



# COMPREHENSIVE INITIATIVES FOR STRONGER AND FASTER



ANNUAL REPORT | **2021**

## FORWARD-LOOKING STATEMENTS

Vicostone's 2021 Annual Report ("the Report") is developed in accordance with Appendix IV of Circular 96/2020/TT-BTC dated November 16, 2020 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 drafting the report 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 extend 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 assessments, views or recommendations.

Vicostone's 2021 Annual Report contains the information and data obtained from construction-material and engineered-stone industry surveys, publicly made available by the third parties such as Freedonia (a U.S.-based market research company). The reports issued by the third-party organizations comprise of research data, assessments or concepts developed independently based on multiple sources, including: manufacturers' financial statements; countries' statistical reports; press releases; industry magazines; and interviews with construction materials manufacturers (including engineered-stone and competing products industries), distributors 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 & Vietnamese economy;
- The overview of the market and demand for quartz;
- The competitiveness of VICOSTONE® products in international markets and Vietnam;
- The development of production technologies and material substitutes;
- The challenges and requirements from markets;
- The financial indicators forecast for 2022.

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. The actual performance in 2022 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.



## TABLE OF CONTENTS

1	Forward-Looking Statements
5	Message from the Chairman of the Board of Directors
6	Key Financial Indicators 2021

### 01 | VICOSTONE OVERVIEW

10	Vision – Mission – Core Values – Comprehensive Quality Management Excellence
14	General Information
16	Development History
18	Governance Structure – Labor Structure – Management Apparatus
26	Relevant Companies
30	Products - Technology - Markets

### 03 | CORPORATE GOVERNANCE

94	Report of the Board of Directors
108	Report of the Audit Committee
114	Report of the Board of Investor Relations

### 05 | CONSOLIDATED FINANCIAL STATEMENTS

166	General Information
168	Report of the Board of Management
170	Report of the Independent Auditor
172	Consolidated Balance Sheet
174	Consolidated Income Statement
175	Consolidated Cashflow Statement
177	Notes to the Consolidated Financial Statements

### 02 | REPORT OF THE BOARD OF MANAGEMENT

36	The Market in 2021 and Outlook for 2022
42	Risk Management in 2022
50	Business Performance and Financial Analysis for 2021
80	Results in All Markets
84	Branding and Marketing Activities
88	Implementation of Key Projects in 2021
90	Key Plan and Missions for 2022

### 04 | SUSTAINABLE DEVELOPMENT

124	Commitment to Sustainable Development
130	Vicostone's Code of Conduct with Stakeholders
134	HSEQ Management System
146	Environmental Responsibilities
156	Social Responsibilities
160	Sustainable Human Resources Development



## MESSAGE FROM THE CHAIRMAN OF THE BOARD

*Dear valued shareholders and customers!*

In 2021, global economies continued to suffer from the serious impacts of the COVID-19 pandemic. Vietnam's economy also endured trying times with the modest 2.58% annual GDP growth. Yet, these were signs of recovery in the context of prolonged social distancing policies in major regions and key economic sectors. Through adversities, Vicostone and other major Vietnamese businesses have always been a companion to society and communities in overcoming difficulties and navigating challenges.

Net revenue in 2021

VND **7,070**  
billion

Profit before tax in 2021

VND **2,097**  
billion

“  
**Vicostone remained  
the third largest  
supplier of  
engineered stone  
countertops to the  
global market**

Under such circumstances, Vicostone remained proactive in ensuring employees' physical and mental well-being during the pandemic. In addition, the active support from Phenikaa Group and the strategic success of raw material self-supply enabled Vicostone's stable operations and generated impressive growth in 2021: Total net revenue and profit before tax reached VND 7,070 billion and VND 2,097 billion respectively - an increase of 24.92% and 25.75% from 2020, meeting approximately 105% and 110% the targets set by the Annual General Meeting of Shareholders in 2021.

Business performances consolidated Vicostone's status with export revenue growth achieving a historic high of 38.4%. Sales from key markets also registered strong figures, exemplified by the 150% growth in Canada - the highest since the introduction of VICOSTONE® products in the country. As such, the VICOSTONE® brand's global credibility was firmly established despite the pandemic's many hurdles.

The year 2022 is forecasted to be another year with many uncertainties. Against shifting landscapes,

**“Comprehensive initiatives for stronger and faster”** is Vicostone's motto. From the basis of Creative Intellect, the Company will take action and formulate decisions on the principles of Proactiveness, Expeditiousness, and Resoluteness. With Phenikaa Group's ecosystem backbone support, the Company will further develop potential markets, accelerate new technology, research and develop distinguished eco-products, successfully manage risks, optimize production and operation costs to readily adapt to the socio-economic conditions of the New Normal to seize new opportunities.

The year 2022 also celebrates Vicostone's 20<sup>th</sup> birthday, a year full of vigor and pivotal changes for new growth in both volume and substance, one which shall elevate Vicostone to new heights on the international stage.

My regards and best wishes for health and success.

*With sincere gratitude*

**CHAIRMAN OF THE BOARD**



**Ho Xuan Nang**





## KEY FINANCIAL INDICATORS IN 2021

TOTAL ASSETS (VND billion)

**6,892.91**

ANNUALLY INCREASED BY

**13.83%**

OWNERS' EQUITY (VND billion)

**4,874.20**

ANNUALLY INCREASED BY

**26.35%**

NET REVENUE (VND billion)

**7,070.13**

ANNUALLY INCREASED BY

**24.92%**

PROFIT BEFORE TAX (VND billion)

**2,097.40**

ANNUALLY INCREASED BY

**25.75%**

PROFIT AFTER TAX (VND billion)

