thi Nga		Whole year		Whole year	-		1,194,089,954	
TOTAL					13,204,659,316	660,000,000	1,194,089,954	312,000,000

REPORT OF THE BOARD OF INTERNAL AUDITORS (CONTINUED)

c. Internal audit results

Audit results of internal corporate management

The Company's internal management system was improved and became more efficient in risk prevention and management:

- The Board of Internal Auditors found no breaches in the Company's internal management system;
- The Company's units and departments were in high compliance with regulations and procedures;
- Operational procedures were continuously adjusted and updated to meet the conditions of the business;
- The Board of Internal Auditors regularly conducted internal assessments and accredited the quality control standards of ISO 9001:2015, ISO 14001, etc.;
- Recommendations made by the Board of Internal Auditors were seriously implemented by all units and departments to make sure plans were accomplished.

Internal audit results of financial reports

The Board of Internal Auditors reviewed the Company's quarterly and yearly financial reports and below are the major findings:

- Unexpected financial duties in the year were fully recorded and these records accurately reflected the actual operations of the Company in 2020. The auditors found no errors that could deflect the financial results;
- The financial reports were honestly and accurately developed to reflect the Company's key financial indicators, business results and cash flow as of December 31, 2020 while meeting Vietnamese accounting standards and regulations on financial reporting;

- The Board of Internal Auditors found no extraordinary and noteworthy issues regarding the transactions of the related sides. In addition, trading prices were comparable with the market averages at the time of transactions and were not different from other independent transactions;
- Quarterly financial reports and the audited half-year and full-year financial reports were compiled and published in accordance with the regulations of the State Securities Commission and the Hanoi Stock Exchange and other existing rules.

III. KEY AUDIT PLANS FOR 2021

- Enhance the technical capacity of the Company's internal auditors in a way that will align with the international practice/standards in internal audit;
- Improve the internal audit procedures and develop a procedure for auditing the quality of audit activities;
- Monitor the operation of BOD and BOM in strategy development, business management and execution;
- Review quarterly financial reports, work with independent auditors to review half-year and full-year financial reports of 2021;
- Conduct the audit tasks as planned and approved for 2021 and execute any ad-hoc audit tasks requested by the BOD;
- Continue providing advice on how to improve the internal control system and corporate governance procedures.

INVESTOR RELATIONS

I. SHAREHOLDER INFORMATION

1. General information

Name of the company	VICOSTONE JOINT STOCK COMPANY
Abbreviated name	Vicostone
Stock code	VCS - listed on the Hanoi Stock Exchange (HNX) and debuted on December 17, 2007
Address	Hoa Lac Hi-Tech Park, Thach Hoa Commune, Thach That District, Hanoi
Phone	+84 24 3368 5826
Fax	+84 24 3368 6652
Website	https://vicostone.com
Email	quanhecodong@vicostone.com
Investor relation website	https://vicostone.com/vi-vn/investor-news

	Registered charter capital	1,600,000,000,000 VND
	Total amount of issued and listed shares	160,000,000 shares
	Total amount of treasury shares	4,800,000 shares
	Total amount of outstanding shares	155,200,000 shares
	Type of stock	common stock
	Par value	10,000 VND
	Market capitalization (as of January 5, 2021)	VND 13,533.44 billion

INVESTOR RELATIONS (CONTINUED)

2. Amount and type of outstanding shares

(Upon the list of shareholders recorded by the Vietnam Securities Depository (VSD) as of December 7, 2020)

No	Shareholder	Number of shares	Percentage (%)	Note
1	Non-depository	75,061,032	47%	By the amount of outstanding shares
2	Depository	84,938,968	53%	
	TOTAL	160,000,000	100%	
1	Institutional shareholders	135,528,202	87%	
2	Individual shareholders	19,671,798	13%	
	TOTAL	155,200,000	100%	
1	Domestic shareholders	155,221,308	97%	
2	Foreign shareholders	4,778,692	3%	
	TOTAL	160,000,000	100%	

3. Shareholder structure

(Upon the list of shareholders recorded by the Vietnam Securities Depository (VSD) as of December 7, 2020)

No	Shareholder	Amount
1	Total number of shareholders	4,549
2	Domestic shareholders	4,429
3	Foreign shareholders	120
4	Individual shareholders	4,484
5	Institutional shareholders	65

4. The list of major shareholders

(Upon the list of shareholders recorded by the Vietnam Securities Depository as of December 7, 2020)

No	Name of the individual/institution (representative)	Type of shareholder		ID number/Business registration number	Date of issue	Number of owned shares	Owned shares-to-outstanding shares ratio (%)
		State shareholder	Major shareholder				
1	A&A Green Phoenix Group Joint Stock Company		X	0104961939	October 20, 2010	130,611,198	84.16%

5. Ownership of insiders (members of the BOD, BOM, and Board of Internal Auditors)

(Upon the Corporate Governance Report 2020 dated January 21, 2021. The figures below were recorded as of December 31, 2020)

No	Name	Position/Title	Number of owned shares	Owned shares-to-outstanding shares ratio (%)
1	Mr. Ho Xuan Nang	BOD Chairman	5,804,231	3.74%
2	Ms. Nghiem Thi Ngoc Diep	BOD member	-	-
3	Mr. Nguyen Quang Hung	BOD member	-	-
4	Ms. Nguyen Dieu Thuy Ngoc	BOD member	-	-
5	Mr. Pham Anh Tuan	BOD member – General Director	19,317	0.01%
6	Ms. Tran Lan Phuong	BOD member	18	-
7	Mr. Luu Cong An	Deputy General Director	200,079	0.13%
8	Mr. Pham Tri Dung	Deputy General Director	342,800	0.22%
9	Mr. Nguyen Chi Cong	Deputy General Director	8,706	0.01%
10	Ms. Pham Thi Bich Thuy	Deputy General Director	-	-
11	Ms. Nguyen Thi Nga	Chief Accountant	-	-
12	Mr. Nguyen Van Toan	Board of Internal Auditors member	-	-
	TOTAL		6,375,151	4.11%

6. Share transactions of insiders and related persons

In 2020, transactions incurred among members of the BOM. No transactions incurred among members of the BOD, the Board of Internal Auditors, the Chief Accountant, major shareholders and their related persons. Specific details are displayed in the table below:

No	Transactor	Position/Title	Number of owned shares before transaction		Number of owned shares after transaction		Reason
			Number	Owned shares-to-outstanding shares ratio (%)	Number	Owned shares-to-outstanding shares ratio (%)	
1	Mr. Luu Cong An	Deputy General Director	305,079	0.20%	200,079	0.13%	Personal financial need



7. Treasury shares transactions

No	Transactor	Number of treasury shares before transaction	Number of treasury shares after transaction	Trading period	Average trading price (VND)
1	Vicostone JSC	0	4,800,000	From April 3, 2020 to April 21, 2020	VND 61,134 per share

8. Investor relations policy

Equal benefit and treatment for shareholders, investors

Since the first days in the history of the Company, the protection, benefits and rights of shareholders and investors have been a priority at Vicostone. The Company makes every possible attempt to ensure that there are no discrimination between majority and minority shareholders. It is always assured that shareholders will be provided with adequate information about mutual concerns such as the time and the rate of dividend payments, invitation to annual and extraordinary general meetings, voting rights, submission of feedback about urgent issues regarding shareholders' benefits, etc. Furthermore, their inquiries are often replied to by the Board of Investor Relations through communications such as emails, phone calls and public posts on the Vicostone website.

Various communications for shareholders and investors

Vicostone is a listed company with a large number of shareholders and the Company acknowledges the importance of information updates regarding each decision made by shareholders and investors. Therefore, the accuracy, punctuality and transparency of information disclosure are high priorities for the Company. The Company constantly strives to diversify and improve communications to constantly update shareholders and investors with business development plans and performance reports.

In addition to complying with information disclosure rules stated in Circular 155/2015/TT-BTC, Vicostone also makes public statements about the key developments/events that could have impact on the benefits of shareholders and investors such as quarterly financial statements or the introduction of new products etc.

Improvement of information punctuality, transparency and credibility

In order to preserve the rights and benefits of the shareholders, the information delivered by Vicostone is always equal among all shareholders and investors. Their concerns to know dividend payment plans, to vote, to nominate members for the Board of Directors and the Board of Internal Supervisors, to approve annual financial statements and annual business plans, and to comment on key issues are always adequately satisfied in a timely and transparent manner. These communications are delivered through updates with standards and procedures on information disclosure, calls for meetings, voting and written opinions to assist shareholders in the execution of their rights.

In order to improve the credibility of the provided data, Vicostone maintains the preparation of financial statements in compliance with Vietnamese accounting standards and contracts an independent auditor who works with the Board of Internal Auditors to review annual financial statements. The Board of Internal Auditors also reviews the Company's quarterly financial statements to confirm the accuracy and credibility of the data.

INVESTOR RELATIONS (CONTINUED)



9. Dividend policy

Dividend is considered one of the most crucial interests of investors, and through annual cash dividend payments, Vicostone makes sure shareholders receive fixed dividends and stable income.

Dividend payment by ratio and the form of payment, either in cash or bonus shares, are decided by the shareholders at the annual meeting based on the BOD's proposal and complies with the following principles:

- Dividends are paid only when the Company is profitable, after the total profit is distributed to internal funds and tax and financial duties are accomplished in accordance with the law;
- The Company must assure due debts and liabilities are resolvable after the dividend payment is completed;
- The dividend must assure two basic conditions: shareholders' interests and the Company's capital need for its business expansion;
- The dividend payment is made based on each shareholder's ownership.

Annual dividend ratios are displayed in the table below:

Year	Dividend ratio	Dividend payable (VND)	Total paid dividend (VND)	Note
2007	14%	3,354,483,463	3,284,483,463	Drawn from profit after tax 2006
2008	20%	14,717,824,240	14,787,824,240	Drawn from profit after tax 2007
2009		1,497,600,000	1,497,600,000	Drawn from profit after tax 2008
2010	35%	53,625,000,000	53,625,000,000	20% drawn from profit after tax 2009 15% drawn from profit after tax 2010
2011	5%	9,942,391,000	10,533,300,000	Drawn from profit after tax 2010
2012	20%	105,998,502,000	106,427,397,000	Drawn from profit after tax 2011
2013		-	124,536,000	
2014	25%	111,298,527,500	26,495,156,100	5% drawn from profit after tax 2013 20% drawn from profit after tax 2014
2015	40%	169,597,804,000	169,571,493,275	Drawn from profit after tax 2015
2016	40.00%	190,797,404,000	275,186,472,700	Drawn from profit after tax 2016
	~ 13.21%	70,007,490,000		Issued bonus shares
2017	20.00%	120,000,000,000	120,012,199,500	Drawn from profit after tax 2017
	~ 33.33%	200,000,000,000		Issued bonus shares
2018	40%	476,800,000,000	388,181,228,100	20% drawn from profit after tax 2017 20% drawn from profit after tax 2018
	100%	800,000,000,000		Issued bonus shares
2019	40%	627,200,000,000	713,512,226,500	40% drawn from profit after tax 2019
	2.04%	240,247,311,882		Bonus shares taken from the total volume of treasury shares
2020	40%	630,400,000,000	630,400,000,000	20% drawn from profit after tax 2019 + 20% drawn from profit after tax 2020

INVESTOR RELATIONS (CONTINUED)

II. INVESTOR RELATIONS IN 2020

Though investor relations were heavily affected by the unpredictable development of the COVID-19 pandemic, which was caused by the Severe Acute Respiratory Syndrome Coronavirus II, Vicostone, through careful management by the BOD, constantly looked for ways to improve the Company's relationship with shareholders and investors. The Company also assured information was well-disclosed and available to the public in compliance with the rules stated in the Ministry of Finance's Circular 155/2015/TT-BT. These guidelines helped the BOD and BOM understand the concerns and suggestions provided by shareholders, investors and analysts, allowing them to better respond to changes of the market.

Regular and extraordinary information disclosures related to business operations and performance were on time, accurate, honest and transparent as regulated. Full records on public statements, financial statements, annual reports, AGM documents and corporate governance reports can be found in the section "Investor Relations" on the website of the Company.

Vicostone had some notable achievements in investor relations as follows:

- In 2020, the Company was listed in the Top 5 Large-cap Enterprises with Outstanding Annual Reports. Vicostone's annual report was highly evaluated for the transparency and sufficiency of the documentations regarding the plans on business development and performance, environment, society, community, laborers, etc.;
- Vicostone in 2020 was honored among the Hanoi Stock Exchange's Top 15 Enterprises with Best Information Disclosure and Corporate Governance 2019-2020 – This is the result made by HNX to honor and spread the efforts of large-scale public enterprises in implementing regulations on transparent information disclosure and corporate governance practices. This recognition helped improve the confidence of shareholders, investors and employees in the Company, thus facilitating Vicostone to continue pursuing sustainable development;
- Fairness and equality between shareholders were consistently applied by Vicostone since its establishment, proven by its guarantee of equal access to information to allow all shareholders, especially foreigners, to execute their voting rights;
- The updates were disclosed and published properly, transparently and legally on the Company's website, the Hanoi Stock Exchange's CIMS and the State Securities Commission's IDS in accordance with Circular 155/2015/TT-BTC. Investors were regularly updated with data on earnings, performance, financial status, corporate governance and others with a high level of accuracy;
- In 2020, the Board of Investor Relations operated effectively, responded quickly to the questions of shareholders through phone calls, emails, and other modes of communication,

provided investors with important information that could affect their rights and benefits.

III. THE PLAN FOR INVESTOR RELATIONS IN 2021

Vicostone wants to maintain a good relationship with investors and shareholders to deliver transparent, honest, accurate and timely information, thereby proving its accountability to shareholders and investors. The action plan on investor relations in 2021 contains the following:

- Regularly updating shareholders and investors with information about the Company's business performance and operation through the posts on its website, including the news that is not required by regulators;
- Maintaining and improving the quality of information disclosure, and enhancing the standard, transparency, accuracy and reliability of the information, thus assisting Vicostone to achieve stable and sustainable development on the stock market;
- Educating and improving the capacity and professional qualities for the Board of Investor Relations and its staff regarding information disclosure and other activities relevant to the Company;
- Maintaining and diversifying communications with shareholders and investors such as in-person meetings, phone calls and emails to ensure the information is delivered promptly, accurately and completely to shareholders and investors;
- Strengthening the meetings with investors and shareholders to understand their demands, and



seek opportunities for better co-operation in both domestic and international markets.

VICOSTONE ANNUAL REPORT 2020

**PROMPT TRANSFORMATION
TREND INITIATION**



04

SUSTAINABLE DEVELOPMENT

Commitment to Sustainable Development	148
Stakeholder Engagement	150
Vicostone's Code of Conducts with Stakeholders	156
HSEQ Management System	162
Environmental Responsibilities	176
Social Responsibilities	190
Sustainable Human Resources Development	194



COMMITMENT TO SUSTAINABLE DEVELOPMENT

Over 18 years of operation, sustainable development is always the focus and guideline for all activities at Vicostone including production, sale, corporate governance, research and development of human resources. The commitment to the development of the humanity and society is the core of the Company.

The sustainable development of Vicostone is grounded through customer satisfaction, environmental protection, occupational health and safety, and social security. Accordingly, the Company commits to:

- Joining hands to create a better life for the community and society;
- Focusing on human resource development as the core strength of the business;
- Cost-saving, efficient use of natural resources and green, clean and sustainable technologies;
- Realizing all commitments to the stakeholders;
- Abiding to the law as a transparent and ethical business;
- Providing all needed resources to maintain and improve the management system of quality, environment, social responsibility and occupational health and safety upon the standards ISO 9001:2015, ISO 14001:2015, SA 8000:2014, and ISO 45001:2018.

STAKEHOLDERS ENGAGEMENT






Vicostone believes shareholders, partners, employees, the community and society should share mutual interests based on law abidance and an understanding, respectful, side-to-side partnership. Therefore, the concerns of stakeholders are always the top priorities at the Company. Once the issue is addressed and assessed, Vicostone will develop the most effective, suitable approach and communication to get the stakeholders together based on the firm's business plan.