**1,772.06**

ANNUALLY INCREASED BY

**24.06%**

ROA

**26%**

at

ROE

**36%**

## FINANCIAL INDICATORS 2017-2021

Item	Unit	2021	2020	2019	2018	2017
<b>1. Business performance</b>						
Net revenue	VND billion	7,070.13	5,659.59	5,562.76	4,521.60	4,352.52
Cost of goods sold	VND billion	4,067.62	3,695.77	3,650.65	3,025.95	3,085.31
<b>Gross profit</b>	<b>VND billion</b>	<b>2,462.50</b>	<b>1,963.83</b>	<b>1,912.11</b>	<b>1,495.64</b>	<b>1,267.21</b>
Finance income	VND billion	62.08	40.07	26.34	41.40	54.38
Finance expenses	VND billion	89.49	92.88	68.02	69.87	48.81
Profits or losses from associates and joint venture companies	VND billion	-	-	-	-	-
Selling expenses	VND billion	272.15	160.51	154.06	99.93	95.65
General and administrative expenses	VND billion	47.35	71.48	62.39	46.10	52.20
Other income	VND billion	4.43	1.55	1.45	1.51	1.18
Other expenses	VND billion	22.64	12.63	2.76	4.15	1.10
<b>Total profit before tax</b>	<b>VND billion</b>	<b>2,097.40</b>	<b>1,667.96</b>	<b>1,652.66</b>	<b>1,318.51</b>	<b>1,125.01</b>
Current and deferred corporate income tax expenses	VND billion	325.34	239.54	242.55	194.97	3.23
<b>Net profit after tax</b>	<b>VND billion</b>	<b>1,772.06</b>	<b>1,428.42</b>	<b>1,410.11</b>	<b>1,123.54</b>	<b>1,121.78</b>
Basic earnings per share	VND	9,890	8,251	8,114	6,460	13,461
Diluted earnings per share	VND	9,890	8,251	8,114	6,460	13,461
<b>2. Assets and resources</b>						
<b>Total assets</b>	<b>VND billion</b>	<b>6,892.91</b>	<b>6,055.33</b>	<b>5,583.76</b>	<b>4,404.33</b>	<b>3,809.75</b>
Current assets	VND billion	5,829.10	4,900.51	4,456.31	3,794.50	3,291.34
<i>In which: Cash and cash equivalents</i>	VND billion	1,045.42	790.35	469.92	427.35	656.28
Non-current assets	VND billion	1,063.81	1,154.82	1,127.45	609.83	518.41
<b>Total liabilities and owners' equity</b>	<b>VND billion</b>	<b>6,892.91</b>	<b>6,055.33</b>	<b>5,583.76</b>	<b>4,404.33</b>	<b>3,809.75</b>
Liabilities	VND billion	2,018.72	2,197.51	2,135.07	1,673.77	1,413.86
Owners' equity, minority interests	VND billion	4,874.20	3,857.82	3,448.69	2,730.55	2,395.89
<b>3. Other financial data</b>						
Capital construction investment	VND billion	41.20	88.40	50.65	151.73	62.75
Depreciation and amortization of fixed assets	VND billion	128.14	119.18	103.98	73.43	69.63
Adjusted EBITDA	VND billion	2,252.95	1,839.94	1,798.32	1,420.41	1,189.08
EBITDA Margin (%)	%	31.87%	32.51%	32.33%	31.41%	27.32%

(Source: Vicostone's audited consolidated financial statements)



# 01

## VICOSTONE OVERVIEW

- 10 VISION – MISSION – CORE VALUES – COMPREHENSIVE QUALITY MANAGEMENT EXCELLENCE
- 14 GENERAL INFORMATION
- 16 DEVELOPMENT HISTORY
- 18 GOVERNANCE STRUCTURE – LABOR STRUCTURE – MANAGEMENT APPARATUS
- 26 RELEVANT COMPANIES
- 30 PRODUCTS - TECHNOLOGY - MARKETS



## VISION – MISSION – CORE VALUES



### VISION

To keep promoting the standing of the brand VICOSTONE® on the international market through 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

Smart industrial production is positioned as the core business while eco-friendly materials and hi-tech products are the spearheads, focusing 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 that dare to think and dare to do;
- 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.

#### Pioneership

- In advanced technologies and materials to become the market trend creator and achieve eco-friendly, sustainable development.

#### Inspiration

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

## COMPREHENSIVE QUALITY MANAGEMENT EXCELLENCE

1

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.

2

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

3

Products and services are delivered through employees' efficiency. Each employee is another employee's "customer"; each step is the "customer" of the previous step. All of these will affect customer's satisfaction; Each employee is responsible for helping others improve their job quality.

4

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

5

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

6

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





## OVERVIEW OF VICOSTONE

### VICOSTONE JOINT STOCK COMPANY



Vicostone is the third-largest supplier of engineered stone countertops to the global market. The Company has set up a broad network in all five continents as well as secured the intellectual property right for its brand VICOSTONE® in 66 countries.

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 trillion six hundred billion Vietnam dong)
Address	Hoa Lac Hi-Tech Park, Thach Hoa Commune, Thach That District, Hanoi, Vietnam.
Tel	024 3368 5826
Fax	024 3368 6652
Website	<a href="http://vicostone.com">http://vicostone.com</a>
Email	<a href="mailto:quanhecodong@vicostone.com">quanhecodong@vicostone.com</a>
Stock name	Share of Vicostone Joint Stock Company
Par value	VND 10,000
Stock code	VCS
Amount of issued and listed shares	160,000,000 shares on the Hanoi Stock Exchange (HNX)
Amount of treasury shares	0 shares
Amount of outstanding shares	160,000,000 shares