The stakeholders of Vicostone are:



STAKEHOLDERS ENGAGEMENT (CONTINUED)

Stakeholder	Concerns	Vicostone's goals	Actions in 2020
 <p>Shareholders and Investors</p>	<ul style="list-style-type: none"> Efficient business operation; Accurate, transparent, prompt information disclosure; Equality among shareholders and investors; Good corporate governance qualities; Two-way communication between shareholders, investors and the Company. 	<ul style="list-style-type: none"> Maintain and further develop the relationship with shareholders and investors; Abide by the rules on transparency and information disclosure; Guarantee the rights and benefits of shareholders and investors. 	<ul style="list-style-type: none"> Organized the Annual General Shareholders' Meeting as a place to sum up the Company's full-year performance, and to propose and discuss the action plan for the following stages. Vicostone's Annual General Shareholders' Meeting 2020 was held on May 30, 2020 with the presence of 51 shareholders. These shareholders were holding more than 143 million shares or 89.71% of the total voting shares. The agreement was reached on two business plans in 2020 amid the COVID-19 pandemic; Collected feedbacks from shareholders in written form; Secured all legal rights of shareholders under existing laws and Corporate Charter; Provided full transparent information for shareholders and investors; Treated all shareholders with equality; Followed, exercised the missions and duties as required by the securities market regulators, and promote VICOSTONE® to other investors on the stock market.
 <p>Employees</p>	<ul style="list-style-type: none"> Safe, discrimination-free, healthy, collective working environment; Fair, attractive salary and bonus policies; competitive, diverse welfare regime; Opportunities to join training programs and develop personal professional competencies; Individual achievements and efforts recognized. 	<ul style="list-style-type: none"> Improve the teamwork efforts and discipline for employees; Enhance the loyalty of employees to the Company and encourage them to prolong their careers; Evaluate and improve welfare policies for the labor; Educate and encourage Vicostone's employees to make contributions to the community. 	<ul style="list-style-type: none"> Secured occupational health, safety and equality for employees. In 2020, to prevent the virus spread and protect employees, the Company sterilized all facilities, equipped the buildings and rooms with hand sanitizers and masks, encouraged workers to keep a safe distance from each other...; Maintained salaries and improve beneficial policies for employees. When many other businesses had to declare bankruptcy and dissolution in 2020, Vicostone managed to increase the number of workers while keeping payments unchanged; Improved the working environment, promoted the spirit of teamwork and sharing via community services and sport events; Facilitated all employees to study and develop. Workers and managers were evaluated and sent to advanced training courses to improve knowledge and skills and prepare to lead the Company in the future; Surveyed the happiness of all employees and managers, addressed their concerns to find the solutions.
 <p>Customers</p>	<ul style="list-style-type: none"> Guaranteed quality of products and services; Outcomes of good quality returned from the investment; Accessibility to the information of products and services; Provision of prompt accurate information and high-quality consultancy to make decisions to purchase the products and services; Good customer care services, including complaint responsiveness, quick product warranty, and clear agreement terms. 	<ul style="list-style-type: none"> Improve the satisfaction of customers on the products and services offered by Vicostone; Enhance the influence and popularity of VICOSTONE® brand on the market. 	<ul style="list-style-type: none"> Conducted regular market researches to understand overall taste of customers on the market, thus developing the products on their demands; Expanded the market coverage by increasing the number of agencies and distributors as quick as possible; Develop a competent, professional, dedicated customer care team; Regularly reviewed and improved customer care services to meet their requirements; Broadened the customer care communications, including direct contact, email, 24/7 call center... Studied the happiness and satisfaction of customers to promote the strengths of the Company and improve the weaknesses, generate the best values and services for customers.

STAKEHOLDERS ENGAGEMENT (CONTINUED)

Stakeholder	Concerns	Vicostone's goals	Actions in 2020
 Partners and Suppliers	<ul style="list-style-type: none"> Fair treatment among suppliers; Equal, transparent and win-win co-operation; Confidentiality of partners' information preserved from their competitors. 	<ul style="list-style-type: none"> Co-operation on respect and win-win principle; Make sure all stakeholders comply to their agreed obligations and commitments; Honor and comply to the agreements on partners' information confidentiality. 	<ul style="list-style-type: none"> Transparent discussions with partners in negotiation and contract signing; Exercise, update monthly/quarterly/annual evaluations of partners and suppliers on their abilities of environmental protection, production safety and commitment to stakeholders; Attend fairs and exhibitions to look for new partnerships, business opportunities and professional discussions; Receive and respond to feedbacks and comments via hotline calls, emails and direct contacts.
 Community and Society	<ul style="list-style-type: none"> Impact of the production on the local environment and community; Impact on local employment; Development of economy and infrastructure for the local community, charity and voluntary activities to benefit the society such as taking care of Vietnam's heroic mothers, supporting families hit by poverty and natural disasters... 	<ul style="list-style-type: none"> Assist the local socio-economic development and environmental protection; Support the local community to achieve sustainable development; Promote corporate social responsibility, especially in dealing with the issues on environmental protection and social sustainability. 	<ul style="list-style-type: none"> Worked with parent firm Phenikaa Group and local governments to implement infrastructure development projects, took good care of Viet Nam heroic mothers, donated VND5 billion for the Foundation "For the Poor", donated VND2 billion for cancer children via VinaCapital Foundation, gifted children being treated at National Institute of Hematology and Blood Transfusion, donated hand sanitizers made by Phenikaa University to local schools and hospitals at Thach Hoa Commune in Ha Noi's Thach That District... Employed local people (80% of all workers were local), improved living conditions for the locals; Joined local activities on poverty reduction and environmental protection; Improved the Company's treatment protection system to keep the environment green, clean and sustainable; Fulfilled all tax duties;
 State Agencies	<ul style="list-style-type: none"> Compliance to the laws and rules issued by both central and local governments; Accomplishment of the obligations and duties regulated by the State; Participation in activities launched by State agencies. 	<ul style="list-style-type: none"> Join hands to further improve the laws and regulations on the Company's activities; Fulfill the obligations and duties required by the State; Perform actively and effectively in the campaigns launched by the State agencies. 	<ul style="list-style-type: none"> Updated new regulations on the Company's activities; Accomplished the tasks and obligations asked by the State; Took part in the programs to raise the public awareness of sustainable development and environmental protection; and worked with the Government to provide support and improve living conditions for people across the country. Vicostone and Phenikaa Group together donated VND6.5 billion to assist the Government to fight the COVID-19; donated VND5 billion for the Foundation "For the Poor" via the Vietnam Fatherland Front Central Committee to respond to the Prime Minister's call-out...
 Media Agencies	<ul style="list-style-type: none"> Release of accurate information for the press. 	<ul style="list-style-type: none"> Frequently share and exchange information with the media to develop the image of a transparent, credible enterprise. 	<ul style="list-style-type: none"> Maintained the relationship with media agencies and organized press conferences for notable events and achievements; Frequently, promptly released statements on the business performances and other news to the press; Developed and preserved the sharing culture to make information accessibility fair for all media agencies.



I. VICOSTONE CULTURE – CONSCIOUS CULTURE

Since its very first day, the sustainability of business development and the balance of interests among stakeholders (Partners, Customers, Employees, Shareholders, Community and Society...) are the decisive factor for all decisions and actions of the Company and social responsibilities are the core of the business that helps create, foster better values for the community today and the future generations.

Vicostone's system of three core values and seven cultural characteristics is at the heart of the Phenikaa Culture – the culture of the conscious business:

1. Core values

- **Credibility:** Dare-to-think and dare-to-act attitude, integrity, sincerity and commitment to the interests of all stakeholders;
- **Pioneering:** Never stop learning and be innovative to lead the market trends;
- **Inspiration:** Commit to making products of best qualities and designs, meeting the demand of customers.

2. Cultural characteristics

- **Trust:** Built within Vicostone and between the Company and stakeholders;
- **Accountability:** Clear, transparent, well communicated about all aspects and among all stakeholders;
- **Care:** Cautious and honest conducts on sympathy, sharing attitude and recognition to each other;
- **Transparency:** Clarity and accuracy of information, policies, plans, targets...
- **Integrity:** Honest, straightforward, serious and committed to humanity;
- **Loyalty:** Commitment, dedication and strong efforts;
- **Equality:** Encouragement of free, open expression and two-way feedback (between employees and managers/leaders)

VICOSTONE'S CODE OF CONDUCT (CONTINUED)



Tasks are discussed between managers and employees of Vicostone

II. VICOSTONE'S CODE OF CONDUCT TO STAKEHOLDERS

1. To the Labor:

Vicostone believes the value and success of the enterprise are built on the creativity, passion and discipline of each member. Therefore, the Company develops a happy, professional, and friendly working environment that upholds constructive criticism and encourages individuals to freely demonstrate creativity and reach their full potential, thus making differences and contributions to the growth of the company. Upon mutual understanding, caring and sharing, Vicostone is home to those whose dreams are nurtured and aspirations are awakened, developed and realized.

- Respect: Vicostone acknowledges the laborers are the "Source of Power" of the Company, therefore, their ideas are highly-appreciated and well-received while they are given opportunities to maximize professional capabilities, improve the professional experiences and develop their careers, thus accomplishing personal achievements and new heights of knowledge and work;

- Information sharing: Vicostone encourages labor-related information to be shared among all employees upon constructive criticism and open communication. All employees are free and highly-appreciated to raise their voice and their personal information is secure and remains confidential. The collection, processing, storage and use of employees' personal information can only be done if necessary and the action must comply to the laws;
- Equal treatment: Employees are treated, assessed fairly based on their competencies, attitude, qualities and the results will facilitate the Company in recruitment, promotion, training, salary raise and disciplinary measures. Based on the professional requirements of each particular position, the Company is able to send employees to training courses to improve their professional qualities. Each worker is overseen by the internal system to evaluate their work results so any success or failure is fairly considered;

- Occupational safety and health: The Company is obliged to facilitate employees the best working conditions, which refer to personal space, equipment and device, internal disciplinary rules, and free of cigarettes and alcohol...; to guarantee the physical conditions for laborers by complying strictly to the rules on occupational safety and health; and to responsibly deal with conflicts to make sure they are dealt with fairly, quickly and legally

- Respect of all stakeholders on the win-win principle: Reasonable feedbacks, requests and benefits of shareholders and investors are always appreciated; the Company also commits each worker acts for the common goals and will not take advantage of the firm's support for personal benefit and damage the profits of shareholders and investors.

3. To Customers and Partners

Customers, partners and agencies are the center for Vicostone's decision making. They are also considered key asset and member that assist the Company to realize its strategies and achieve the targets.

2. To Shareholders and Investors:

Transparency, respect, equality and cooperation are the keys to Vicostone's relationship with investors and shareholders. The Company commits to bringing sustainable benefits to shareholders and investors through efficient business and investment activities, law abidance and honest, prompt information disclosure to publicly report the results of corporate governance and business operation.

- Transparent information disclosure: Vicostone pledges the reports on business performance, legal documents and other records provided for shareholders and investors are prompt, accurate, highly informative and legible;

- The products and services are of high qualities, international standards and creativity. Based on advanced technologies, they are created and updated to become unique and divergent;
- A credible relationship with customers: The Company follows fair, honest business ethics upon the advantages of the products, services and resources; bribery is not tolerated; and employees are advised to listen to customers to understand their needs and add new values to the products and services;



Vicostone products introduced to potential buyers

VICOSTONE'S CODE OF CONDUCT (CONTINUED)

- Abidance to regulations on international trade and confidentiality of customer information: The information of customers is protected and secured by the Company in accordance with the existing laws;
- Mutual respect: A win-win relationship is developed which assures information confidentiality for all parties and a fair competition for all partners, and prohibits employees from receiving bribes any forms of bribery among employees;
- Information is provided fully and accurately about the rules and working protocols to make sure the co-operation with suppliers and partners is fair, competitive and thorough;
- Law abidance: Legal standards are considered fundamentals for every actions and policies, especially those regarding employees' health and working safety.

4. To Competitors

Every competitor is a teacher and a friend for Vicostone to learn from and compete equally as the Company wants to keep improving its products and services, thus pushing the overall socio-economic development of the country.

- The Company prioritizes fair competition, not to violate the rights and benefits of the competitors while pledging to avoid unhealthy actions such as collecting the confidential information about the competitors and spreading false information about the competitors to weaken their strength;
- The Company does not sign agreements and memoranda with competitors to make the moves that have negative impact on the market and customers;
- Strictly abide to the rules, agreements and accords signed with other parties; honor the confidentiality of the competitors, and avoid making retaliations that go against

the domestic and international rules on competition;

- Honor other companies' intellectual and property rights as Vicostone considers competition a drive to boost the firm's performance by learning from its own competitors.

5. To State Agencies

Vicostone pledges to honor and abide by the laws on competition, environmental protection, labour, intellectual property and securities market. The Company also often fulfills its obligations and duties asked by the State, stays righteous in the relationship with the State agencies, forbids any illegal and unethical actions even though they benefit the Company, and is willing to work with the regulatory bodies if needed.

6. To Community and Society

As a member of the community and a cell of the society, Vicostone acknowledges its key role in environmental protection. The Company is willing to partner with the

State and other stakeholders to improve the living conditions for Vietnamese people and enhance the country's socio-economic development through smart technologies and production methods as well as scientific researches.

- Vicostone commits to fulfilling its social responsibilities upon its capabilities by making environmental protection a priority for all production units, constantly improving and using cost-saving methods to minimize the use of natural resources and energy so that the Company is able to prevent the chance of environmental pollution. The firm also pledges to take part in community services to help develop a sustainable society;

- Employees and workers are encouraged to come up with ideas and innovations to improve their working conditions and protect the environment, and to join community service activities;

- Support for localities: Vicostone has been actively participating in the programs by the Government to improve living conditions for local people, hastening the projects to build and upgrade the local infrastructure, reduce poverty, create jobs and launch charities to assist the local people and authorities;

- Vicostone has also organized programs to raise public awareness about sustainable development and environmental protection such as efficient use of energy and prevention and handling of natural disasters, while jointly working with other organizations to hold activities on climate change.



Vicostone's managers and employees join a charity marathon contest to raise fund for children with cancer

HSEQ MANAGEMENT SYSTEM

I. INTRODUCTION OF HSEQ MANAGEMENT SYSTEM

To respond to the rapid changes of the economy, society and technology, Vicostone keeps updating new corporate governance solutions to improve the internal management qualities and resolve potential issues. For better administration and assessment of the activities in manufacturing, environmental protection and community service, Vicostone in 2019 renovated its Health-Safety-Environment-Quality (HSEQ) Management System to match up-to-date standards, provide products and services of best qualities and commits its actions with social responsibility and sustainable environmental protection.

HSEQ Management System consists of sub-systems as follows:

- Social Accountability System SA 8000:2014
- Health and Safety Management System ISO 45001:2018
- Environmental Management System ISO 14001:2015
- Quality Control System ISO 9001:2015



Standard	Date of Registration	Date of Latest Update	Date of Validity	Certification Number	Certification Agency
ISO 9001:2015	November 5, 2005	September 14, 2018	September 14, 2018	FM 692548	BSI
ISO 14001:2015	October 25, 2006	September 14, 2018	September 14, 2018	EMS 692550	BSI
ISO 45001:2018 (previously OHSAS 18001:2007)	October 20, 2015	August 16, 2019	August 16, 2019	OHS 692551	BSI
SA 8000:2014	December 21, 2010	November 30, 2019	December 21, 2010	SA 569249	BSI

1. Quality Control System ISO 9001:2015



Product qualities are the decisive factor to make a brand broadly-known on the market. Vicostone, having acknowledged the importance of quality control, in 2005 successfully applied the Quality Control System based on the standard ISO 9001:2000 to optimize the use of resources, improve the management of manufacturing, cut expenses and limit the errors. The actions have helped the Company increase the qualities of products and services, satisfy the demands and requirements of customers, meet the legal standards and create its own long-term competitive advantages on the market.

Since then, Vicostone has kept the system updated with latest international practices. The latest upgrade was made in 2017 when the Company adopted ISO 9001:2015 on Quality Control System with following notable changes:

- Firstly, new term on "Circumstances": Under the new standard, Vicostone is expected to evaluate how internal and external factors affect the business using analytic tools such as SWOT, SPACE matrix, QSPM.... From that, the Company may understand the expectations of stakeholders like employees, investors, customers, suppliers, partners and competitors, address potential risks and opportunities to develop suitable policies and targets, better serve its customers, assure the operation of the business, and re-allocate the resources and powers properly.
- Secondly, the term of "Risk Management": Risk management helps the business diminish the chance of potential risks that could have direct impact on the qualities of product manufacturing and service provision, from the input (human, materials, equipment...) to the output. With the new item, Vicostone should be able to address, assess and better control highly-risky factors by various tasks and procedures. Some risk management solutions are technological

changes, responses to incidents, technology control...

- Thirdly, the term on "Leadership": Senior leaders of the Company must demonstrate their commitments and roles in the quality control system, in which they must directly take part in the business operation instead of appointing some people to take care of their tasks.

2. Environmental Management System ISO 14001:2015



In 2017, Vicostone also adopted the new standard for the Environmental Management System, which is known as ISO 14001:2015, to replace the standard

ISO 14001:2004. The new standard required the Company to re-structure its entire system. The new system structure has allowed Vicostone to easily integrate one system/standard with one another, based on which the Company understands the circumstances and expectations of the stakeholders, better addresses and manages the risks of environmental issues to implement business policies without causing impact on the environment.

The standard ISO 14001:2015 that Vicostone adopted requires the firm to carry out the following 11 steps: Information exchange; Stakeholder consultancy; Identification and evaluation of environmental effects; Assessment of regulatory compliance; Development of the action plan; Control of contractors; Waste water management and treatment, Operation of circulating water system; Tracking and measurement of environmental and professional safety; Management of chemical substances...

By adopting the standard, Vicostone was able to update and implement legal practices, better controlled expenses by reducing and stopping potential environmental crises and optimizing input materials in accordance with the manufacturing plan, and better collect data for further improvement. The Company

HSEQ MANAGEMENT SYSTEM (CONTINUED)

has received high ratings of environmental activities such as the certificate for the industrial manufacturer using four-star green energy from Hanoi's Department of Industry and Trade....

3. Health and Professional Safety Management System ISO 45001:2018



Considering human the source of power and the valuable intangible asset of the Company, Vicostone always strives to minimize

the risks of damages to its laborers. The Company has made some improvements for the system to construct the best working environment in terms of mental and physical conditions. Recently, the firm upgraded its occupational health and safety management standard OHSAS 18001:2007 to standard ISO 45001:2018, a strategic move that serves the firm's pursuit of sustainable development, balances the benefit among all employees and increases the profitability for the business. The following are outstanding features of the system:

- Alike the standards that were adjusted such as ISO 9001 on quality control and standard ISO 14001 on environmental management, standard ISO 45001 also requires Vicostone to focus on system restructuring and allows the firm to integrate various activities of quality control, health, occupational safety and environmental protection into one system. With the standard, the professional terms are standardized and the items of the management system are explained more easily.
- The company is able to concentrate and enhance risk management by addressing the circumstance for each stage and identify the risks in each specific activity. That means solutions are developed to address and eliminate potential risks, better protect employees, and raise the awareness among the staff about the dangers and

risks of occupational health and safety via training courses and drills...