### Responsible for information disclosure

#### MR. PHAM ANH TUAN

**Title:** General Director of Vicostone Joint Stock Company

**Tel:** 024 3368 5826

**Fax:** 024 3368 6652

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

### Independent auditing unit:

#### ERNST & YOUNG VIETNAM LTD. CO.

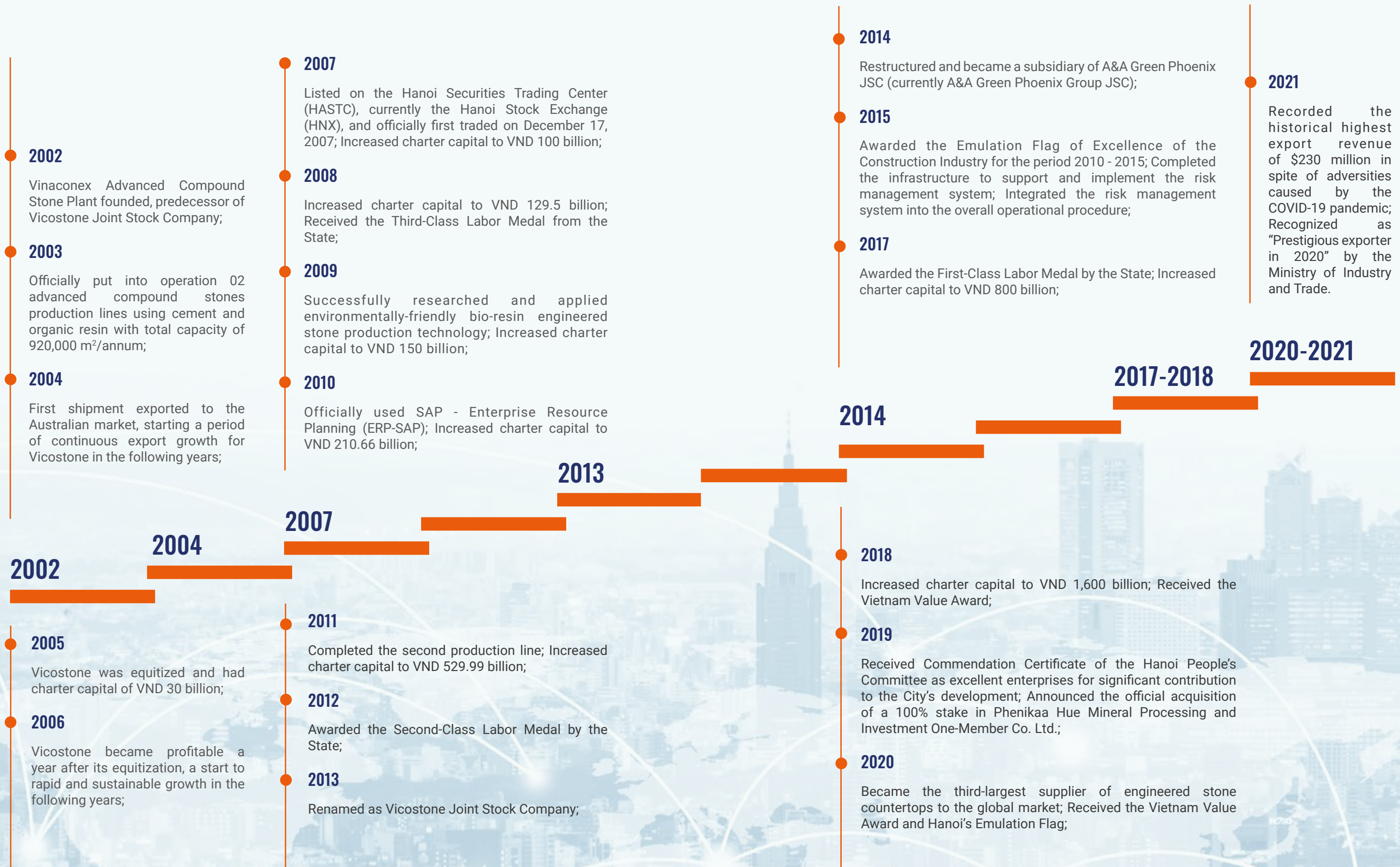
**Tel:** 024 3831 5100

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

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



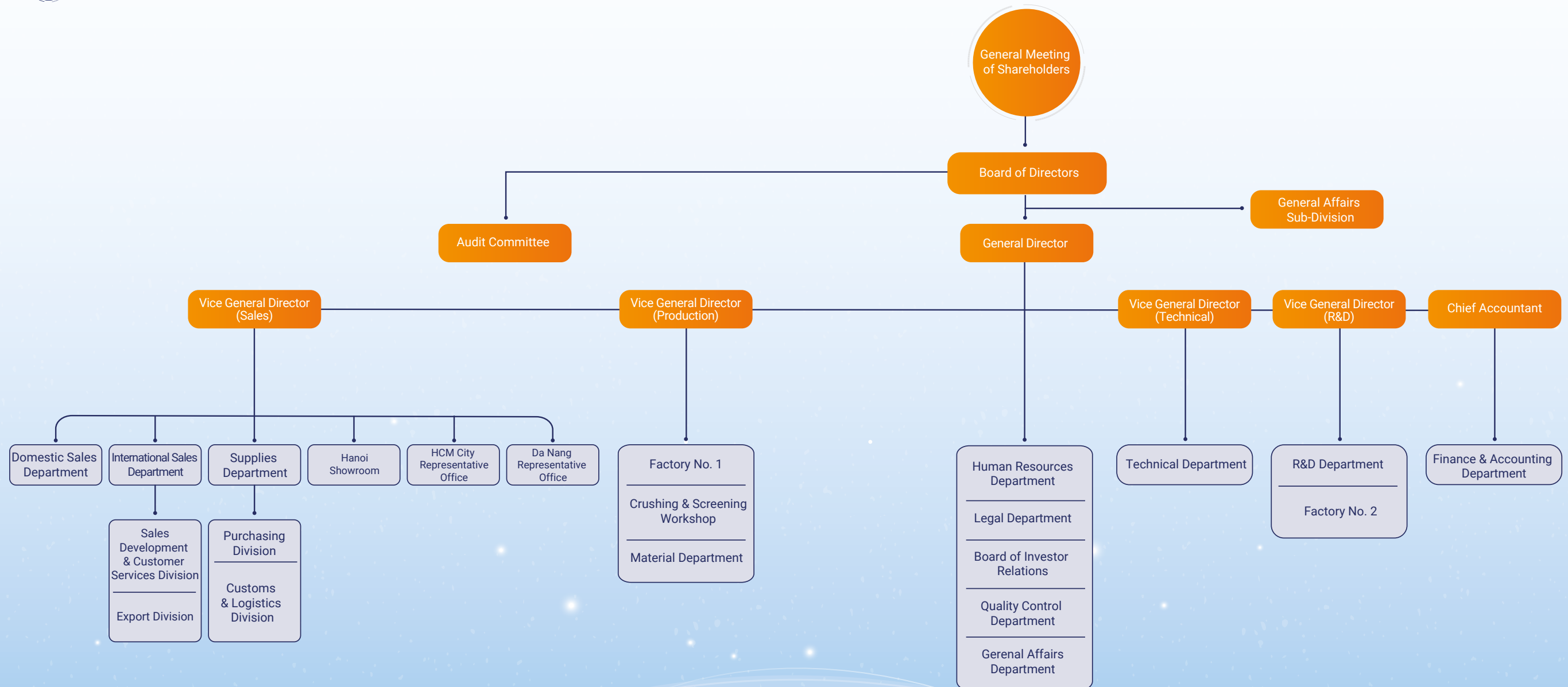
## DEVELOPMENT HISTORY





# GOVERNANCE STRUCTURE, EMPLOYMENT STRUCTURE AND MANAGEMENT APPARATUS

## I GOVERNANCE STRUCTURE



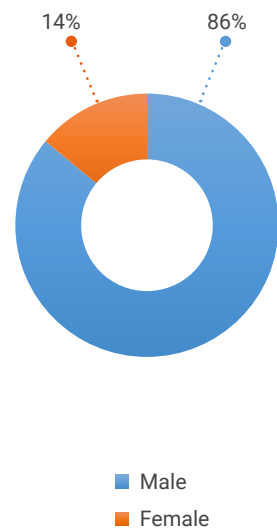
## II EMPLOYMENT STRUCTURE

As of December 31, 2021, Vicostone had a total of 798 employees. As an industrial manufacturer, a majority of the employees were assigned to direct production lines, accounting for nearly 67% of the total. Of the total number of employees, some 86.3% were male, more than 56% were under 35 years old, and some 82.5% were qualified from vocational training. These figures are considered appropriate for a building material business like Vicostone. In addition, with 25.4% of all employees graduating from university level and 61% of all employees possessing engineering qualifications, the quality of labor at Vicostone was considerably high and suitable with the Company's plans on employment training, assignment to meet the requirements and strategic targets.

### Employment structure by educational qualification

No.	Qualification	2019		2020		2021	
		Number (People)	Ratio (%)	Number (People)	Ratio (%)	Number (People)	Ratio (%)
1	Post-University	11	1.59	12	1.66	9	1.13
2	University	194	28.03	190	26.24	191	23.93
3	College	90	13.01	98	13.54	109	13.66
4	Primary and secondary vocational training	342	49.42	344	47.51	349	43.73
5	High School	55	7.95	80	11.05	140	17.54
	<b>TOTAL</b>	<b>692</b>	<b>100</b>	<b>724</b>	<b>100</b>	<b>798</b>	<b>100</b>

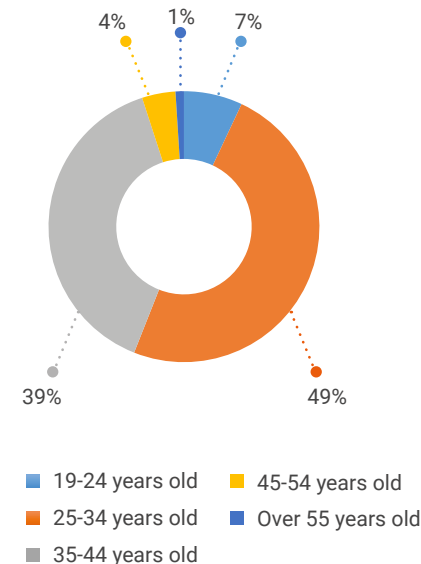
### Employment structure by gender



### Employment structure by job description



### Employment structure by age



## Board of Directors



**Mr. Ho Xuan Nang**

Chairman of the Board of Directors  
Date of birth: November 4, 1964



**Mr. Pham Anh Tuan**

Member of the Board of Directors  