- Employees are able to raise their voice over the issues regarding occupational health and safety as they can ask to join the activities with the leaders to develop the plans, assess the activities and improve the management system.

4. Social Accountability System SA 8000:2014



Every enterprise is a "cell" of the community and its actions always have some impact on the social development.

Being aware of its social responsibilities, Vicostone has adopted the Social Accountability System using standard SA 8000 from the very first days of foundation. The standard focuses on nine items: Child labor; Forced labor; Occupational health and safety; Freedom of association and collective bargaining; Discrimination; Disciplinary practices; Working hours; Remuneration; and Management system.

Standard SA 8000 has become one of the key requirements, which helps Vicostone seek the way to improve working conditions for the laborers and listen to their expectations and ideas, assists the Company to monitor its CSR activities and develop a sustainable human resource.

II. OCCUPATIONAL SAFETY

1. Products match international standards of quality and safety for consumers

Throughout the history of Vicostone, quality is among the Company's priorities to not only meet the market demand but also originate the products and services that beat the market expectations. In addition to the HSEQ (Health-Safety-Environment-Quality) management system, which is exercised to better govern internal activities, Vicostone has maintained an international-standard production process that broadly receive credits:



Microbial Resistance
ASTM D 6329-98

* Certificates of VICOSTONE® outputs

No	Certification Body	Quality	Time of Certification	Time of Expiration
1	NSF International	NSF Certificate admits Vicostone's products are safe for use at laboratories, healthcare facilities and food producers	2008	Annually extended
2	Greenguard Environmental Institute	GreenGuard and GreenGuard Gold certificates recognize Vicostone's products are safe to in-door environments such as houses, schools and totally safe for kids.	2009	Annually extended
3	SGS United Kingdom Ltd	CE certificates (EN 15285: 2008 and EN15286:2013) acknowledge Vicostone's products pass European standards on size, durability, water-resistance, scratch-resistance.	2009	Annually extended
4	Greenguard Environmental Institute	Microbial Resistant Certificate proves the products are bacteria-free and safe for users and environment.	Annual	Annually extended
5	Vietnam Institute for Building Materials (Ministry of Construction)	Certified Vicostone's engineered countertops match the standard QCVN16:2019/BXD for bricks and tiles	Re-certified on December 4, 2017	Valid until December 3, 2020

HSEQ MANAGEMENT SYSTEM (CONTINUED)

In order to guarantee the products are of the best qualities as committed to customers, Vicostone has constantly renovated the manufacturing process and tightened quality control measures from the start of the production to the delivery of the product. The final outputs are extremely well-designed, durable and safe and they meet the toughest international technical requirements on engineered countertops. The following are technical statistics of VICOSTONE® engineered countertops:

Characteristics	Testing Methodology	Outcome
Water absorption(% mass)	ASTM C97/C97M-09:2009	≤ 0.05%
	EN 14617-1:2013	≤ 0.06%
Apparent density	ASTM C97/C97M-09:2009	2.2-2.4 g/cm ³
	EN 14617-1:2013	
Flexural strength	ASTM C880/C880M-09:2009	> 40 MPa
	EN 14617-2:2008	
Dimension stability	EN 14617-12:2012	Class A
Electrical stability	EN 14617-13:2013	Volume resistivity (R _v) = 0.9 x 10 ¹⁴ Ω Volume resistivity (ρ _v) = 4.88 x 10 ¹⁴ 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 ³
	EN 14617-5:2012	
Freeze-thaw resistance	ASTM C1026:2013	No changes after 15 cycles
	EN 14617-5:2012	No changes 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 changes 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 changes 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 changes observed)
Determination of resistance to staining	AS 2924.2-15: 1998 (EQUI. TO ISO 4586.2-15: 1997)	Impact on surface (level): 5 – no changes observed)

2. Control of input materials for better production quality and efficiency

The quality and safety of the product can be assured only when the inputs match the standards set by Vicostone. All materials are supplied by trustful domestic and overseas partners and tightly checked by following process:

2.1 Examination of materials quality control procedures

01 Pre-import

- A sample of material is tested before the importation
- The supplier is examined regarding its production capabilities;
- The supplier is checked regarding its management competencies;
- The supplier is assessed regarding its ability to sustain and stabilize.

02 Bulk import

- Raw materials imported in bulk must meet quality standards following bulk testing on the production line;
- Vicostone may implement a field trip to inspect the supplier and its facilities before deciding whether the materials should be imported in bulk.

03 Pre-storage check

- 100% of material packages are checked before being stored in accordance with existing regulations and standards;
- If one package of materials is not qualified, it will be put aside and Vicostone will work with the supplier to fix the problem. The package should not be used in the production to secure the quality standard;
- The Company studies all potential problems with the package to address the risks and develops action plans to respond to similar cases in the future.

04 Storing control

- All materials are secured in standardized storehouses. The Company regularly checks, evaluates the quality of the materials and storehouses to make sure the materials are of the best quality before being used.

05 In-production supervision

- The materials are kept in standardized storehouses and reviewed regularly by the Company. If any questions are made about the quality of the materials, the Quality Control Department and the R&D Center will carry out some examinations and make recommendations/warnings about the conditions of the materials;
- During the production, if any problems regarding the quality of materials are found, the line will be stopped and separated, then a specialized team will study and handle the problem.

06 Evaluation

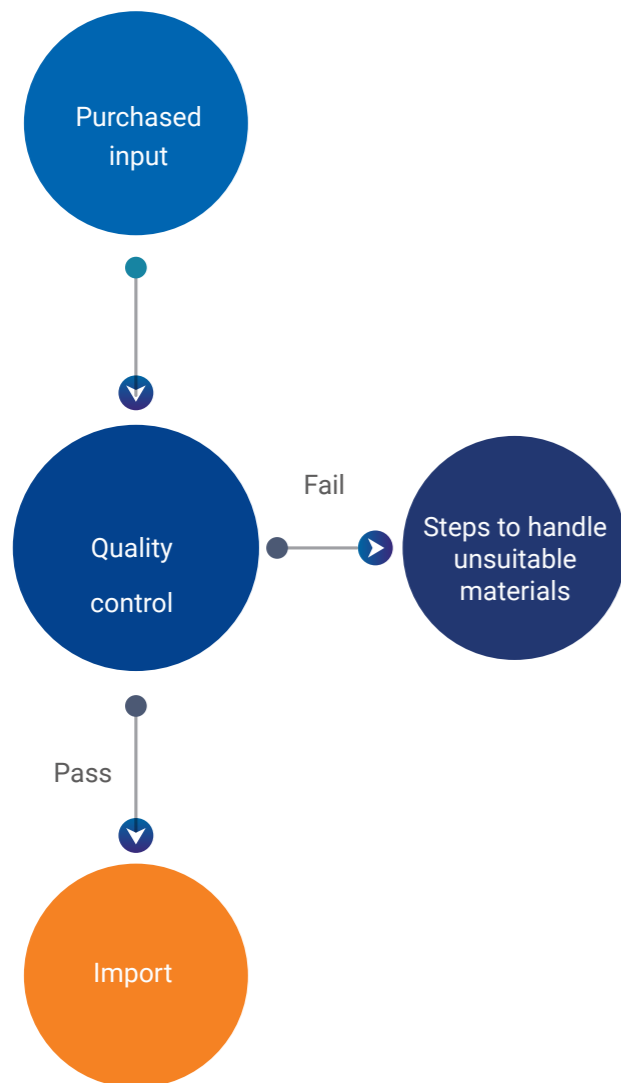
- All products are assessed following existing quality standards.

HSEQ MANAGEMENT SYSTEM (CONTINUED)

2.2 Material control process

Prior to the storage, the materials are tested by the Input Quality Control team to make sure they match national or international measurement standards. The materials must meet Vicostone's strict requirements on environmental protection and be compatible with the Company's technology. After being imported, the materials are stored in standardized facilities so that their qualities cannot degrade. Before being used for production, the materials are assessed the second time.

Quality control process for imported materials



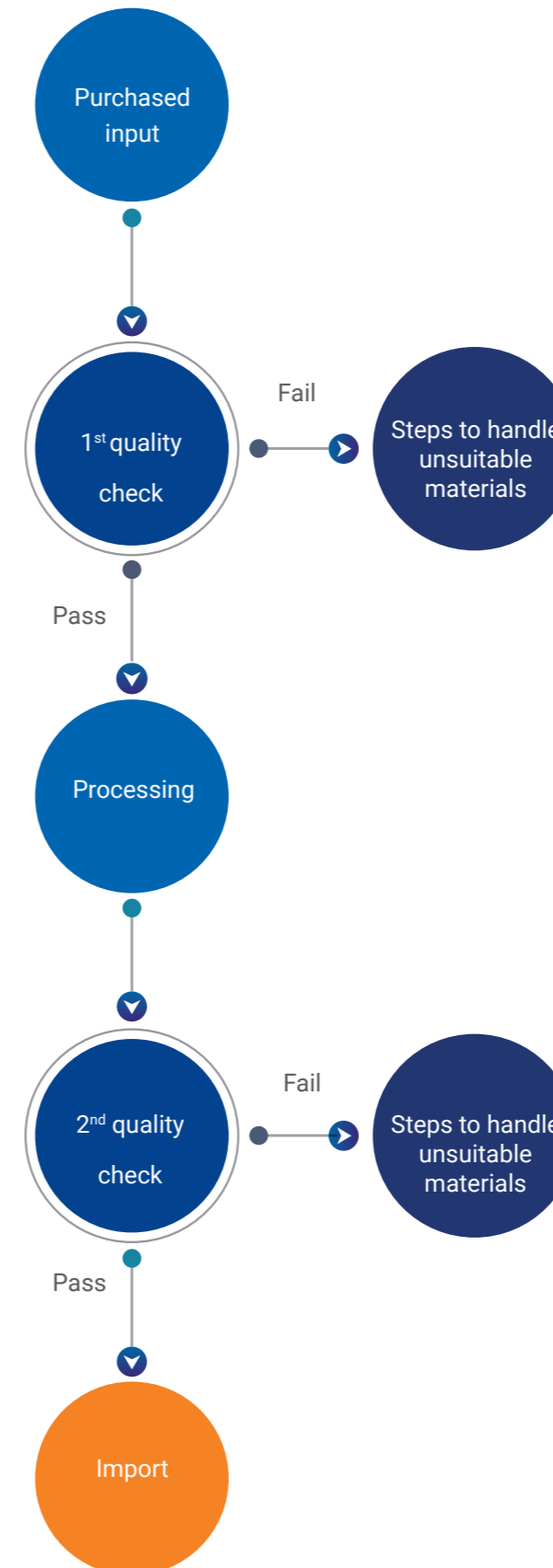
Step description

The purchases of overseas-imported materials must comply with the "Procurement Procedure" developed by the Sales Department. Relevant offices will be informed about the purchases and prepare to receive the packages.

The Input Quality Control evaluates all materials the first time (first check) following the guidelines approved by the BOD. If the materials:

- Pass: The Input Quality Control decides to import 100% of materials.
- Fail: The Input Quality Control requests for remedies as per regulations

Quality control process for domestically-supplied materials



Process

The purchases of domestically-made materials must comply with the "Procurement Procedure" developed by the Sales Department. Relevant offices will be informed about the purchases and prepare to receive the packages.

The Materials and Quality Control works to examine the materials.

The Input Quality Control follows the guidelines approved by the BOD to inspect 100% of the materials for the first time (first check). If the materials:

- Pass: The materials are imported and stored in standardized facilities;
- Fail: The Input Control Quality requests for remedies as per regulations.

The staff of the Crushing and Screening Workshop follow the "Crushing and Screening Control Standard" to process raw materials into pure materials for production.

The Input Quality Control assesses the quality of materials during the production. After being processed, 100% of the materials are tested and assessed for the second time following guidelines and standards. The action has two results:

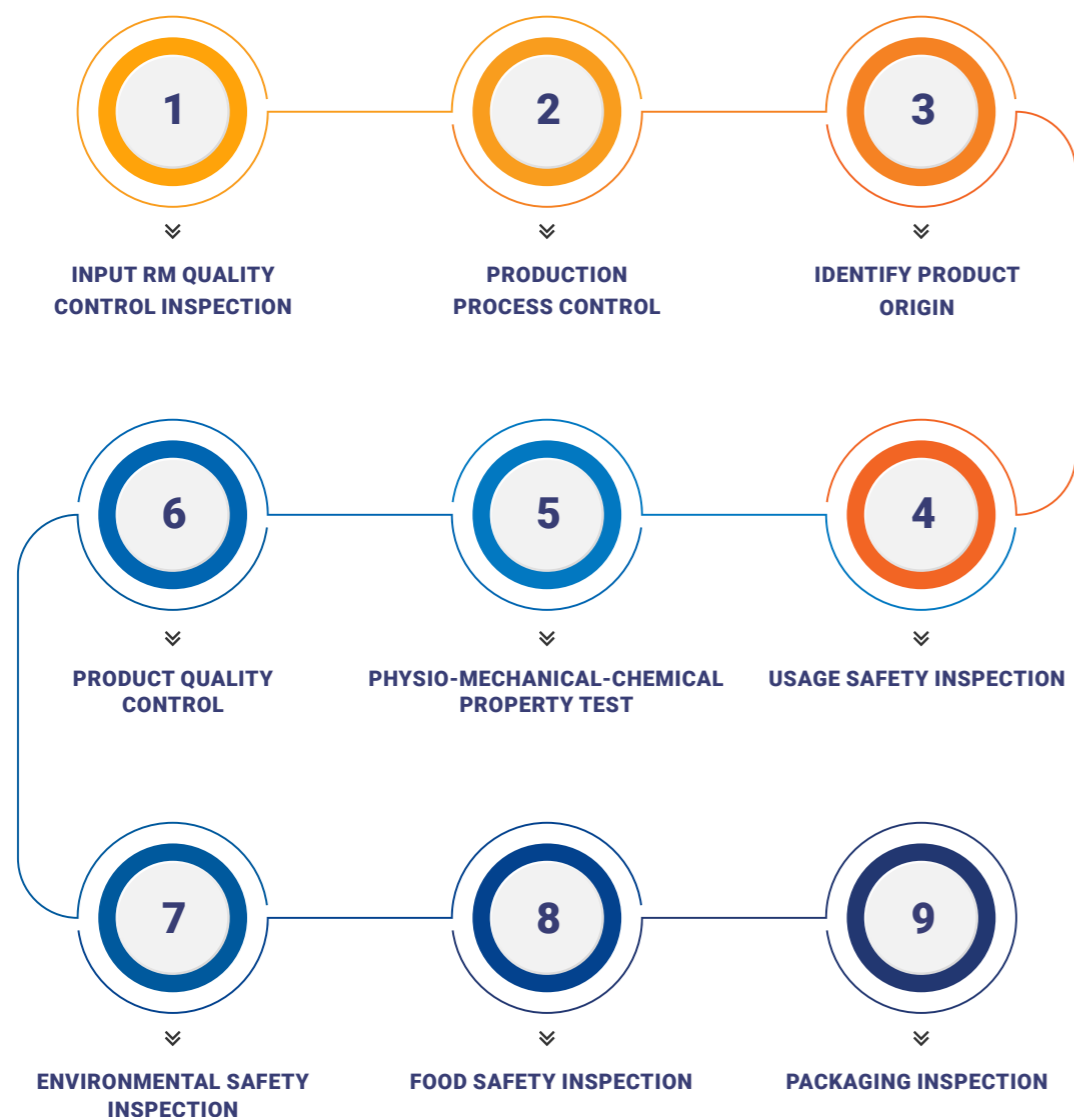
- Pass: The materials are stored and kept at standardized houses;
- Fail: The Input Quality Control requests for remedies as per regulations.

Materials passing the second test then transferred to the Inventory Department for standardized storage, in which the quality and quantity are prevented from degradation during the storage period

HSEQ MANAGEMENT SYSTEM (CONTINUED)

Thanks to the efficient integrated management system and Vicostone people's creativity in quality control, 100% of purchased materials are assessed and assured of the best qualities before being imported into the production line.

After materials are stored, authorized departments continued monitoring the production lines and made sure the production strongly complies with the standards. The standards are publicly and consistently available at all factories. The following are the work-flow on a production line at Vicostone:



No	Control	Guideline	Percentage	Short description
1	Check on input materials	"Process on input material control" QT30	100% of all units package materials	Purchased materials are tested before being stored.
2	Production line control	"Product quality control process" QT-32	100% of all working shifts	Each stage of production is examined to match the firm's technology
3	Product origin traceability	"Product origin traceability and recognition" QT-07	100% of slabs	The Company equips the machinery and solutions for product identification; makes sure the production is monitored and regularly measured
4	Product quality control	"Product quality control process" QT-32	100% of made packages	Corresponding products are tested at least once against strict criteria to meet quality standards
5	Mechanic, physical and chemical test	"Product quality control process" QT-32	100% of made packages	All packages of products have to take the mechanic, physical and chemical test so they meet consumers' requirements
6	Check of safety qualities	"New product sale and development process" QT-08	100% of made packages	All features regarding user safety such as slip, flame-resistance... are checked regularly from the first stage of development
7	Environmental protection features	"New product sale and development process" QT-08	In accordance with the rules by certifying agencies	Each year, Vicostone sends a product sample to GreenGuard to examine the characteristics regarding its environmental impact at UL Environment lab in the United States
8	Check of safety qualities	"New product sale and development process" QT-08	In accordance with the rules by certifying agencies	Food safety information such as the percentage of heavy metals must be examined and confirmed by NSF International in the United States
9	Packaging control	"Packaging process" QT-28	100% of all containers	The Quality Control Department inspects 100% of containers regarding the quality of packages and packaging before checking them out

HSEQ MANAGEMENT SYSTEM (CONTINUED)

III. INTELLECTUAL PROPERTY RIGHT PROTECTION

Intellectual property (IP) is among the key valuable intangible assets of each enterprise, and in fact, IP rights have been the main instrument for a lot of companies around the world, such as Coca Cola, Microsoft and IBM, to grow strongly and become superpowers with their brands and assets worth dozens of billions of dollars. At Vicostone, the protection of IP rights has always been the top priority since the first day of establishment. Having faced both opportunities and challenges in the past few years, the Company in 2020 successfully dealt with illegal use of its IP rights to protect its intangible assets and improve its competitiveness on the market. The following are some notable solutions on the protection of IP rights:

1. Register for protection of intangible assets in Vietnam and overseas markets to remain highly competitive

At the moment, Vicostone has completed the registration for the protection of the brand VICOSTONE®, industrial product designs and key merchandise brands at 67 countries, which

include the Company key export markets such as the United States, Canada, Australia, New Zealand and the European Union consisting of 28 nations. Since 2017, the Company has lodged 24 registrations on the protection of industrial design for key merchandises, of which, 11 designs have been certified in Vietnam (BQ8863, BQ8840, BQ8860, BQ8686, BQ8730...). Twelve registrations were made in 2020 for key merchandises in the United States, Canada and Vietnam.