Date of birth: September 12, 1981

### Professional qualifications

- Associate Professor, Doctorate of Mechanical Engineering;
- Master of Business Administration

### Titles at 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 Phenikaa Innovation Foundation;
- Director of Phenikaa Research and Technology Institute (PRATI).

### Professional qualifications

- Doctorate of Polymer and Composite Materials

### Titles at other companies

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

### Professional experience

- From June 12, 2014 – present: Chairman of the Board of Directors of Vicostone JSC;
- From April 18, 2013 – December 15, 2016: General Director of Vicostone JSC;
- From April 18, 2013 – June 12, 2014: Vice Chairman of the Board of Directors of Vicostone JSC;
- From April 2012 – April 2013: Chairman of the Board of Directors of Vinaconex Advanced Compound Stone JSC (now Vicostone JSC);
- From March 2007 – March 2012: Chairman of the Board of Directors – General Director of Vinaconex Advanced Compound Stone JSC;
- From June 2005 – March 2007: Director of Vinaconex Advanced Compound Stone JSC;
- From July 2004 – May 2005: Director of Vinaconex Advanced Compound Stone Plant;
- From January 1999 – July 2004: Vice Chief of Office of Vinaconex Corporation;
- From March 1996 – January 1999: Quality Director; Production Director of the Ford Vietnam Factory – Hai Duong;
- From 1994 – March 1996: Institute of Vietnam Agricultural Electromechanics;
- From 1986 – 1994: Post-graduate student and lecturer of Hanoi University of Science and Technology.

### Professional experience

- From December 15, 2016 – present: Member of the Board of Directors – General Director of Vicostone JSC;
- From October 14, 2014 – December 14, 2016: Vice General Director of Vicostone JSC;
- From March 2013 – October 2014: Director of Production Factory No. 2 cum Director of R&D Center – Vicostone JSC;
- From July 2009 – March 2013: Director of R&D Center of Vinaconex Advanced Compound Stone JSC (now Vicostone JSC);
- From October 2006 – June 2009: Manager of Quality and Technology Department of Vinaconex Advanced Compound Stone JSC;
- From July 2005 – October 2006: Manager of Technology Department of Vinaconex Advanced Compound Stone JSC.