VICOSTONE® countertops are the result of the combination of technology, intelligence, experience, know-how, limitless creativity and effort by the product research and development division. But the market competition is rising as other players in the industry have made various copies of Vicostone-made products despite tight international laws on intellectual property. As it takes too much time and cost to make a lawsuit, the Company acted proactively and developed some solutions to deal with violations to better protect its intellectual properties and brands as follows:

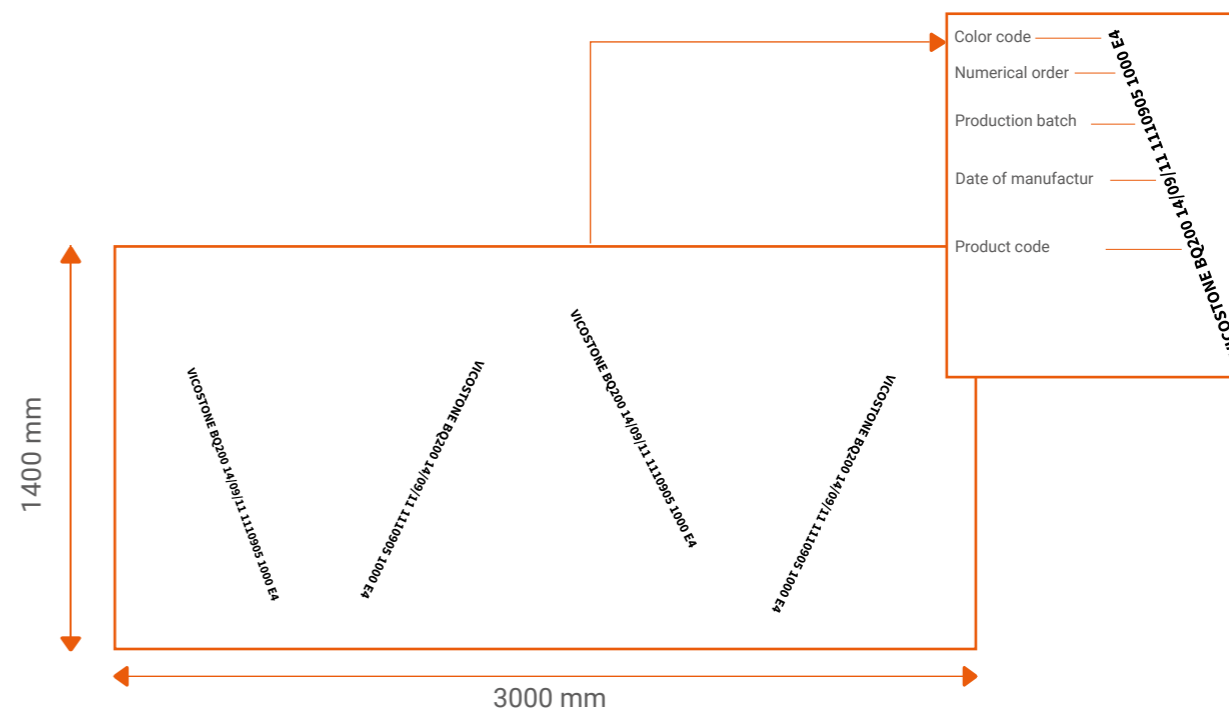
Anti-counterfeit system

Vicostone is running a barcode system to manage all information of the products, so-called product ID. The product ID is created by the central server, transformed into a two-way barcode then labeled on the product by two methods:

- Labeling: All related information and the barcode of the product are printed and stamped on the product;
- Direct printing: The brand VICOSTONE® is printed on the back of the slab with the information of the product, including the ID, date of production, number and color code to enhance the brand identification to consumers. The print will remain endlessly consistent with the product;
- Each product is labeled with a specific barcode to make sure its traceability is responsive and accurate, which makes warranty easier for customers and helps them tell the authentic from the fake.



Barcode is stamped on the surface of the product



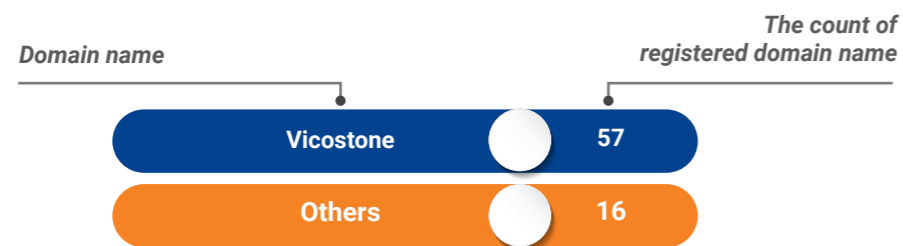
Details of VICOSTONE® product information are printed on the surface

HSEQ MANAGEMENT SYSTEM (CONTINUED)



2. Use of technical solutions

In addition to registering with market regulators for brand protection, Vicostone has also sought ways to better protect the brands on the internet and avoid controversies and hacks over the domain name, and to prevent IP rights from being stolen... For example, the Company uses the domain name that matches its brand (<http://vicostone.com/>) and invests in the development of websites in nearly 50 countries across the globe. In key export markets – such as North America, with the States (vicostoneus.com) and Canada (vicostone.ca), and Europe with the likes of vicostone.co.uk for United Kingdom-based unit and vicostone.fr for the France-based office – customers can get full access to the information about the products, brands and authentic stores on local websites. Besides, as of the end of 2020, the Company had registered alternative domain names as follows:



The list of registered domain names: vcsstone, dathachanhvicostone, homerenovationdesign, mycountertopmaterial, banbepdanhantao, banbepthachanh...

3. Other solutions

- Internal management system has been strengthened and tightened to protect technological secrets, production lines, machinery..., prohibiting unauthorized persons from recording and picturing the facilities. Every employee is required to sign a confidentiality agreement with the Company to commit all classified information and documents are not leaked or revealed to the outside, even after the labor contracts with Vicostone ends.
- Every partner is obliged not to violate Vicostone's IP rights when signing the mutual agreement and has to compensate in accordance with the laws if any violations are found.
- In Vietnam, Vicostone is providing full services for customers such as measurement, installation, construction, online warranty registration... which has limited the chance of counterfeits being sold

As the Company is growing stronger and larger, it becomes a harder and more urgent task for Vicostone to protect its IP rights from violations. To better perform in this activity, Vicostone will implement following actions in 2021 beside the development and operation of the data management and IP right administration systems:

- Develop, implement the IP administration strategies and policies inside the Company.
- Form a team specializing in IP administration in the Company, including members from Legal, Marketing departments and R&D Center.
- Develop a well-train group of professional employees focusing on IP issues and implement relevant activities in the Company.





ENVIRONMENTAL RESPONSIBILITIES

Environmental protection in recent years has emerged as an essential task for organizations and enterprises, especially those running industrial plants, so green and eco-friendly products are becoming one of the first concerns for buyers when it comes to shopping. As an international producer of engineered countertops having presented in nearly 50 countries and territories, Vicostone eyes sustainable development and environmental responsibility are thorough strategies, which require the Company to act responsively, properly to specific stages of the business development.

In years, Vicostone has been pursuing the sustainable development model that creates a balance between business strategy, performance and the interests of customers, employees, society and stakeholders. The solutions have been developed to minimize environmental impacts of the business operation through eco-friendly products, technological research and development, efficient use of resources and improvement of awareness for the laborers.

I. ENVIRONMENTAL RISKS

Environmental risks are the potential elements that may have negative impacts on people, surrounding environment, assets and the name of the Company.

As risks and opportunities, including environmental issues, have been identified and predicted, Vicostone has come up with detailed precautionary solutions and concurrently executed them to minimize the chance of incidents to protect the environment and preserve the assets and the name of the Company.

Risks	Main cause	Solutions
<ul style="list-style-type: none"> The environment and the physical conditions of employees, local residents and customers are negatively affected; Business operation is disrupted due to administrative penalties imposed by State agencies; The name of the Company is ruined. 	People	<ul style="list-style-type: none"> Follow, keep updating the State's environmental protection regulations; Regularly educate employees about the rules developed by the Company and the State on environmental protection.
<ul style="list-style-type: none"> Financial losses Depletion of natural resources 	Technology	<ul style="list-style-type: none"> Keep updating manufacturing process to better improve and optimize the use of materials and resources; Enhance the use of eco-friendly materials in manufacturing; Encourage the recycling and reuse of wastes to minimize waste disposals.
<ul style="list-style-type: none"> Sub-standard emission and waste water are disposed to the environment 	Machinery, equipment	<ul style="list-style-type: none"> Keep upgrading and monitor the use of devices; Develop a skilled team to run, inspect the devices regularly to diminish potential errors
<ul style="list-style-type: none"> Environmental protection rules are broken; Waste of resources to administrate environmental issues 	Process, methodology	<ul style="list-style-type: none"> Update, reform the environmental protection process; Develop the human resources of good quality and competency to run the system.

ENVIRONMENTAL RESPONSIBILITIES (CONTINUED)

II. ENVIRONMENTAL PROTECTION ACTIVITIES, SOLUTIONS

On the current circumstances and requirements of the regulators and stakeholders, Vicostone has developed solutions to eliminate and supervise the reasons that could bring up environmental risks. The solutions are divided into five groups as follows:



1. Efficient use of resources

Electricity

The company performed some tasks to boost the efficient use of power, renovated and provided additional devices to replace humans in the manufacturing lines so the qualities of the working environment became better for all employees. All high-voltage lights (with power consumption of 250-400W) were replaced by LED lights (with power consumption of minimum 150W). By doing so, the electricity consumption was halved from the previous year and the intensity of light was beyond the standard.

Area	Vibro-compression line at Plant No. 1	Grinding line at Plant No. 1	Vibro-compression line at Plant No. 2	Grinding line at Plant No. 2
Light intensity (Lux)	614	610	346	510
Standard 22: 2016/ BYT	300	300	300	300

- The goal set for 2020 was to raise the quality of the working environment. In order to pursue that target, Vicostone installed an addition of 43 new fans and 05 new ventilation systems worth VND 6.5 billion in populated manufacturing facilities and buildings.
- The Company also upgraded manufacturing lines with automated robots to improve productivity, minimize product errors and guarantee occupational safety for workers.
- Office buildings were fully powered by the solar panels and fully equipped with solar water heaters. The systems worked properly during the year.



Vicostone's wastewater system in regular check

Water consumption

To better control the use of water, some measures were effectively executed to reduce the water consumption in 2020 by 10,585m³ and the average water consumption per one square meter of stored product was down 19.5% on-year.

- The entire pipeline was replaced with surface PPR pipes, which have helped minimize the amount of breached water and can be replaced and repaired easily;
- Wastewater was treated and reused to prepare the chemical substances for production;
- Lavabo taps were installed to save water
- Automatic flush was equipped at men's restrooms to prevent the water loss.

Year	Volume of water consumption (m ³)	Total of area (m ²) of stored products	Average consumption of water (m ³ /m ²)
2019	46,285	1,016,991	0.046
2020	35,700	960,966	0.037

Water consumption in 2019 -2020

ENVIRONMENTAL RESPONSIBILITIES (CONTINUED)

Gas consumption

The following are solutions that Vicostone executed to maximize the use of gas at its factories:

- Equipment and machinery were frequently checked, maintained to be at the best conditions.
- The gas system was synchronized with others to make sure gas was always used only in the stone curing process.

Gas consumption in 2020 was cut significantly by 26,993kg year-on-year and the average gas consumption per square meter of stored product dropped 4.2% on-year

Year	Gas consumption (Kg)	Total area of stored products (m ²)	Average gas consumption (Kg/m ²)
2019	248,520	1,016,991	0.24
2020	221,527	960,966	0.23

Gas consumption in 2019 -2020



Fuel system under daily supervision by Vicostone's technicians

Diesel consumption

Diesel was used to fuel manufacturing machines and vehicles such as lift trucks, trucks and generators. Vicostone in 2020 implemented the following solutions to make the best use of diesel and other non-renewable energies:

The storehouses were arranged to maximize the spaces, making transportation of materials and products easier and more convenient;

Engineers were assigned to check, monitor the vehicles to keep them at the best conditions;

Drivers were trained to improve their driving skills and awareness to optimize the consumption of diesel;



Each vehicle was given a time quota to best serve the work;

New technologies were adopted and new devices were deployed to reduce the time of using lift trucks.

Diesel consumed in manufacturing activities slid by 9,191 liters on-year to 111,024 liters in 2020 while the average diesel consumption per square meter of store product fell 1.7% on-year.

Year	Diesel consumption (liter)	Total area of stored products (m ²)	Average diesel consumption (Litre/m ²)
2019	120,215	1,016,991	0.118
2020	111,024	960,966	0.116

Diesel consumption in 2019 -2020

ENVIRONMENTAL RESPONSIBILITIES (CONTINUED)

Main input

Quartz is the main ingredient that makes up 90% of Vicostone's countertops. After the Company completed the plan on material localization, quartz was gradually replaced with Cristobalite produced by Vicostone's member Phenikaa Hue Mineral Processing and Investment Co. Ltd. The complete, optimal control and utilization of input materials not only helped Vicostone maximize its production capabilities but also reduced a large amount of wastes in need of treatment for the business.

2. Recycling, reuse of wastes to cut disposals



Unburnt bricks made from sludge that is disposed of the production

Solid waste recycling:

With support from Phenikaa Group, Vicostone has in recent years studied possible solutions to restrain the impact of its manufacturing activities on the environment, including the reuse of solid wastes disposed from the making of eco-friendly outputs. Some key science researches were as follows:

"Research into reusing waste stone powder from countertop manufacturing to produce cement-based dry ready-mixed mortar (floor glue, mortar for masonry, wall mortar...)"

The outcome of the project – unbaked brick – was used in Phenikaa Group's construction projects such as:

- Re-construction of Phenikaa University;
- Construction of Phenikaa School;
- Construction of the plant to produce weather and UV-shielded unsaturated polyester resin for making engineered countertops and other composite materials;
- Construction of LED-Lighting Plant;

Other minor projects.

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

The Company found the suitable material and technological process for the production of unburnt bricks using Geopolymer technology – which is a very new technology in the world and Vietnam. In 2020, Vicostone started mass production of unburnt bricks for the Group's internal projects and for commercial purposes in the near future.

Reuse of waste water

Countertop manufacturing required an intensive volume of water mixed with stone powder for slab grinding. After use, the water was processed through a cyclone filtration system, combined with treatment chemicals, and through sedimentation, the powder completely deposited. The post-filtration water was 100% reused in the production line.

The treated powder was then dehydrated and turned into dry sludge, a part of which can be used as unbaked material or any other types of eco-friendly material and the other part was treated as normal solid waste.

Other activities

In addition to research of technological processes on reuse, recycling of solid wastes and waste water, Vicostone also categorized, reuse and recycled plastic and paper wastes to lower the amount of waste disposals to the environment.

ENVIRONMENTAL RESPONSIBILITIES (CONTINUED)

3. Tight control, monitoring of wastes

In the past few years, Vicostone has developed and implemented effectively its own solutions on waste management. Waste water, solid waste and gas emission are all treated before being disposed of. The Company also signs contracts with specialized units to make sure the wastes are handled properly in accordance with the laws.

Waste water

There are two types of waste water:

- Waste water disposed from manufacturing: The water comes from slab grinding. Waste water is totally reused after being treated for containing a high amount of floating sludge.
- Waste water disposed from living activities: The water comes from living activities of the employees. It is processed through the most modern treatment system using AAO technology and MBR filter. The quality of post-filtration water is at Grade A, National Standard 14:2008/ BTNMT – the highest standard for living waste water in Vietnam.

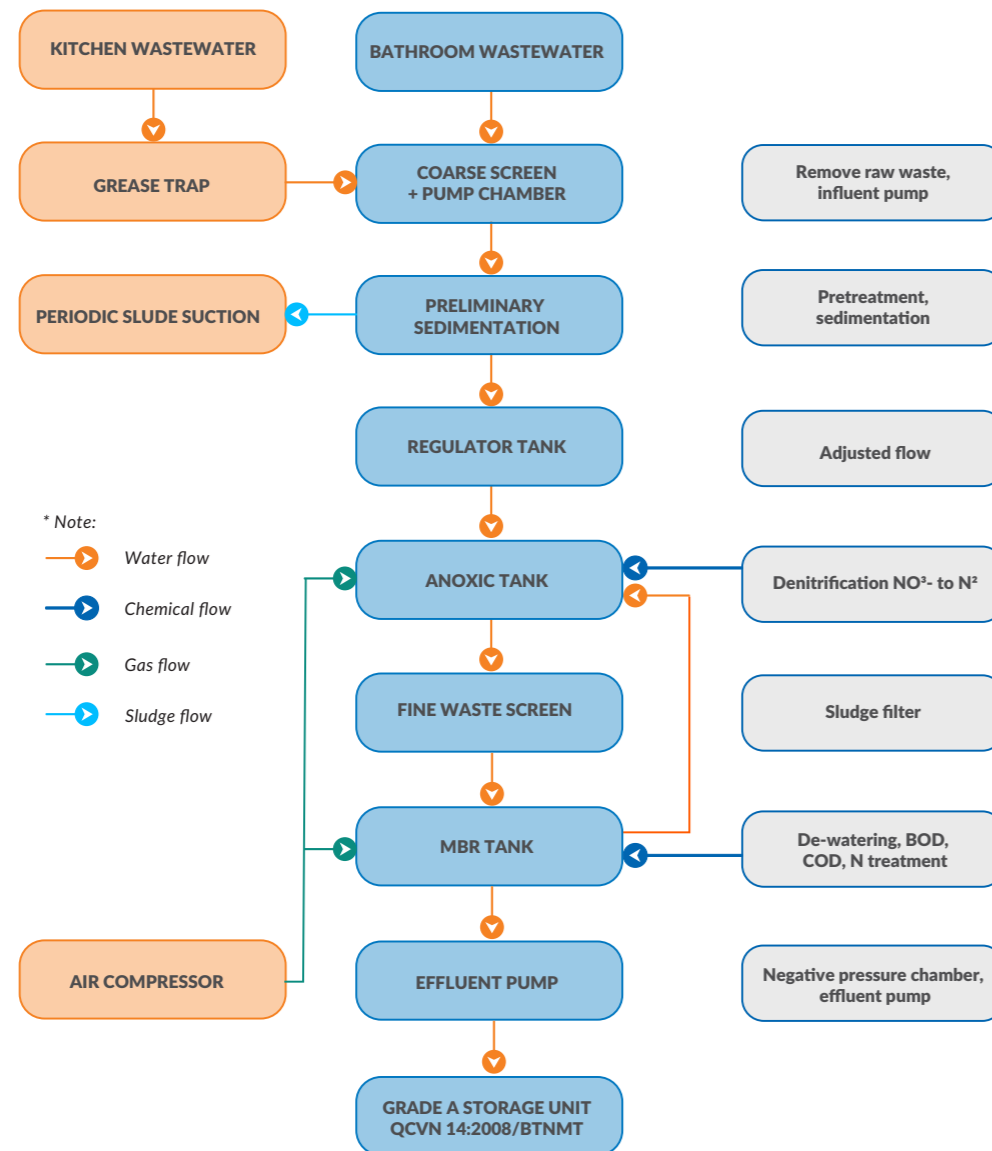


Diagram of domestic wastewater treatment process

The monitoring results recorded by the independent agency in 2020 showed that the wastewater treated at Vicostone was in the limit and complied with Grade A, National Standard 14:2008/ BTNMT.

No	Analysis	Unit	Q1 Result	Q2 Result	Q3 Result	Q4 Result	National standard 14:2008 /BTNMT	
							Column A	Column B
1	pH	-	7.3	7.2	7.2	7.4	5 - 9	6 - 9
2	Biochemical oxygen demand (BOD5)	mg/l	13.8	20.5	17.9	15.7	-	150
3	Chemical oxygen demand (COD)	mg/l	36.4	37.6	43.6	32.7	30	50
4	Total suspended solids (TSS)	mg/l	27	26	22.6	31	50	100
5	Total dissolved solids (TDS)	mg/l	320	230	260	250	500	-
6	Arsenic (As)	mg/l	<0.0005	<0.0005	<0.0005	<0.0005	-	5
7	Cadmium (Cd)	mg/l	<0.01	<0.01	<0.01	<0.0004	-	0.01
8	Lead (Pb)	mg/l	<0.003	<0.003	<0.003	<0.003	-	0.1
9	Mercury (Hg)	mg/l	<0.0003	<0.0003	<0.0003	<0.0005	-	0.1
10	Animal and vegetable fats and oils	mg/l	0.6	0.76	0.76	0.54	-	0.5
11	Iron (Fe)	mg/l	<0.05	0.112	<0.05	<0.03	3000	5000
12	Phosphate (PO43-)	mg/l	3.61	2.87	2.56	0.46	1.0	-
13	Sulfur (S2-)	mg/l	0.168	0.234	<0.08	<0.064	5	10
14	Amonium (NH4+)	mg/l	2.35	4.21	1.89	3.67	30	-
15	Nitrate (NO3-)	mg/l	17.4	16.8	20.2	13.5	10	-
16	Total surfactants	mg/l	0.8	0.65	0.34	<0.05	5	-
17	Coliform	MPN/100ml	500	800	900	890	6	-

ENVIRONMENTAL RESPONSIBILITIES (CONTINUED)

Emissions

One of the key priorities at Vicostone is to slash the impact of manufacturing activities on the environment and a number of measures have been deployed to better manage the quality of emissions and atmosphere in the Company. The emission treatment system has always run properly to process the smells and dusts before pumping them out in the air. In addition, an independent monitoring agency is invited to come every six months to assess the quality of treated emissions with results showing that the concentration is much lower than the standard.

No	Parameter	Unit	Results for April 2020	Results for October 2020	Standard 01:2014/ BTNMT	National Standard 20:2009/ BTNMT
The quality of emissions after dust treatment at Plant No. 1						
1	Total suspended particles	mg/Nm3	32.7	37.9	200	-
2	CO	mg/Nm3	<20	<20	1000	-
3	SO ₂	mg/Nm3	<3.4	<3.4	500	-
4	NO ₂	mg/Nm3	<5	<5	850	-
The quality of emissions after dust treatment at Plant No. 2						
1	Total suspended particles	mg/Nm3	35.9	37.5	200	-
2	CO	mg/Nm3	<20	<20	1000	-
3	SO ₂	mg/Nm3	<3.4	<3.4	500	-
4	NO ₂	mg/Nm3	<5	<5	850	-
The quality of emissions after smell treatment at Plant No. 1						
1	Benzen	mg/Nm3	<0.03	<0.003	-	5
2	Styren	mg/Nm3	8.69	7.93	-	100
3	Toluen	mg/Nm3	<0.03	<0.003	-	750
The quality of emissions after smell treatment at Plant No. 2						
1	Benzen	<0.03	<0.003	-	5	5
2	Styren	3.67	3.06	-	100	100
3	Toluen	<0.03	<0.003	-	750	750

Standard 01:2014/BNMT is the technical standard on inorganic industrial emissions in the capital area.

National Standard QCVN 20:2009/BNMT is the technical standard on organic industrial emissions.

Solid waste

Vicostone always concentrated on education and training to improve the control and classification of wastes at source, thus facilitating its units to study the ways to reuse available solid waste.

Sludge (common solid waste) accounted for 90% of all wastes disposed of from the grinding stage. The use of Kaizen 5S sparked many ideas from employees to reduce the amount of sludge while a large volume of sludge was reused to produce unbaked bricks using Geopolymer technology. Other researches were also carried out as Vicostone sought the way to turn all sludge into eco-friendly material.

Regarding other types of waste, the Company developed the temporary storage plan, under which waste was kept in separate capped boxes to match technical requirements, and contracted with competent professional agencies for proper treatment.

In terms of hazardous waste, Vicostone was licensed by the Department of Natural Resources and Environment for special storage on June 06, 2017. Hazardous waste was preserved in the private storehouse, equipped with an anti-overflow system, fire extinguishers and warning signs... The transportation and treatment of hazardous waste were performed by the Urban Environment Company 11 – Urenco 11 under Contract number 671/2018/HĐCN/ URENCO11-VICOSTONE dated December 13, 2018.

As there was a shortage of professional units that were capable of waste treatment in the city, Vicostone often checked, evaluated its own activities to improve the control of waste disposals, and selected proper, competent partners to help deal with the wastes in accordance with the laws.

4. The use of eco-friendly material

Since the very first days of operation, Vicostone has made and tested a lot of eco-friendly materials such as bio-resin – a plant-originated, eco-friendly polyester that could replace oil-originated resin to make green, environmentally-friendly, harmless products. In addition, the Company has developed alternative products from recycled materials (glass, shell).

Type of material	2016	2017	2018	2019	2020
Recycled material (kg) (Glass, shell)	482,735	520,940	570,000	281,060	430,000

The volume of recycled materials used in industrial manufacturing

ENVIRONMENTAL RESPONSIBILITIES (CONTINUED)

5. Improved working environment

Kaizen – 5S is adopted by Vicostone to encourage employees to be more creative in attempts to keep improving the working environment. Kaizen – 5S has brought advantages to the business operation such as raising productivity, cutting cost, and lifting the working environment...



Individuals with brilliant Kaizen ideas being awarded

In 2020, the COVID-19 pandemic had negative effects on the business operation, personnel and labour sentiment, thus diminishing the impact of Kaizen activities. Besides, Vicostone had its resources focused on the expansion of plants and facilities, thus minimizing the supply for Kaizen activities.

Targets	2020
Registered Kaizen activities	509
Completed Kaizen activities	392
Total value (VND million)	2,196

Kaizen ideas did not only benefit the Company's performance but also improved environmental protection activities.

Kaizen – 5S policy will be implemented on following principles to improve the quality of the activities:

- 1 Key issues, such as those on working safety, are addressed and resolved;
- 2 Activities are integrated in major programs of the Company;
- 3 Outstanding Kaizen activities are copied, promoted and multiplied across all departments in the Company.

Kaizen – 5S program has raised the awareness for employees, developed the spirit of teamwork, and promoted the role and leadership of the managers via practical activities as well as improving the business culture and contributing to better production and environmental protection at Vicostone.



CORPORATE SOCIAL RESPONSIBILITIES

Every enterprise has its own mission and so does Vicostone. Profit is not the destination but it facilitates the business, the community and the society to pursue sustainable development. At Vicostone, all activities are carried out alongside the awareness of social responsibilities to show the Company humane values to give away and make the life better a better life for everyone.

At Vicostone, corporate social responsibilities are divided into three main groups of activities as follows:



Notable activities in 2020

In 2020, Vietnam's society and economy were hit hard by floods, storms and the COVID-19 pandemic. Amid the difficulties, Vicostone, supported by parent firm Phenikaa Group, had social activities done to bring a safer, happier life to the people. Some outstanding activities are as follows:

I. VICOSTONE AND PHENIKAA GROUP DONATED VND6.5 BILLION FOR THE GOVERNMENT TO BATTLE THE COVID-19 PANDEMIC

In response to the call-out by the Prime Minister, Vicostone and Phenikaa Group bestowed VND 5 billion at the Vietnam Fatherland Front to help the Ministry of Health purchase protective gears for doctors, nurses and medical specialists and equipment to quarantine and treat virus-infected patients. At the same time, the company also supported VND 500 million to help the Ministry of Health educate people, raise their awareness and change their behaviors to prevent the spread of the virus.

The leaders of Vicostone and Phenikaa Group also arranged to visit hospitals and schools in Thach That District to hand them the WHO-standard hand sanitizers made by scientists and students at Phenikaa University's medical, nursing and basic science departments. This activity was a part of Phenikaa Group's VND 1-billion project to provide free hand sanitizers for the society and community in order to fight the COVID-19 pandemic.

Besides, the leaders of Vicostone also had immediate strict measures to prevent the outbreak at the facilities, stabilize the operation, guarantee a safe working environment and secure the jobs for all employees. For example, employees checked in with ID cards instead of fingerprints, masks and hand sanitizers were freely given to all departments and workers, health-checks were done twice a day, all factories were decontaminated twice a week, posters and standees were placed to keep reminding people of the disease, dining tables were divided into various boxes to separate the seats, and automatic vehicle decontaminators were installed at the gate.

II. AIDS FOR CENTRAL REGION PEOPLE AFFECTED BY FLOODS AND STORMS



Vicostone's General Director cum Phenikaa Group's Vice General Director hands over VND3 billion to the "For the Poor" Foundation on behalf of Phenikaa Group

The people of the Central Region of Vietnam in 2020-end suffered too much losses and difficulties due to the tropical storms, floods and land erosions. Among the worst-hit localities was Thua Thien-Hue Province where Phenikaa Hue Mineral Processing and Investment Co. Ltd. – a member of Phenikaa Group and Vicostone – is located. Being informed about the worst living conditions in the local area, Vicostone's Labor Union and all employees together made tangible, physical donations for colleagues and local people in Thua Thien-Hue Province and shared difficulties with them.

CORPORATE SOCIAL RESPONSIBILITIES (CONTINUED)



Vicostone's Labor Union representatives give VND2 billion to Thua Thien Hue Province's "For the Poor" Foundation

On November 5, 2020, representatives of the Company and the Labor Union Commission gave a donation of VND 500 million to laborers of Phenikaa Hue, their families and local people in Phong Dien District to motivate, encourage them to overcome the difficulties and settle down after the disasters were over.

In the same month, the leaders of Vicostone – on behalf of Phenikaa Group – donated VND 5 billion to the "For The Poor" Foundation. Of the total, VND 3 billion was sent through the Central Committee of Vietnam Fatherland Front and VND 2 billion was delivered through Thua Thien-Hue Province's Committee of Fatherland Front. The donation aimed to help local people beat the obstacles brought by the COVID-19 and natural disasters and assist disadvantaged cases across the country.

III. INVESTMENT IN YOUTH EDUCATION AND DEVELOPMENT

Wishing to accompany Vietnamese cancer-affected children, Phenikaa Group – parent of Vicostone – in October 2020 donated VND 2 billion to the Mr. Sun Fund, which is managed by VinaCapital Foundation, to cut a part of the financial burden for the families and motivated children to fight for their lives.

In addition, during a two-day visit to the children treated at K Hospital Tan Trieu and the National Institute of Hematology and Blood Transfusion, gifts were presented to motivate the kids and their families. Moreover, the employees of Vicostone were encouraged to sign up for blood donation at the National Institute of Hematology and Blood Transfusion, thus promoting the value of kindness to the community.

Noticing the demand of care-taking for children, especially from the employees of the Company, Vicostone in the past 10 years had run Vicostone Kindergarten for an average of VND 1 billion per annum as a charge-free facility to take care of their kids. The money had been spent on buying equipment, developing facilities, scheduling training programs, organizing kid festivals and recruiting teachers to help develop the children perfectly in terms of physical and mental conditions, wiping out worries among employees so they can focus on their jobs.

In addition to these activities, Vicostone in 2020 kept up with other programs such as supporting Vietnamese heroic mothers in Thach That District, arranging free healthcare services for social welfare beneficiaries in the district and developing the infrastructure for the locals in Thach Hoa Commune – where the factories are built.

As an international business aiming to realize all commitments for the benefits of all stakeholders, alongside business doing, activities, which the local community could profit from, were carried out to help improve the living conditions for local people and

contribute to the socio-economic development of the district and the country. That was also the proof of Vicostone's business culture – the culture of consciousness and humanity.



Vicostone donates VND2 billion to VinaCapital Foundation to support poor children with cancer



Vicostone's funds and exercises healthcare services for the people of Thach Hoa Commune, Thach That District, Ha Noi

SUSTAINABLE HUMAN RESOURCE DEVELOPMENT

Vicostone is employing 723 workers and 95% of them are under 45 years old, well-educated, well-trained and experienced. As one of the key, valuable assets, the employees are the essential factor to expand the market influence, value, revenue and profitability of the Company. Therefore, sustainable human resource development has always been among the major concerns at Vicostone as the Company targets to equip the employees with knowledge, skills and commitment and assure the sustainable development of the business.

I. RECRUITMENT POLICY

The COVID-19 pandemic for the past one year has brought unprecedented impacts upon the global business community and their employment policies. While others have had to scale down both payrolls and business operations, Vicostone has kept its employment policy persistent to raise the number and quality of competent workers and become more competitive. Facing the possibility of coronavirus when it comes to interviewing, measures like online meeting and health checking are applied to protect both candidates and employers. At the same time, the Company also focuses on maximizing the inner strength coming from its existing employees before thinking about hiring new people. In 2020, 112 people were assigned to new positions at Vicostone with 88.4% of the total as new recruits and 11.6% as internal transfers between departments of Phenikaa Group.

Vicostone's employment policy aims to:



Besides, new policies have been developed to make talents commit their future at the Company with promises to provide them with a professional working environment and worthy remunerations to reflect their contributions to the growth of the business.

II. TRAINING AND EDUCATION



The COVID-19 pandemic has caused severe damages for the health of the people and the socio-economic conditions of all countries. Along with that, education and training activities have also been disrupted and declined.

Each company has its own on-the-job training program to improve the skills and knowledge for employees and that program must be persistent, regular and cover as many people as possible in various activities to maximize the effects of the program. However, to prevent the virus spread, employees are encouraged to take online training courses via the E-learning system, especially the new recruits who should learn the overview of the Company, advanced countertop manufacturing, various ISO standards and working safety requirements, and the Company also adopts training documents from top-class universities, research institutes and training centers to vary the curriculum, bringing employees new knowledge and skills to catch up with the rapid socio-economic development in the Industry 4.0 and create market competitive advantages.

As an industrial manufacturer, Vicostone organized 17 regular training courses on occupational safety and hygiene in accordance with Decree 44, in which 1,780 participants have qualified and obtained 992 safety certificates after going through 27,062 hours of training and education.