## Board of Directors



**Ms. Tran Lan Phuong**

Member of the Board  
of Directors  
Date of birth: October 4, 1988

### Professional qualifications

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

### Titles at other companies

- Vice General Director of A&A Green Phoenix Group JSC, Director of Human Resources Department cum Director of Communications Department;
- Member of the Council – Phenikaa University.

### Professional experience

- From April 12, 2019 – present: Member of the Board of Directors of Vicostone JSC;
- From August 4, 2015 – April 12, 2019: Member of the Board of Supervisors of Vicostone JSC;
- From October 2014 – August 2015: Assistant to General Director of Vicostone JSC;
- From March 2013 – October 2014: Vice Chief of Office of Vicostone JSC;
- From November 2010 – March 2013: Executive of Legal and External Relations Department of Vicostone JSC;
- From March 2010 – November 2010: Consultant executive of Applied Professional Training Corporation (Aprotrain).



**Ms. Nguyen Dieu Thuy Ngoc**

Member of the Board  
of Directors  
Date of birth: March 12, 1972

### Professional qualifications

- Bachelor of Economics

### Titles at other companies

- Chief Accountant of Sec G3 Center JSC

### Professional experience

- From June 2016 – present: Member of the Board of Directors of Vicostone JSC;
- From August 4, 2015 – June 30, 2016: Member of the Board of Supervisors of Vicostone JSC;
- From September 1996 – October 2014: General Accountant of Export-Import and International Manpower Supply JSC.



**Mr. Nguyen Quang Hung**

Member of the Board  
of Directors  
Date of birth: October 19, 1970

### Professional qualifications

- Master of Economics

### Titles at other companies

- Chairman of HCH Thang Long Trade and Investment Co. Ltd.

### Professional experience

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

*In 2021, there was no change in the composition of the Board of Directors.*

## Audit Committee



**Mr. Nguyen Quang Hung**

Head of Audit Committee

(See Members of the Board  
of Directors)



**Ms. Nguyen Dieu Thuy Ngoc**

Member of Audit Committee

(See Members of the Board  
of Directors)

*On May 7, 2021, the Board of Directors of Vicostone JSC dissolved the Board of Internal Audit and set up the Audit Committee.*



## 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

### Titles at other companies

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

### Professional experience

- From March 2007 – present: Vice General Director of Vicostone JSC;
- From March 2007 – August 4, 2015: Member of the Board of Directors of Vicostone JSC;
- From May 2005 – February 2007: Vice Director of Vinaconex Advanced Compound Stone JSC (now Vicostone JSC);
- From December 2004 – April 2005: Manager of Bretonstone Workshop of Vinaconex Advanced Compound Stone JSC;
- From October 2004 – November 2014: Manager of Technical Department of Vinaconex Advanced Compound Stone JSC;
- From 2000 – October 2014: Vice Manager of the Design Department of Song Cong Diesel Company.



**Mr. Pham Tri Dung**

Vice General Director  
Date of birth: October 18, 1971

### Professional qualifications

- Mechanical Engineer

### Titles at other companies

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

### Professional experience

- From March 2007 – present: Vice General Director of Vicostone JSC;
- From March 2007 – August 4, 2015: Member of the Board of Directors of Vicostone JSC;
- From February 2005 – March 2007: Vice Director of Vinaconex Advanced Compound Stone JSC (now Vicostone JSC);
- From June 2004 – February 2005: Manager of Market Planning Department of Vinaconex Advanced Compound Stone JSC;
- From August 2001 – June 2004: Vice Manager of Labor Export Department of Vinaconex Trading JSC – Vinatra.

## Board of Management, Chief Accountant



**Mr. Nguyen Chi Cong**

Vice General Director  
Date of birth: August 16, 1981

### Professional qualifications

- Control Engineer

### Titles at 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 One-Member Co. Ltd.

### Professional experience

- From August 2017 – present: Vice General Director of Vicostone JSC;
- From January 2013 – July 2017: Director of Style Stone JSC;
- From September 2009 – May 2011: Vice Director cum Manager of Bretonstone Workshop of Style Stone JSC;
- From January 2009 – August 2009: Director of Production Department of Vinaconex Advanced Compound Stone JSC (now Vicostone JSC);
- From September 2004 – December 2008: Engineer of Vinaconex Advanced Compound Stone JSC.



**Mr. Dong Quang Thuc**

Vice General Director  
Date of birth: February 2, 1985

### Professional qualifications

- Master of Chemical Sciences

### Titles at other companies

- N/A

### Professional experience

- From May 2021 – present: Vice General Director of Vicostone JSC;
- From August 2015 – May 2021: Manager of R&D Department of Vicostone JSC;
- From April 2014 – August 2015: Vice Manager of R&D Department of Vicostone JSC;
- From August 2008 – April 2014: Engineer of R&D Department of Vicostone JSC.



**Ms. Nguyen Thi Nga**

Chief Accountant  
Date of birth: December 15, 1984

### Professional qualifications

- Bachelor of Economics, major in Accountancy

### Titles at other companies

- N/A

### Professional experience

- From July 18, 2015 – present: Chief Accountant of Vicostone JSC;
- From August 4, 2015 – December 15, 2016: Member of the Board of Directors of Vicostone JSC;
- From October 2012 – July 2015: Vice Manager of Finance and Accounting Department of Vinaconex Advanced Compound Stone JSC (now Vicostone JSC);
- From November 2008 – October 2012: Accountant of Vinaconex Advanced Compound Stone JSC.

On May 7, 2021, the Board of Directors of Vicostone JSC appointed Mr. Dong Quang Thuc as the Vice General Director in charge of product research and development.

On December 1, 2021, the Board of Directors of Vicostone JSC dismissed Ms. Pham Thi Bich Thuy from the title and position of Vice General Director.

In 2021, there was no change with the position of the Chief Accountant. Ms. Nguyen Thi Nga remained the Chief Accountant of the Company.



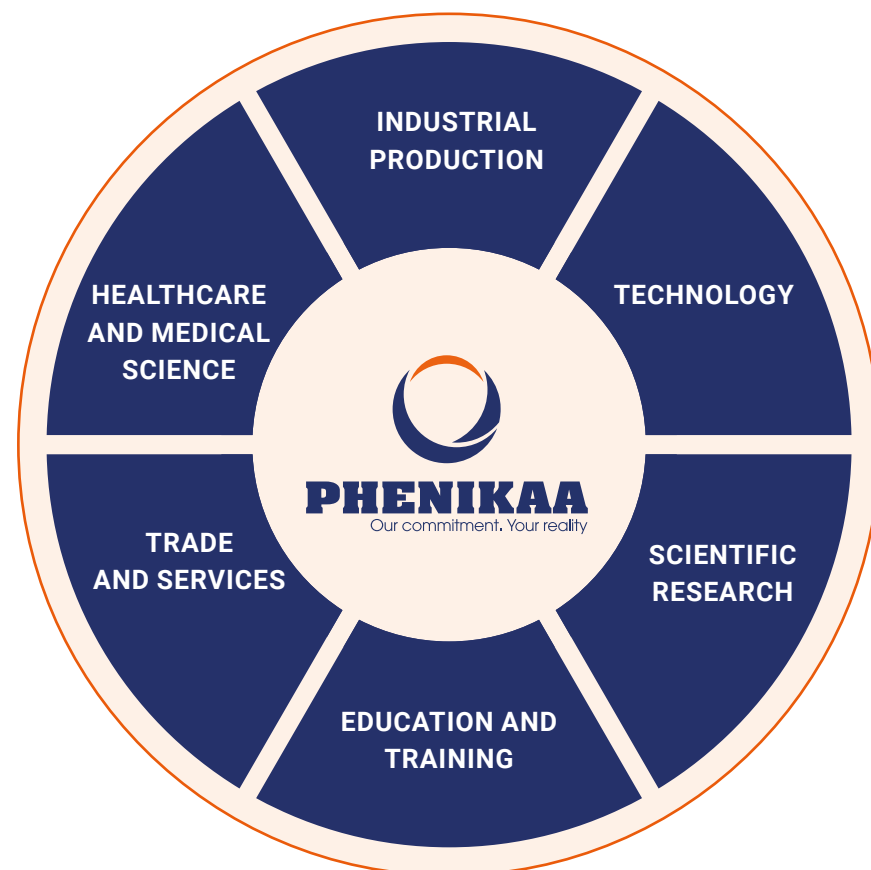


### III RELEVANT COMPANIES

#### 1. A&A Green Phoenix Group JSC (parent company)

International name	A&A GREEN PHOENIX GROUP JOINT STOCK COMPANY
Abbreviated name	Phenikaa
Charter capital	VND 3,000,000,000,000 (Three trillion Vietnam dongs)
Address	No. 167, Hoang Ngan Street, Trung Hoa Ward, Cau Giay District, Hanoi, Vietnam
Tel	024 3368 5980
Fax	024 3368 7095
Email	support@phenikaa.com
Website	www.phenikaa.com

#### Major business areas



#### Members of Phenikaa Group

<b>INDUSTRIAL PRODUCTION</b>	<ul style="list-style-type: none"> <li>Vicostone JSC;</li> <li>Style Stone JSC;</li> <li>Phenikaa Chemical Co. Ltd.;</li> <li>Vietnam Stone Work-top Fabrication JSC.</li> </ul>
<b>TECHNOLOGY</b>	<ul style="list-style-type: none"> <li>Phenikaa Electronics JSC;</li> <li>Phenikaa MaaS Technology JSC;</li> <li>Phenikaa Technology Transfer and Trading JSC.</li> </ul>
<b>SCIENTIFIC RESEARCH</b>	<ul style="list-style-type: none"> <li>Phenikaa Research and Technology Institute.</li> </ul>
<b>EDUCATION AND TRAINING</b>	<ul style="list-style-type: none"> <li>Phenikaa University;</li> <li>Phenikaa Education Investment JSC;</li> <li>Yersin Vietnam JSC.</li> </ul>
<b>HEALTHCARE AND MEDICAL SCIENCE</b>	<ul style="list-style-type: none"> <li>Vinh Thien Medical JSC;</li> <li>AQP Research and Control Pharmaceuticals JSC.</li> </ul>
<b>TRADE AND SERVICES</b>	<ul style="list-style-type: none"> <li>Sec G3 Center JSC;</li> <li>Nam Hung JSC;</li> <li>Stylenquaza LLC. DBA (Vicostone U.S.) established in November 2010 and headquartered at 11620 Goodnight Lane, Suite 100, Dallas, Texas, U.S.A.;</li> <li>Vicostone Canada INC. established in November 2015 and headquartered at 341 Edgeley BLVD Vaughan, ON L4K 3Y2, Canada.</li> </ul> <p><i>Vicostone U.S. and Vicostone Canada are the two companies that operate outside of Vietnam, providing direct distribution of VICOSTONE® products in North America (the U.S. and Canada).</i></p>

## 2. Subsidiaries and dependents

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



International name	PHENIKAA HUE MINERAL PROCESSING & INVESTMENT ONE MEMBER LIMITED LIABILITY COMPANY
Abbreviated name	Phenikaa Hue
Chartered capital	VND 50,000,000,000 (Fifty billion Vietnam dong)
Address	Lot CN15 Section B, Phong Dien Industrial Park, Phong Hoa Commune, Phong Dien District, Thua Thien Hue Province, Vietnam
Main business	Production of Cristobalite for advanced stone manufactured by Phenikaa Group and its members as well as other material businesses