As Vicostone has to adopt special manufacturing technologies, there are some differences between its training policy with others in the sector as follows:

SUSTAINABLE HUMAN RESOURCE DEVELOPMENT(CONTINUED)

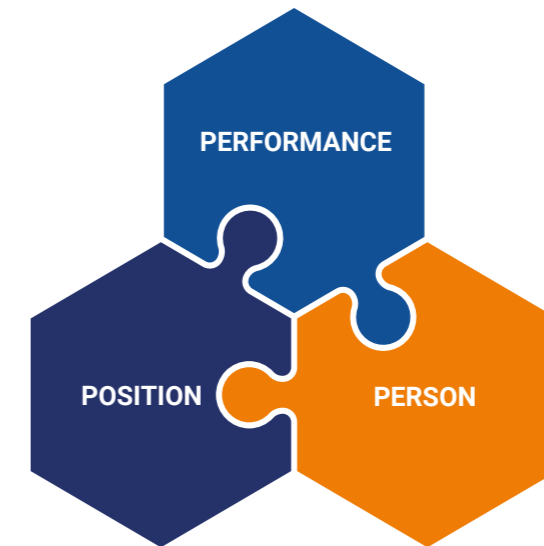


In 2020, Vicostone launched nearly 50 training courses with a total of 65,073 training hours, 3,082 participants and an average of 87.12 training hours/person/year.

III. REMUNERATIONS

Vicostone’s remuneration policy makes sure all employees are treated fairly on their individual contributions and capabilities and the payments are attractive enough to keep big talents staying with the business.

The Company follows the 3P Compensation method (Pay for Position, Person, Performance) under which employees are paid for their personal production and sale revenue. The salary of each



3P Compensation method

employee is determined by his position and quantitative indicators which reflect his capabilities and performances.

In each position, each department, one employee must be evaluated upon a Key Performance Indicator so all employees are treated and paid fairly on their performances.

Each year, the company reviews the inflation and depreciation of the economy, then adjusts the income policy for all employees and grants bonuses for those performing above the expectations.

Allowances are also given to cover working activities for employees such as lunch, phone bill, transportation... to keep them fully committed to and concentrated on the job. In addition, Vicostone gives monthly and extraordinary bonuses for good individual and team performances, applicable initiatives... and makes disbursements for big festivals and events like Lunar New Year, Independence Day on September 2, Reunification Day on April 30 and the Company anniversary...

The year of 2020 was a great challenge for the Vietnamese economy in particular and for the whole world in general. Amid the difficulties caused by the disease, Vicostone always acted seriously to prevent the spread of the virus and made sure the employees are safe from the pandemic and their jobs are secured. Despite suffering the negative impact of the pandemic, the Company did not announce any layoffs, allowed the office staff to work from home and maintained full salary payment during the social distancing time.



Employees with outstanding achievements honored in 2020

SUSTAINABLE HUMAN RESOURCE DEVELOPMENT(CONTINUED)

IV. SOCIAL WELFARE

Vicostone commits to fully follow the State's rules on social welfare for workers. The Company has done well to secure the jobs for employees while the pandemic is having critical effects on the global and Vietnamese economies. Moreover, the welfare has been increased over years through various programs.



Kids enjoy play time at Vicostone Kindergarten, a facility fully funded by the Company

No	Insurances	Value of insurance in 2020 (VND)	Note
I	Insurance		
1	Social insurance	10,027,965,849	Compulsory upon the Law of Labor
2	Health insurance	1,799,999,436	
3	Unemployment insurance	794,208,586	
4	Employment injury insurance	198,548,046	
	TOTAL	12,820,721,917	
II	PJICO health and medical insurance		
1	Insurance package for directors, managers and their relatives	237,623,000	Optional
2	Insurance package for the staff	568,630,000	
	TOTAL	806,253,000	

Vicostone's insurance expenses in 2020

Since 2019, the production-support laborers take the weekend off and the direct-production workers in turn take eight days off per month – which is not often seen at other manufacturing businesses. With less working days and more time to relax, all employees are able to re-generate the power and balance their lives, thus improving the productivity and concentration at work.

VICOSTONE ANNUAL REPORT 2020
PROMPT TRANSFORMATION
TREND INITIATION



05

**CONSOLIDATED
FINANCIAL STATEMENTS**

(Consolidated financial statements)
For the year ended 31 December 2020

General Information	202
Report of Management	205
Report of the Independent Auditor	206
Consolidated Balance Sheet	208
Consolidated Income Statement	210
Consolidated Cashflow Statement	211
Notes to the Consolidated Financial Statements	213

GENERAL INFORMATION

I. 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 June 2, 2005 and its subsequent amendments with the 18th amendment dated April 16, 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.

II. 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. Nguyen Dieu Thuy Ngoc	Member	
Ms. Tran Lan Phuong	Member	
Mr. Nguyen Quang Hung	Member	Appointed on May 30, 2020
Ms. Nghiem Thi Ngoc Diep	Member	Resigned on May 30, 2020

III. BOARD OF INTERNAL AUDITORS

Member of the Board of Internal Auditors during the year and at the date of this report are:

Ms. Nguyen Dieu Thuy Ngoc	Head of Board of Internal Auditors
Mr. Nguyen Van Toan	Member

IV. MANAGEMENT

Members of 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
Ms. Pham Thi Bich Thuy	Vice General Director Appointed on June 9, 2020

V. LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mr. Ho Xuan Nang, Chairman of the Board of Directors. Mr. Pham Anh Tuan is authorized by Mr. Ho Xuan Nang to sign the accompanying consolidated financial statements for the year ending December 31, 2020 in accordance with the Letter of Authorization No. 171/2017/UQ-Vicostone dated April 25, 2017.

VI. AUDITORS

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



REPORT OF THE BOARD OF MANAGEMENT

The Board of the 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 December 31, 2020.

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, the board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments 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 confirms that it has complied with the above requirements in preparing the accompanying consolidated financial statements.

II. STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management hereby states 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 December 31, 2020 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.

For and on behalf of the Board of Management:



PHAM ANH TUAN

General Director
March 17, 2021

INDEPENDENT AUDITORS' REPORT

Reference: 60999244/21881423 - HN



8th floor, CornerStone building
16 Phan Chu Trinh, Hoan Kiem, Hanoi
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 March 17, 2021 and set out on page 208 to 245 which comprise the consolidated balance sheet as at December 31, 2020, the consolidated income statement and the consolidated cash flow statement for the year then ended 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 the board 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 audit report on the Company and its subsidiary'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 internal audit. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board of 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 December 31, 2020, 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

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

Ha Noi, Viet Nam
March 17, 2021

NGUYEN TRUNG DUNG

Auditor
Audit Practising Registration
Certificate No. 4657-2018-004-1

CONSOLIDATED BALANCE SHEET

as at December 31, 2020

Currency: VND

Code	ASSETS	Notes	Ending balance	Beginning balance
100	A. CURRENT ASSETS		4,900,512,297,699	4,456,305,278,663
110	I. Cash and cash equivalents	4	790,349,857,796	469,919,515,100
111	1. Cash		245,349,857,796	176,419,515,100
112	2. Cash equivalents		545,000,000,000	293,500,000,000
130	II. Current accounts receivable		1,953,209,393,596	1,915,443,533,555
131	1. Short-term trade receivables	5	1,921,424,011,443	1,890,709,549,117
132	2. Short-term advances to suppliers		29,685,255,365	21,282,711,304
135	3. Short-term loan receivables		50,129,329	50,129,329
136	4. Other short-term receivables		2,955,306,231	4,306,452,577
137	5. Provision for doubtful short-term receivables	5	(905,308,772)	(905,308,772)
140	III. Inventories	6	2,014,961,208,129	1,913,745,246,413
141	1. Inventories		2,019,743,286,507	1,918,527,324,791
149	2. Provision for obsolete inventories		(4,782,078,378)	(4,782,078,378)
150	IV. Other current assets		141,991,838,178	157,196,983,595
151	1. Short-term prepaid expenses	10	4,954,918,909	5,174,895,276
152	2. Value-added tax deductible	12	137,026,125,044	152,022,088,319
153	3. Tax and other receivables from the State		10,794,225	-
200	B. NON-CURRENT ASSETS		1,154,822,046,234	1,127,451,451,166
210	I. Long-term receivables		30,000,000	30,000,000
216	Other long-term receivables		30,000,000	30,000,000
220	II. Fixed assets		1,018,159,912,711	1,058,231,180,457
221	1. Tangible fixed assets	7	1,011,002,371,819	1,048,730,437,914
222	• Cost		1,955,563,118,814	1,876,531,820,995
223	• Accumulated depreciation		(944,560,746,995)	(827,801,383,081)
227	2. Intangible fixed assets	8	7,157,540,892	9,500,742,543
228	• Cost		27,590,423,497	27,508,407,497
229	• Accumulated amortization		(20,432,882,605)	(18,007,664,954)
240	III. Long-term assets in progress		118,194,912,231	47,698,857,585
242	Construction in progress	9	118,194,912,231	47,698,857,585
260	IV. Other long-term assets		18,437,221,292	21,491,413,124
261	1. Long-term prepaid expenses	10	15,848,749,126	21,491,413,124
262	2. Deferred tax assets	23.2	2,588,472,166	-
270	TOTAL ASSETS		6,055,334,343,933	5,583,756,729,829

Currency: VND

Code	RESOURCES	Notes	Ending balance	Beginning balance
300	C. LIABILITIES		2,197,513,273,144	2,135,070,735,316
310	I. Current liabilities		1,997,920,622,226	1,882,161,864,194
311	1. Short-term trade payables	11	311,170,550,880	349,468,119,144
312	2. Short-term advances from customers		18,368,908,078	14,182,559,412
313	3. Statutory obligations	12	75,355,904,643	32,732,177,771
314	4. Payables to employees		7,617,347,538	13,542,355,910
315	5. Short-term accrued expenses		588,745,909	6,656,570,340
319	6. Other short-term payables	13	6,671,654,464	4,222,331,198
320	7. Short-term loans	14	1,533,227,187,070	1,417,553,641,838
322	8. Bonus and welfare fund	15	44,920,323,644	43,804,108,581
330	II. Non-current liabilities		199,592,650,918	252,908,871,122
338	1. Long-term loans	14	199,496,315,266	252,695,332,670
343	2. Scientific and technological development fund		96,335,652	213,538,452
400	D. OWNERS' EQUITY		3,857,821,070,789	3,448,685,994,513
410	I. Capital	16	3,857,821,070,789	3,448,685,994,513
411	1. Issued share capital		1,600,000,000,000	1,600,000,000,000
411a	• Ordinary shares with voting rights		1,600,000,000,000	1,600,000,000,000
412	2. Share premium		129,549,102	129,549,102
415	3. Treasury shares		(293,331,372,873)	-
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	18,551,233,538
421	6. Undistributed earnings		2,443,513,523,900	1,741,047,074,751
421a	• Undistributed earnings by the end of prior year		1,325,493,760,189	974,515,344,276
421b	• Undistributed earnings of current year		1,118,019,763,711	766,531,730,475
440	TOTAL LIABILITIES AND OWNERS' EQUITY		6,055,334,343,933	5,583,756,729,829

DOAN THI NGOC

Preparer
March 17, 2021

NGUYEN THI NGA

Chief Accountant

PHAM ANH TUAN

General Director

CONSOLIDATED INCOME STATEMENT

for the year ended December 31, 2020

Currency: VND

Code	ITEM	Notes	Current year	Previous year
01	1. Revenue from sale of goods	18.1	5,674,600,425,338	5,568,613,461,812
02	2. Deductions	18.1	15,005,906,672	5,850,467,004
10	3. Net revenue from sale of goods (10 = 01 - 02)	18.1	5,659,594,518,666	5,562,762,994,808
11	4. Cost of goods sold	19	3,695,766,493,820	3,650,651,586,771
20	5. Gross profit from sale of goods (20 = 10 - 11)		1,963,828,024,846	1,912,111,408,037
21	6. Finance income	18.2	40,073,177,690	26,341,074,370
22	7. Finance expenses	20	92,877,592,099	68,019,078,673
23	In which: Interest expense		76,985,258,575	59,995,756,140
25	8. Selling expenses	21	160,513,261,846	154,062,211,849
26	9. General and administrative expenses	21	71,482,375,291	62,394,397,089
30	10. Operating profit {30 = 20 + (21 - 22) - (25 + 26)}		1,679,027,973,300	1,653,976,794,796
31	11. Other income		1,552,175,940	1,447,542,683
32	12. Other expenses		12,625,030,979	2,761,669,460
40	13. Other loss (40 = 31 - 32)		(11,072,855,039)	(1,314,126,777)
50	14. Profit before tax (50 = 30 + 40)		1,667,955,118,261	1,652,662,668,019
51	15. Current corporate income tax expenses	23.1	242,123,826,716	242,548,054,943
52	16. Deferred tax income	23.2	2,588,472,166	-
60	17. Net profit after tax (60 = 50 - 51)		1,428,419,763,711	1,410,114,613,076
70	18. Basic earnings per share	26	8,251	8,114
71	19. Diluted earnings per share	26	8,251	8,114

DOAN THI NGOC

 Preparer
 March 17, 2021

NGUYEN THI NGA

Chief Accountant

PHAM ANH TUAN

General Director

NOTES OF CONSOLIDATED CASH FLOW STATEMENTS

for the year ended December 31, 2020

Currency: VND

Code	ITEM	Notes	Current year	Previous year
	I. CASH FLOWS FROM OPERATING ACTIVITIES			
01	Profit before tax		1,667,955,118,261	1,652,662,668,019
	<i>Adjustments for:</i>			
02	• Depreciation of tangible fixed assets and amortization of intangible fixed assets		119,067,378,765	103,861,827,370
04	• Foreign exchange (gains)/losses arisen from revaluation of monetary accounts denominated in foreign currency		(3,505,066,527)	28,114,223
05	• Profits from investing activities		(5,642,720,046)	(2,124,441,929)
06	• Interest expenses	20	76,985,258,575	59,995,756,140
08	Operating profit before changes in working capital		1,854,859,969,028	1,814,423,923,823
09	• Increase in receivables		(20,016,029,440)	(604,986,876,688)
10	• Increase/(decrease) in inventories		(101,215,961,716)	88,265,536,716
11	• Decrease in payables		(105,376,842,984)	(14,169,178,938)
12	• Decrease/(increase) in prepaid expenses		5,862,640,365	(2,004,949,282)
14	• Interest paid		(81,061,138,974)	(55,684,099,565)
15	• Corporate income tax paid	12	(198,162,331,778)	(276,235,539,417)
17	• Other cash outflows for operating activities		(94,437,099,499)	(64,232,613,310)
20	Net cash flows from operating activities		1,260,453,205,002	885,376,203,339
	II. CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchase and construction of fixed assets and other long-term assets		(88,395,274,034)	(50,651,275,363)
25	Payments for investments in other entities (net of cash hold by entity being acquired)		-	(49,269,557,490)
27	Interest and dividends received		5,642,720,046	2,124,441,929
30	Net cash flows used in investing activities		(82,752,553,988)	(97,796,390,924)

NOTES OF CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

for the year ended December 31, 2020

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
	III. CASH FLOWS FROM FINANCING ACTIVITIES			
31	Capital contribution and issuance of shares		-	252,603,810
32	Capital redemption		(293,331,372,873)	-
33	Drawdown of borrowings		2,668,622,825,548	2,092,507,128,245
34	Repayment of borrowings		(2,605,681,700,628)	(2,124,196,594,726)
36	Dividends paid to shareholders		(627,149,566,575)	(713,512,226,500)
40	Net cash flows used in financing activities		(857,539,814,528)	(744,949,089,171)
50	Net increase in cash for the year		320,160,836,486	42,630,723,244
60	Cash and cash equivalents at the beginning of the year		469,919,515,100	427,351,751,020
61	Impact of exchange rate fluctuation		269,506,210	(62,959,164)
70	Cash and cash equivalents at the end of the year	4	790,349,857,796	469,919,515,100



DOAN THI NGOC

Preparer
March 17, 2021



NGUYEN THI NGA

Chief Accountant



PHAM ANH TUAN

General Director

NOTES OF CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

as at December 31, 2020 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 June 2, 2005 and its subsequent amendments with the 18th amendment dated April 16, 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, Vietnam.

The Company’s total number of employees as at December 31, 2020 is 902 (December 31, 2019: 832).

Corporate structure

As at December 31, 2020, the Company has a subsidiary which is Phenikaa Hue Mineral Processing and Investment 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 December 21, 2016 and the amended Enterprise Registration Certificates with the 5th amendment dated January 13, 2020 as the latest. 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 December 31, 2020, the Company holds a 100% equity interest in this subsidiary.

NOTES OF CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

as at December 31, 2020 and for the year then ended

II. 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 December 31, 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 1);
- Decision No. 165/2002/QD-BTC dated December 31, 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- Decision No. 234/2003/QD-BTC dated December 30, 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);
- Decision No. 12/2005/QD-BTC dated February 15, 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4); and
- Decision No. 100/2005/QD-BTC dated December 28, 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 5).

Accordingly, the accompanying consolidated financial statements, including their utilization, 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 applied for the preparation of the consolidated financial statements starts on January 1 and ends on December 31.

3. Accounting currency

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

4. Bases of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary for the year ended December 31, 2020.

The subsidiary’s financial statements are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue 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, incomes and expenses and unrealized gains or losses resulted from intra-company transactions are eliminated in full.

Non-controlling interests representing the portion of profits 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.

III. 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 realizable value.

Net realizable value represents the estimated selling price in the ordinary course of business minus 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 OF CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

as at December 31, 2020 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 asset 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 its 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 fulfillment 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 subtracting accumulated amortization.

The historical 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 asset 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 its disposal (the difference between the net disposal proceeds and the carrying amount) is included in the consolidated income statement.