## Dependents

### Showroom in Hanoi

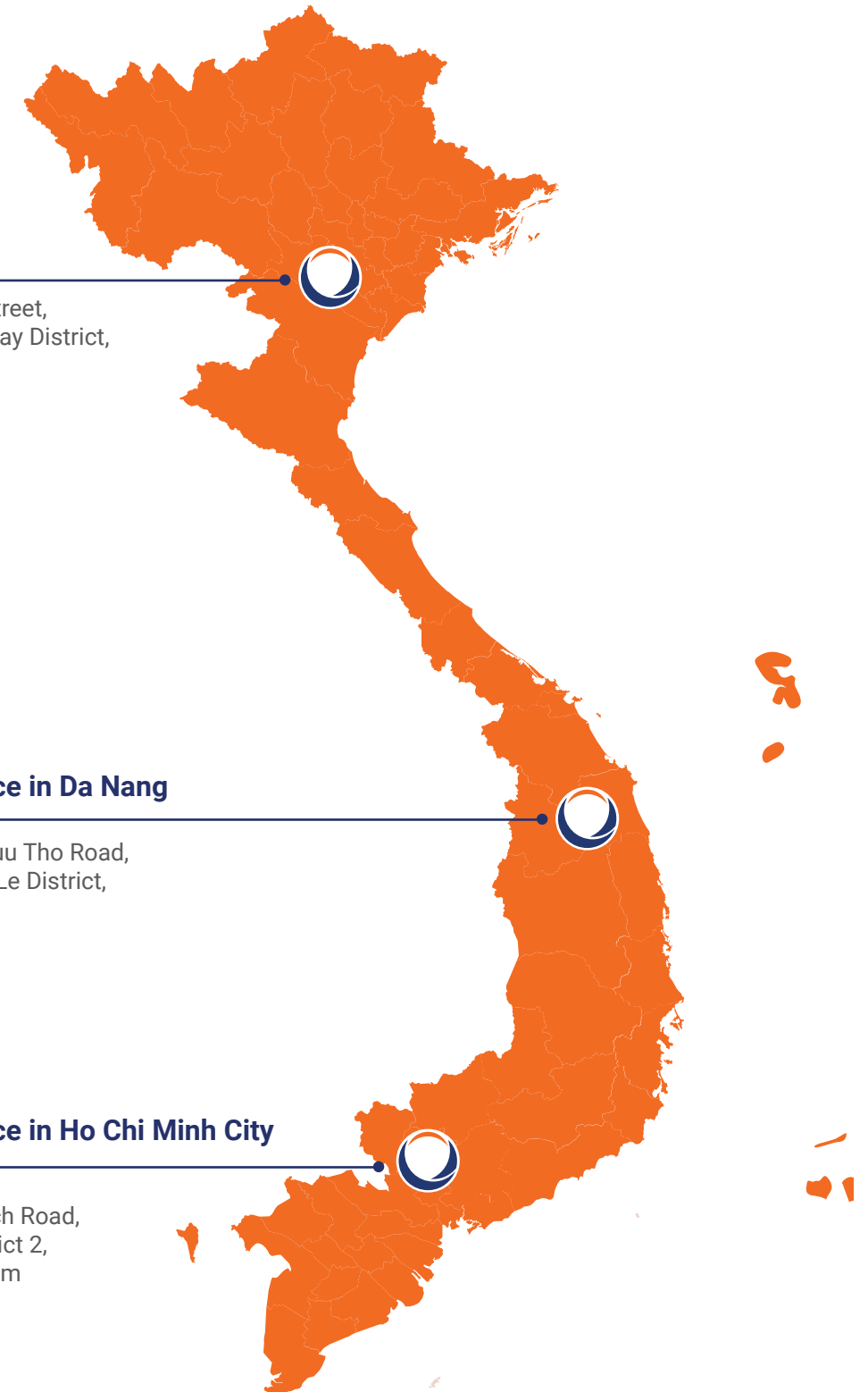
No. 167, Hoang Ngan Street,  
Trung Hoa Ward, Cau Giay District,  
Hanoi, Vietnam

### Representative office in Da Nang

No. 502-504, Nguyen Huu Tho Road,  
Khue Trung Ward, Cam Le District,  
Da Nang, Vietnam

### Representative office in Ho Chi Minh City

No. 72, Nguyen Co Thach Road,  
An Loi Dong Ward, District 2,  
Ho Chi Minh City, Vietnam





### I PRODUCTS

VICOSTONE® wins customers' heart and strengthens its brand reputation by being present in the loving home spaces of millions of dwellings and world-class buildings such as the Marriott Hotel chain, Hilton Garden Inns, Crowne Plaza, Sheraton, Park Hyatt, etc., and high-end commercial buildings such as the Las Vegas City Center, Apple Campus (the U.S.), Sydney Airport (Australia), and Interlomas Mall (Mexico). Perfection crystallized in each product through blending "Technology – Intelligence - Creativity" and balancing distinguished natural features that evoke emotion are the keys to making VICOSTONE® a market-leader that stands out from our competitors.

Driven by the "Compaction by vibro-compression under vacuum" technology of Breton S.p.A (Italy), in combination with Vicostone's breakthrough technological know-how, VICOSTONE® quartz-based products meet all international quality standards and ensure absolute user safety. Containing more than 90% natural quartz composite, VICOSTONE® products achieve a hardness score of 7/10 on the Mohs scale comparing to the score 10/10 of diamond, and feature outstanding scratch resistance and waterproof capacity. It is the solid consistency in the structure that makes VICOSTONE® products stain-resistant, easy to clean and able to maintain its beauty over time. Thanks to these outstanding physio-mechanical values, VICOSTONE® products have passed the toughest tests from prestigious international organizations such as the NFS, Greenguard/Greenguard Gold on safety for users' health and the environment. Our product is the first choice of professionals and users with a variety of applications in living spaces such as kitchen countertops, makeup vanity tops, bathtubs, sinks, walls, bars, floors and other interior corners.

In recent years, Vicostone has been searching for design inspirations from famous natural stones and at the same time created unique products with their own imprints. The inspired designs demonstrate the abundant creative capacity of the Company's research and development team. While in late 2020, Vicostone Bahia - BQ8883 became a highly appreciated phenomenon thanks to its impressive "Big Chunk" style, inspired by the light and dark contrast deep down in the geological layers, Vicostone in 2021 launched new products with a more pronounced 'return to nature' style.