7. Depreciation and amortization

Depreciation of tangible fixed assets and amortization 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
Other fixed assets	5 - 10 years
Computer software	3 - 12 years

8. Borrowing costs

Borrowing costs consist of interests and other costs an entity incurs in connection with the borrowings of the Company and its subsidiary. Borrowing costs are recorded as expenses 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 historical 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 amortized 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 amortized 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 unamortized balance of advance payment made in accordance with the lease contract signed with Bac Phu Cat Industrial Park on May 30, 2008 for a period of 48 years 7 months 19 days and with Phong Dien Industrial Park, Thua Thien Hue Province on March 24, 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 dated April 25, 2013.

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. After initial recognition, goodwill is measured at cost less any accumulated amortization. Goodwill is amortized over a 10-year period on a straight-line basis. The parent company conducts the periodical review for impairment of goodwill of investment in subsidiary. 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.

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 recognized as expense in the consolidated financial statements and deducted against the value of such investments.

NOTES OF CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

as at December 31, 2020 and for the year then ended

12. Payables and accruals

Payables and accruals are recognized 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:

- Transactions 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 are designated for payment; and
- Transactions for purchasing assets or expenses which are immediately settled (not recorded via liabilities) are recorded at the buying exchange rates of the commercial banks designated for payments.

At the end of the year, monetary items denominated in foreign currencies are re-translated at the actual transaction exchange rates at the balance sheet date which are determined as follows:

- Monetary items which are classified as assets are translated at buying exchange rates 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 rates of the commercial bank where the Company and its subsidiary conduct regular transactions.

All realized and unrealized foreign exchange differences incurred during the year are taken into the consolidated income statement.

14. Treasury shares

Owner equity instruments which are re-acquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in purchase, sale, issuance 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 and its subsidiary maintain 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, experiment of new materials and chemical substances for its operation and trading.

16. Revenue recognition

Revenue is recognized 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 recognized:

Sale of goods

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

Interest

Revenue is recognized 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 recognized directly to equity, in which case the current income tax is also dealt with in equity.

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

NOTES OF CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

as at December 31, 2020 and for the year then ended

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 recognized for all taxable temporary differences, except:

- The deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporarily differences associated with investments in subsidiaries and associates, and interests in joint ventures where timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized 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 to utilize deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised, except:

- 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;
- can be utilised, except: temporarily differences associated with investments in subsidiaries and associates, and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available to 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 utilized. Previously unrecognized deferred tax assets are re-assessed at the consolidated balance sheet date and are recognized 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 realized 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 recognized 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 to settle current tax liabilities and assets on a net basis or to realize 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 amount is calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Company and its subsidiary (after excluding the bonus and welfare fund) by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amount is 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 the 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 enterprises and individuals, including close members of the family of any such individual.

IV. CASH AND CASH EQUIVALENTS

Currency: VND

	Ending balance	Beginning balance
Cash on hand	2,354,406,747	2,540,917,053
Cash at banks	242,995,451,049	173,878,598,047
Cash equivalents	545,000,000,000	293,500,000,000
TOTAL	790,349,857,796	469,919,515,100

(*) Cash equivalents as at December 31, 2020 included deposits in VND at commercial banks, with one-month term and interest rates ranging from 2.5% - 3.9% per annum (December 31, 2019: 4.5% - 5% per annum).

NOTES OF CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

as at December 31, 2020 and for the year then ended

V. SHORT-TERM TRADE RECEIVABLES

Currency: VND

	Ending balance	Beginning balance
Trade receivables from customers	615,981,193,440	858,059,014,026
Pental Granite & Marble Company	198,346,616,481	238,677,998,020
Australian Stone Design Marble Work Company	-	297,316,529,747
Other customers	417,634,576,959	322,064,486,259
<i>Trade receivables from related parties (Note XXV)</i>	1,305,442,818,003	1,032,650,535,091
TOTAL	1,921,424,011,443	1,890,709,549,117
<i>Provision for doubtful short-term trade receivables</i>	(905,308,772)	(905,308,772)

VI. INVENTORIES

Currency: VND

	Ending balance		Beginning balance	
	Cost	Provision	Cost	Provision
Goods in transit	49,053,962,104	-	43,013,849,103	-
Raw materials	154,669,799,424	-	192,756,347,566	-
Tools and supplies	97,742,007,186	-	74,079,740,327	-
Work in process	16,827,197,992	-	28,960,892,798	-
Finished goods	357,786,106,978	(4,782,078,378)	374,508,683,097	(4,782,078,378)
Merchandise goods	1,343,664,212,823	-	1,205,207,811,900	-
TOTAL	2,019,743,286,507	(4,782,078,378)	1,918,527,324,791	(4,782,078,378)

Detail of movements of provision for obsolete inventories:

Currency: VND

	Current year	Previous year
Beginning balance	(4,782,078,378)	(4,782,078,378)
<i>Add: Provision created during the year</i>	-	-
<i>Less: Utilization and reversal of provision during the year</i>	-	-
Ending balance (*)	(4,782,078,378)	(4,782,078,378)

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



NOTES OF CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

as at December 31, 2020 and for the year then ended

VII. TANGIBLE FIXED ASSETS

Currency: VND

	Buildings and structures	Machinery and equipment	Means of transportation	Office equipment	Other fixed assets	Total
Cost						
Beginning 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
New purchase	729,738,270	7,461,996,961	320,000,000	362,584,878	-	8,874,320,109
Transfer from construction in progress	-	69,027,477,710	1,129,500,000	-	-	70,156,977,710
Ending balance	287,921,482,958	1,605,162,086,657	42,936,460,450	18,549,942,641	993,146,108	1,955,563,118,814
In which: Fully depreciated	59,606,677,928	261,271,646,227	18,716,408,339	13,211,830,186	-	352,806,562,680
Accumulated depreciation						
Beginning balance	118,611,834,321	669,479,733,031	25,353,525,742	14,252,837,267	103,452,720	827,801,383,081
Depreciation for the year	15,969,646,560	95,526,515,915	3,817,594,953	1,321,463,222	124,143,264	116,759,363,914
Ending balance	134,581,480,881	765,006,248,946	29,171,120,695	15,574,300,489	227,595,984	944,560,746,995
Net carrying amount						
Beginning 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
Ending balance	153,340,002,077	840,155,837,711	13,765,339,755	2,975,642,152	765,550,124	1,011,002,371,819

VIII. INTANGIBLE FIXED ASSETS

Currency: VND

	Computer software	Other intangible fixed assets	Total
Cost	Long-term land use rights	Long-term land use rights	
Beginning balance	27,470,407,497	38,000,000	27,508,407,497
New purchase	82,016,000	-	82,016,000
Ending balance	27,552,423,497	38,000,000	27,590,423,497
In which: Fully amortized	1,863,350,635	38,000,000	1,901,350,635
Accumulated amortization			
Beginning balance	17,969,664,954	38,000,000	18,007,664,954
Amortization for the year	2,425,217,651	-	2,425,217,651
Ending balance	20,394,882,605	38,000,000	20,432,882,605
Net carrying amount			
Beginning balance	9,500,742,543	-	9,500,742,543
Ending balance	7,157,540,892	-	7,157,540,892

Phenikaa Hue Company mortgaged all machinery, equipment and buildings and structures under the "Cristobalite material factory" investment project located at 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 520.3 billion as at December 31, 2020 (December 31, 2019: VND 532,1 billion) for long-term bank loans as disclosed in Note 14.

IX. CONSTRUCTION IN PROGRESS

Currency: VND

	Ending balance	Beginning balance
Purchase	107,393,956,559	22,119,620,896
Construction in progress	10,800,955,672	25,579,236,689
TOTAL	118,194,912,231	47,698,857,585

NOTES OF CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

as at December 31, 2020 and for the year then ended

X. PREPAID EXPENSES

Currency: VND

	Ending balance	Beginning balance
Short-term		
Tools and supplies	2,182,092,690	3,489,786,674
Other short-term prepaid expenses	2,772,826,219	1,685,108,602
TOTAL	4,954,918,909	5,174,895,276
Long-term		
Prepaid land rental	6,112,795,924	6,387,528,325
Tools and supplies	6,608,974,694	6,803,980,563
Fixed asset overhauls	1,016,091,912	1,416,516,054
Other long-term prepaid expenses	2,110,886,597	6,883,388,182
TOTAL	15,848,749,126	21,491,413,124

XI. SHORT-TERM TRADE PAYABLES

Currency: VND

	Ending balance		Beginning balance	
	Amount	Amount payable	Amount	Amount payable
SHCP Pte, Ltd.	90,559,269,000	90,559,269,000	63,578,187,000	63,578,187,000
Eternal Materials Co., Ltd.	27,753,792,000	27,753,792,000	55,603,328,000	55,603,328,000
Payables to other suppliers	159,676,721,012	159,676,721,012	140,621,375,753	140,621,375,753
Trade payables to related parties (Note XXV)	33,180,768,868	33,180,768,868	89,665,228,391	89,665,228,391
TOTAL	311,170,550,880	311,170,550,880	349,468,119,144	349,468,119,144

XII. STATUTORY OBLIGATIONS

Currency: VND

	Beginning balance	Increase in the year	Decrease in the year	Ending balance
Receivables				
Value-added tax deductible	152,022,088,319	406,060,175,682	(421,056,138,957)	137,026,125,044
TOTAL	152,022,088,319	406,060,175,682	(421,056,138,957)	137,026,125,044
	Beginning balance	Payable for the year	Payment made in the year	Ending balance
Payables				
Value added tax of imported goods	-	86,122,425,170	(86,122,425,170)	-
Corporate income tax	29,786,456,457	242,123,826,716	(198,162,331,778)	73,747,951,395
Import, export duties	598,492,629	12,258,878,025	(12,314,330,911)	543,039,743
Personal income tax	2,347,228,685	8,020,089,906	(9,302,405,086)	1,064,913,505
Other taxes	-	1,895,665,358	(1,895,665,358)	-
TOTAL	32,732,177,771	350,420,885,175	(307,797,158,303)	75,355,904,643

XIII. OTHER SHORT-TERM PAYABLES

Currency: VND

	Ending balance	Beginning balance
Dividend payable	6,022,870,750	2,772,437,325
Other payables	648,783,714	1,449,893,873
TOTAL	6,671,654,464	4,222,331,198

NOTES OF CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

for the year ended December 31, 2020

XIV. LOANS

Currency: VND

	Beginning balance		Movement during the year		Ending balance	
	Amount	Amount payable	Other increase	Decrease	Amount	Amount payable
Short-term loans						
Loans from banks (Note XIV.1)	1,364,354,624,434	1,364,354,624,434	2,668,156,228,456	(2,552,482,683,224)	1,480,028,169,666	1,480,028,169,666
Current portion of long-term loans (Note XIV.2)	53,199,017,404	53,199,017,404	53,199,017,404	(53,199,017,404)	53,199,017,404	53,199,017,404
	1,417,553,641,838	1,417,553,641,838	2,721,355,245,860	(2,605,681,700,628)	1,533,227,187,070	1,533,227,187,070
Long-term loans						
Loans from banks (Note XIV.2)	252,695,332,670	252,695,332,670	-	(53,199,017,404)	199,496,315,266	199,496,315,266
	252,695,332,670	252,695,332,670	-	(53,199,017,404)	199,496,315,266	199,496,315,266
TOTAL	1,670,248,974,508	1,670,248,974,508	2,721,355,245,860	(2,658,880,718,032)	1,732,723,502,336	1,732,723,502,336

1. Short-term loans from banks

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

Currency: VND

Lenders	Ending balance (VND)	Original amount (USD)	Principal and interest repayment terms
Joint Stock Commercial Bank for Investment and Development of Vietnam – Thach That Branch	292,861,148,783	-	Monthly payment of interest and principal repayment from January 2021 to May 2021
Military Commercial Joint Stock Bank – Hoang Quoc Viet Branch	230,792,784,263	9,956,548.07	Monthly payment of interest and principal repayment from March 2021 to August 2021
Asian Commercial Joint Stock Bank – Ha Thanh Branch	182,740,575,480	7,890,353.00	Monthly payment of interest and principal repayment from March 2021 to August 2021
Indovina Bank Ltd. – Thien Long Branch	163,494,114,554	7,063,906.44	Monthly payment of interest and principal repayment from April 2021 to September 2021
Vietnam International Commercial Joint Stock Bank	126,709,464,300	5,463,970.00	Monthly payment of interest and principal repayment from April 2021 to May 2021
Vietnam Joint Stock Commercial Bank for Industry and Trade	113,340,792,861	4,889,594.17	Monthly payment of interest and principal repayment from March 2021 to August 2021
United Overseas Bank (Vietnam) Limited - Hanoi Branch	97,803,631,232	4,215,673.76	Monthly payment of interest and principal repayment from January 2021 to June 2021
BNP PARIBAS Bank - Hanoi Branch	86,663,387,572	3,727,457.53	Monthly payment of interest and principal repayment from January 2021 to May 2021
Joint Stock Commercial Bank for Foreign Trade of Vietnam – Thanh Cong Branch	64,646,497,474	2,787,688.55	Monthly payment of interest and principal repayment from March 2021 to July 2021
HSBC Bank Vietnam Ltd. – Hanoi Branch	62,422,694,383	-	Monthly payment of interest and principal repayment from May 2021 to June 2021
Vietnam Joint Stock Commercial Bank for Industry and Trade – Tay Thang Long Branch	46,698,013,542	2,014,582.12	Monthly payment of interest and principal repayment from February 2021 to June 2021
HSBC Bank Vietnam Ltd. – Hanoi Branch	2,021,184,000	87,120.00	Monthly payment of interest and principal repayment in April 2021
Joint Stock Commercial Bank for Foreign Trade of Vietnam – Thanh Cong Branch (*)	9,833,881,222	-	Monthly payment of interest and principal repayment on May 5, 2021.
TOTAL	1,480,028,169,666	48,096,893.64	

As at December 31, 2020, the short-term loans of the Company and its subsidiary were short-term unsecured loans with interest rates from 1.8% per annum to 3.2% per annum for USD loans and interest rates from 2.8% per annum to 3% per annum for VND loans.

(*) This short-term loan of the subsidiary has interest rates ranging from 5.5% per annum and is secured by all factories, machinery and equipment under the investment project "Cristobalite Material Factory".

NOTES OF CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED) for the year ended December 31, 2020

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 terms	Interest rate	Description of collateral
Joint Stock Commercial Bank for Foreign Trade of Vietnam – Thanh Cong Branch	252,695,332,670	Interest is paid monthly. Principal is payable from December 2019 to September 2025.	8.3%	All machineries and equipment under the "Cristobalite material factory" investment project located at Lot CN15 Block B, Phong Dien Industrial Park, Phong Hoa Commune, Phong Dien District, Thua Thien - Hue Province.
TOTAL	252,695,332,670			
In which:				
Current portion of long-term loans	53,199,017,404			
Long-term loans	199,496,315,266			

XV. BONUS AND WELFARE FUNDS

Currency: VND

	Current year	Previous year
Beginning balance	43,804,108,581	24,451,729,711
Created during the year (Note XVI.1)	95,553,314,562	83,584,992,180
Utilized during the year	(94,437,099,499)	(64,232,613,310)
Ending balance	44,920,323,644	43,804,108,581

XVI. OWNERS' EQUITY

1. Increase and decrease in owners' equity

Currency: VND

	Share capital	Share premium	Treasury share	Investment and development fund	Other funds belonging to owners' equity	Undistributed profit after tax	Total
Previous year							
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
• Increase from business combination	-	-	-	-	18,551,233,538	-	18,551,233,538
• Dividends by treasury shares	-	68,749,102	240,431,166,590	-	-	(240,247,311,882)	252,603,810
• Bonus and welfare funds appropriation	-	-	-	-	-	(83,584,992,180)	(83,584,992,180)
• Advance dividends	-	-	-	-	-	(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
Current year							
Beginning 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
• Treasury (*)	-	-	(293,331,372,873)	-	-	-	(293,331,372,873)
• Bonus and welfare funds appropriation (**)	-	-	-	-	-	(95,553,314,562)	(95,553,314,562)
• Advance dividends for 2019 (***)	-	-	-	-	-	(320,000,000,000)	(320,000,000,000)
• Advance dividends for 2020 (****)	-	-	-	-	-	(310,400,000,000)	(310,400,000,000)
• Net profit for the year	-	-	-	-	-	1,428,419,763,711	1,428,419,763,711
Ending balance	1,600,000,000,000	129,549,102	(293,331,372,873)	88,958,137,122	18,551,233,538	2,443,513,523,900	3,857,821,070,789

NOTES OF CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED) *For the year ended December 31, 2020*

(*) According to the Resolution No. 05/2020 NQ/VCS-HDQT dated March 17, 2020 of the Board of Directors, the Company purchased 4,800,000 treasury shares.

(**) During the year, the appropriation of bonus and welfare funds from profit after tax of 2019 were made in accordance with the Resolution No. 01/2020 NQ/VCS-DHDCD dated May 30, 2020 of the 2020 Annual General Shareholders' Meeting.

(***) During the year, the Company also paid the third cash dividend of 2019 with the total amount of VND 320 billion according to the Resolution No. 02/2020 NQ/VCS-HDQT dated January 31, 2020 of the Board of Directors.

(****) During the year, the Company also paid the first cash dividend of 2020 with the total amount of VND 310 billion according to the Resolution No. 16/2020 NQ/VCS-HDQT dated November 24, 2020 of the Board of Directors.

2. Share capital

Currency: VND

	Ending balance		Beginning balance	
	Amount (VND)	No. of shares	Amount (VND)	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 Phoenix Group Joint Stock Company	1,306,111,980,000	130,611,198	1,306,111,980,000	130,611,198
Contributed by other shareholders	293,888,020,000	29,388,802	293,888,020,000	29,388,802
Share premium	129,549,102	-	129,549,102	-
Treasury shares	(293,331,372,873)	(4,800,000)	-	-
TOTAL	1,306,798,176,229	155,200,000	1,600,129,549,102	160,000,000

3. Capital transactions with owners

Currency: VND

	Current year	Previous year
Contributed capital		
Beginning balance	1,600,000,000,000	1,600,000,000,000
Issue shares to payment dividends	-	-
Ending balance	1,600,000,000,000	1,600,000,000,000

4. Dividends

Currency: VND

	Current year	Previous year
Dividends declared during the year	630,400,000,000	867,447,311,882
Dividends on ordinary shares	630,400,000,000	867,447,311,882
3 rd advance cash dividend for 2019 (VND 2,000 per share)	320,000,000,000	-
1 st advance cash dividend for 2020 (VND 2,000 per share)	310,400,000,000	-
1 st advance cash dividend for 2019 (VND 2,000 per share)	-	313,600,000,000
2 nd advance cash dividend for 2019 (VND 2,000 per share)	-	313,600,000,000
Treasury shares dividend (issuance rate 2.04:100)	-	240,247,311,882
Dividends authorized after accounting period and not recognized as liability at December 31, 2020		
Dividends on ordinary shares (*)	293,331,372,873	-

(*) According to the Resolution No. 20/2020 NQ/VCS-HDQT dated December 28, 2020, the Board of Directors approved the plan to offer bonus shares to the existing shareholders from treasury shares with the a total number of shares of 4,800,000 (ratio 3.09:100). Also, in accordance with the Resolution No. 02/2021 NQ/VCS-HDQT dated January 13, 2021, the Board of Directors also decided to distribute such bonus shares on January 27, 2021.

NOTES OF CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED) For the year ended December 31, 2020

5. Shares

Currency: VND

	Ending balance	Beginning balance
Authorized shares	160,000,000	160,000,000
Issued shares	160,000,000	160,000,000
Ordinary shares	160,000,000	160,000,000
Preference shares	-	-
Treasury shares	(4,800,000)	-
Ordinary shares	(4,800,000)	-
Preference shares	-	-
Shares in circulation	155,200,000	160,000,000
Ordinary shares	155,200,000	160,000,000
Preference shares	-	-

Par value of outstanding shares: VND 10,000 per share (December 31, 2019: VND 10,000 per share)

XVII. OFF CONSOLIDATED BALANCE SHEET ITEMS

ITEM	Ending balance	Beginning balance
US Dollar (USD)	6,621,413	6,481,928
Euro (EUR)	590,085	79,936
Canada Dollar (CAD)	1,258	3,969

XVIII. REVENUE

1. Revenue from sale of goods

Currency: VND

	Current year	Previous year
Gross revenue	5,674,600,425,338	5,568,613,461,812
Sales of goods and merchandises	5,674,600,425,338	5,568,613,461,812
Sales deductions	15,005,906,672	5,850,467,004
Trade discount	12,994,336,053	4,489,776,004
Sales return	1,958,557,990	1,360,691,000
Sales discount	53,012,629	-
Total net revenue	5,659,594,518,666	5,562,762,994,808
<i>In which:</i>		
Sales to related parties (Note XXVI)	2,763,222,104,786	2,300,179,486,625

2. Finance income

Currency: VND

	Current year	Previous year
Foreign exchange gain	33,753,761,597	24,016,357,892
Interest income from bank deposits and loan receivables	5,642,720,046	2,124,441,929
Others	676,696,047	200,274,549
TOTAL	40,073,177,690	26,341,074,370

XIX. COST OF GOODS SOLD

Currency: VND

	Current year	Previous year
Cost of good sold and merchandises	3,695,766,493,820	3,650,651,586,771
TOTAL	3,695,766,493,820	3,650,651,586,771

NOTES OF CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED) For the year ended December 31, 2020

XX. FINANCE EXPENSES

Currency: VND

	Current year	Previous year
Loan interest	76,985,258,575	59,995,756,140
Foreign exchange losses	15,892,333,524	8,023,322,533
TOTAL	92,877,592,099	68,019,078,673

XXI. SELLING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

Currency: VND

	Current year	Previous year
Selling expenses		
Loading and delivery costs	94,995,791,159	86,514,850,422
Packaging costs	17,448,905,127	17,944,182,965
Labor costs	8,179,327,903	11,512,927,017
Others	39,889,237,657	38,090,251,445
TOTAL	160,513,261,846	154,062,211,849
General and administrative expenses		
Labor costs	21,637,017,863	28,850,233,802
Depreciation	8,984,972,304	9,231,543,576
Others	40,860,385,124	24,312,619,711
TOTAL	71,482,375,291	62,394,397,089

XXII. PRODUCTION AND OPERATING COSTS

Currency: VND

	Current year	Previous year
Raw materials and merchandises	3,370,839,298,655	3,471,184,531,891
Expenses for external services	289,605,746,499	157,475,235,065
Labor costs	89,198,887,825	127,730,295,119
Depreciation and amortization of fixed assets	119,067,378,765	103,861,827,370
Other expenses	29,996,404,097	44,492,160,213
TOTAL	3,898,707,715,841	3,904,744,049,658

XXIII. 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 meets the conditions as business expansion as circulated in Circular 96/2015/TT-BTC issued by the Ministry of Finance on June 22, 2015 ("Circular 96"). Accordingly, the Company is entitled to CIT exemption, reduction as the same as 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 activity during the current period is 10% of taxable profit.

- For trading activities:

CIT rate applied 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	245,128,021,663	238,986,868,579
Adjustment for (over)/under accruals of CIT in prior years	(3,004,194,947)	3,561,186,364
Deferred tax income	(2,588,472,166)	-
TOTAL	239,535,354,550	242,548,054,943

NOTES OF CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

For the year ended December 31, 2020

2. Current Curren Tax

Curren Tax 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 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 CIT 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
Accounting profit before tax	1,667,955,118,261	1,652,662,668,019
At CIT rate of 20%	333,591,023,652	330,532,533,604
<i>Adjustment:</i>		
Penalty for late payment	110,747,135	54,704,803
Adjustment for (over)/under accrual of tax from prior year	(3,004,194,947)	3,561,186,364
Unrealized foreign exchange loss of the in current year	-	57,573,359
Non-deductible expenses	3,670,618,261	359,555,590
Adjustments for consolidation	(3,010,044,731)	6,512,095,309
Unrealized eforeign exchange loss of the in current year	(606,984,249)	-
Reversal of unrealized foreign exchange loss of previous year realized in the current year	(57,573,359)	(2,229,718,818)
Tax exemption, reduction	(91,158,237,212)	(96,299,875,268)
CIT expense	239,535,354,550	242,548,054,943

3. Deferred Tax

	Consolidated balance sheet		Consolidated income statement	
	Ending balance	Beginning balance	Current year	Previous year
Deferred tax assets				
Deferred income tax assets are recognized for unrealized profit	2,588,472,166	-	(2,588,472,166)	-
	2,588,472,166			
Net deferred tax charged to consolidated income statement			(2,588,472,166)	-

XXIV. SEGMENT INFORMATION

The primary segment reporting format is determined to be geographical segment 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 sell the products.

The operating businesses are organized and managed separately according to the locations where the Company and its subsidiary operate, 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	Total
As at December 31, 2020 and for the year then ended			
Revenue			
Sales to external customers	1,868,758,858,746	3,790,835,659,920	5,659,594,518,666
Inter-segment sales	-	-	-
Total revenue	1,868,758,858,746	3,790,835,659,920	5,659,594,518,666
Results			
Segment gross profit	554,318,063,997	1,411,237,714,600	1,965,555,778,597
Unallocated cost of sale	-	-	(1,727,753,751)
Gross profit	-	-	1,963,828,024,846
Unallocated income, expense	-	-	(295,872,906,585)
Net profit before corporate income tax	-	-	1,667,955,118,261
Corporate income tax expense	-	-	(239,535,354,550)
Net profit for the year	-	-	1,428,419,763,711
Assets and liabilities			
Segment assets	1,098,963,139,146	821,555,563,525	1,920,518,702,671
Unallocated assets	-	-	4,134,815,641,262
Total assets	-	-	6,055,334,343,933
Unallocated liabilities	-	-	2,197,513,273,144
Total liabilities	-	-	2,197,513,273,144
Other segment information			
Capital expenditure of fixed assets	-	-	79,113,313,819
Depreciation	-	-	119,184,581,565

NOTES OF CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

For the year ended December 31, 2020

Currency: VND

	Domestic activities	Export activities	Total
As at December 31, 2019 and for the year then ended			
Revenue			
Sales to external customers	1,339,397,578,206	4,223,365,416,602	5,562,762,994,808
Inter-segment sales	-	-	-
Total revenue	1,339,397,578,206	4,223,365,416,602	5,562,762,994,808
Results			
Segment gross	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 Company	-	-	1,652,662,668,019
Corporate income tax expense	-	-	(242,548,054,943)
Net profit for the year	-	-	1,410,114,613,076
Assets and liabilities			
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
Other segment information			
Capital expenditure of fixed assets	-	-	50,432,946,756
Depreciation	-	-	103,979,030,170

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.

XXV. 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	377,756,576,528	236,289,673,726
		Purchase of merchandises and services	818,183,338,471	637,079,448,132
		Dividend payables	522,444,792,000	512,000,000,000
		Deposit for guarantee to the Company	50,000,000,000	-
		Offsetting deposits and paying the Company for trade receivables	153,929,568,384	-
		Acquisition of subsidiary	-	50,000,000,000
		Payment of loan principal	-	228,843,150,670
Style Stone Joint Stock Company	Fellow subsidiary	Purchase of merchandises	686,525,327,113	676,189,570,075
		Sales of materials, consumables, finished goods	223,733,193,134	233,558,749,968
		Paying the Company receivables from customers	142,468,505,626	-
Stylenquaza LLC.	Associate of parent company	Sales of finished stone products, consumables	1,109,269,057,711	1,155,084,861,924
Vietnam Stone Work - Top Fabrication Joint Stock Company	Fellow subsidiary	Sales of finished stone products, consumables	582,269,455,934	485,437,633,231
		Purchase of merchandises	719,392,282,011	595,138,238,442
Tran Long Industry Joint Stock Company	Fellow subsidiary	Sales of finished stone, consumables	160,708,741,137	69,128,098,319
		Purchase of merchandises	119,132,387,332	128,103,556,263
Phenikaa Hue Company	Fellow subsidiary (until May 23, 2019)	Purchase of materials	-	82,349,890,000
		Sales of consumables	-	1,187,210,176
Sec G3 Center Joint Stock Company	Fellow subsidiary	Purchase of stationery	10,047,392,625	11,497,642,388
		Construction service charge	-	407,680,690
		Land rental fee, utilities, other service charges	2,128,768,676	2,084,486,246

NOTES OF CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

For the year ended December 31, 2020

Currency: VND

Related parties	Relationship	Transactions	Current year	Previous year
VPM Hanoi Project Management Consultancy Joint Stock Company	Fellow subsidiary	Construction costs	-	1,351,332,210
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	196,828,404,658	119,493,259,281
Junior high school Le Quy Don - Tay Do	Fellow subsidiary	Sales of materials, goods, consumables	112,656,675,684	-

Terms and conditions of transactions with related parties:

The sales and purchases of goods, services with related parties were made at normal quoted prices which were approved by the Board of Directors.

Receivables and payables due from/to related parties as at the balance sheet date were unsecured, interest-free and would be settled in cash or offset with receivable and payable accounts. Receivables from related parties as disclosed in Note 5 had the payment terms of from 3 to 12 months. For the year ended December 31, 2020, the Company and its subsidiary had not made any provision for doubtful debts relating to amounts owed by related parties.

As at the balance sheet date, amounts due to and from related parties were as follows:

Currency: VND

Related parties	Relationship	Transactions	Ending balance	Beginning balance
Short-term trade receivables (Note V)				
Stylenquaza Co., LLC.	Associate of parent company	Receivables from sales of finished stone	308,214,999,183	539,401,462,435
Vietnam Stone Work - Top Fabrication Joint Stock Company	Fellow subsidiary	Receivables from sales of consumables, finished goods	405,968,286,627	290,810,913,263
Tran Long Industry Joint Stock Company	Fellow subsidiary	Receivables from sales of consumables, finished goods	215,496,020,572	119,962,031,451
Phenikaa University	Fellow subsidiary	Receivables from sales of consumables, finished goods	251,841,168,369	35,351,610,942
Junior high school Le Quy Don - Tay Do	Fellow subsidiary	Receivables from sales of consumables, finished goods	123,922,343,252	-
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
			1,305,442,818,003	1,032,650,535,091

Currency: VND

Related parties	Relationship	Transactions	Ending balance	Beginning balance
Shot-term trade payables (Note XI)				
A&A Green Phoenix Group Joint Stock Company	Parent company	Purchases of finished stone	6,669,519,336	51,167,886,459
Sec G3 Center Joint Stock Company	Fellow subsidiary	Purchases of stationeries, consumables	1,575,522,008	1,780,117,493
Style Stone Joint Stock Company	Fellow subsidiary	Purchases of finished stone	24,935,727,524	36,717,224,439
			33,180,768,868	89,665,228,391

Transactions with other related parties

Remuneration to members of the Board of Directors and the Board of Management:

Currency: VND

Name	Position	Appointed and resigned date	Remuneration	
			Current year	Previous year
Mr. Ho Xuan Nang	Chairman		3,503,621,674	3,107,073,743
Mr. Pham Anh Tuan	Member, General Director		2,761,643,540	2,838,189,857
Ms. Nguyen Dieu Thuy Ngoc	Member		60,000,000	110,000,000
Ms. Tran Lan Phuong	Member		60,000,000	43,000,000
Mr. Nguyen Quang Hung	Member	Appointed on May 30, 2020	35,000,000	-
Ms. Nghiem Thi Ngoc Diep	Member	Resigned on May 30, 2020	25,000,000	110,000,000
Mr. Pham Tri Dung	Deputy General Director		2,602,437,540	2,457,105,743
Mr. Luu Cong An	Deputy General Director		2,746,581,994	2,458,395,571
Mr. Nguyen Chi Cong	Deputy General Director		2,343,207,377	2,331,134,551
Ms. Pham Thi Bich Thuy	Deputy General Director	Appointed on June 9, 2020	39,203,190	-
Mr. Nguyen Quoc Truong	Member	Resigned on April 12, 2019	-	868,953,667
			14,176,695,315	14,323,853,132

NOTES OF CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

For the year ended December 31, 2020

XXVI. EARNINGS PER SHARE

Basic earnings per share amount is calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Company (after excluding the bonus and welfare fund) by the weighted average number of during the year.

Diluted earnings per share amount is calculated by dividing the net profit after tax attributable to ordinary equity holders of the Company by the weighted average number of outstanding 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
Net profit after tax	1,428,419,763,711	1,410,114,613,076
Estimated/actual appropriation in bonus and welfare funds (*)	108,267,123,586	111,936,197,162
Net profit attributable to ordinary equity holders adjusted for the effect of dilution	1,320,152,640,125	1,298,178,415,914
Weighted average number of ordinary shares adjusted for basic earnings per share	160,000,000	160,000,000
Earnings per share		
• Basic earnings per share	8,251	8,114
• Diluted earnings per share	8,251	8,114

(*) The estimated appropriation in bonus and welfare funds for the year ended December 31, 2020 followed the Resolution No. 01/2020 NQ/VCS-DHDCD of the General Shareholders' Meeting dated May 30, 2020.

According to the Resolution No. 20/2020 NQ/VCS-HDQT dated December 28, 2020, the Board of Directors approved the plan to offer bonus shares to the existing shareholders from treasury shares with the total number of 4,800,000 shares. Also, in accordance with the Resolution No. 02/2021 NQ/VCS-HDQT dated January 13, 2021, the Board of Directors also decided to distribute such bonus shares on January 27, 2021. Therefore, the weighted average of each ordinary shares to calculate basic earnings per share are presented to reflect this event.

XXVII. COMMITMENTS AND CONTINGENCIES

1. Operating lease commitments

The Company and its subsidiary lease land under operating lease arrangements. As at December 31, 2020, payables for rental fee in the future under the operating lease agreements were as follows:

	Ending balance	Beginning balance
Less than 1 year	797,320,575	797,320,575
From 1-5 years	4,460,466,300	4,460,466,300
More than 5 years	23,009,218,880	23,806,539,455
TOTAL	28,267,005,755	29,064,326,330

Additionally, the Company is leasing 27,451 m2 of land area at Plot 2A, Bac Phu Cat Industrial Park under the operating lease contract No. 10/VC/HDKT-TLDCNBPC dated May 30, 2008 with the lease term of 48 years, 7 months and 19 days commencing from the contract date. The fee of land rental is VND 10,000/m2 per annum and management service charge is 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 Park Management Unit in subsequent discussions.

2. Commitment related to operating lease contract

The Company and leases leasing 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.

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 products in the U.S. market. This lawsuit has been handling by Minnesota District Court.

The Company appointed Sapia Law Group PLC as its legal representative on this lawsuit. On November 6, 2013, the Minnesota District Court ordered the stay of litigation and the Company's Board of Management assessed that there was not pertinent evidence to recognize a provision of potential compensation expenses, if any, for this lawsuit as at December 31, 2019 and at the date of these consolidated financial statements.

XXVIII. EVENTS AFTER THE BALANCE SHEET DATE

According to the Resolution No. 02/2021 NQ/VCS-HDQT dated January 13, 2021, the Board of Directors decided to distribute bonus shares as approved in accordance with the Resolution No. 20/2020 NQ/VCS-HDQT dated December 28, 2020 to the existing shareholders with the total number of 4,800,000 shares (ratio 3.09:100) on January 27, 2021.

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
March 17, 2021



NGUYEN THI NGA

Chief Accountant



PHAM ANH TUAN


General Director




Vicostone quartz product Gan Eden - BQ8881



VICOSTONE JOINT STOCK COMPANY

 **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:** <https://vicostone.com>