The COVID-19 pandemic has led to changes in customers' behavior. Interior design trends have also gradually evolved in response to the need to stay at home more and seek a safer and more authentic living space. Vicostone therefore chose "Water" as the main inspiration for the latest product line – Aqua Series featuring products such as BQ7701 Allurio, BQ7702 Moonglade, BQ7704 Verderlia which reproduce the water's images and colors found in the ocean, river or even a moonlit lake, generating a feeling of calm and familiarity, a sense of protection and peace of mind, which gives encouragement during difficult times.

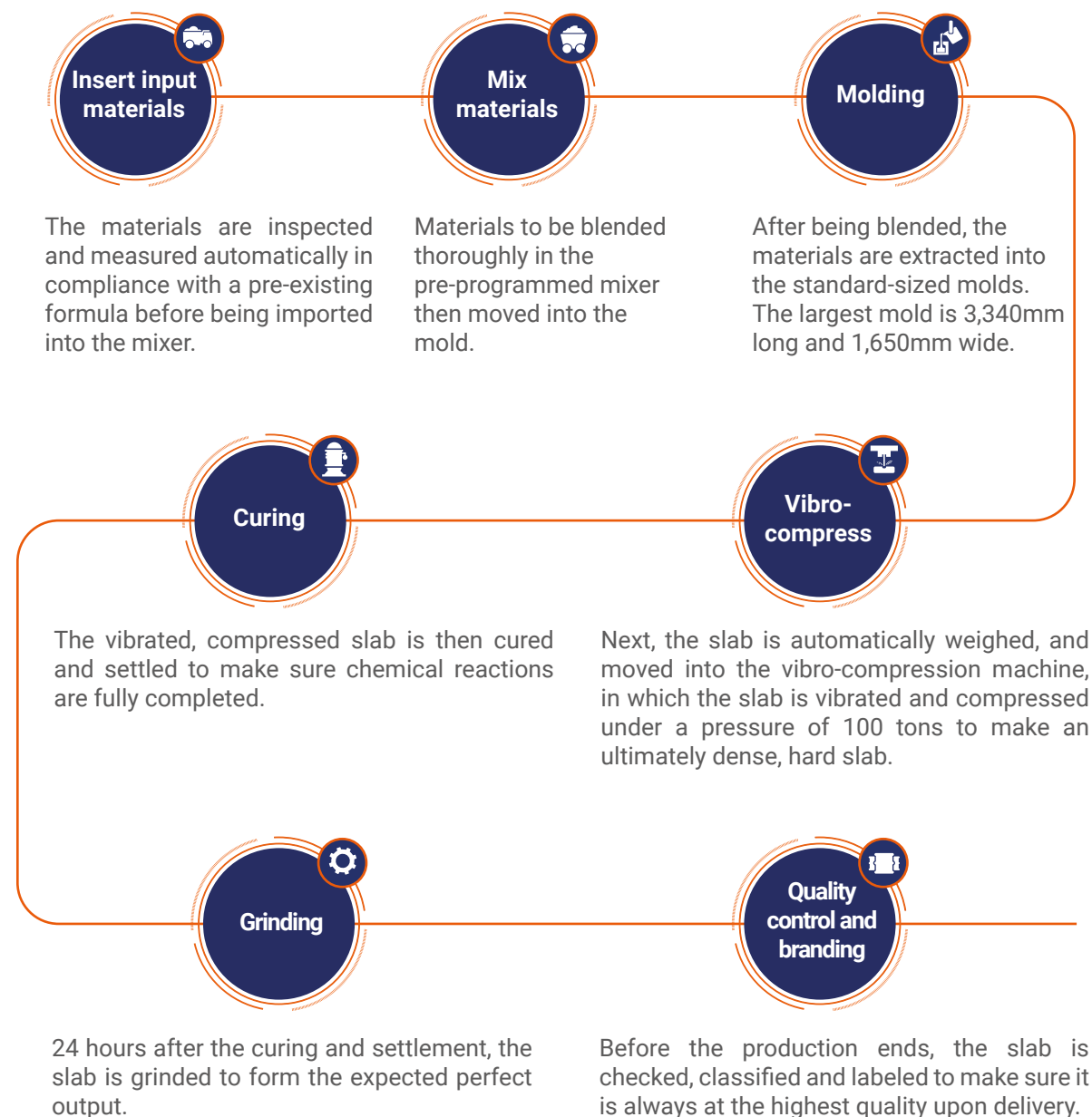
Additionally, new products of the traditional Calacatta/Marble line were also introduced, retaining Vicostone's unique characteristics that are evident in the elegant and flexible long veins while incorporating the mainstream color trends onto the market. The most popular products of this category include BQ8800 – Bettoglio, BQ9802 – Splendix, and BQ8915 Alessandria.



## 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 that have been mastered by Vicostone engineers. After 20 years of research and development, Vicostone 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:



## III MARKETS

In 2021, Vicostone remained the third largest supplier of engineered stone countertops to the global market. The Company exported and sold products in more than 50 countries, spanning over five continents with more than 10,000 local sellers/partners.

Exports 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 VICOSTONE® retail network in the world’s most demanding market.

In 2021, European countries and the U.S. promoted vaccination to create herd immunity against the COVID-19 pandemic. With that, recovery has been witnessed in many areas after a period of decline due to the pandemic, including the construction-maintenance sector. Many construction projects that were delayed because of the pandemic have been relaunched, creating a positive impact on construction businesses in general, and building material manufacturers in particular. This specifically involves Vicostone product lines.

With the orientation of “**Comprehensive Initiatives for Stronger and Faster**”, Vicostone proactively grasped the market situation to come up with timely and flexible solutions that were suitable and prompt in each market to stabilize production and business operations, hence boosting export revenues in some key markets such as: North America and Europe. In particular, Vicostone recorded impressive growth in the U.S. market, contributing substantively to making Vietnam one of the three largest quartz exporters to the U.S. in 2021. The amount of quartz stone exported to the U.S. from Vietnam accounted for 18.46% of the total in 2021, a surge of 70.7% compared to 2020, according to data from the United States International Trade Commission (USITC). These positive figures come amid the context that the world economy has started to recover from the pandemic-induced recession, laying an important premise for Vicostone to continue expanding its market share - specifically in the U.S - in the overall North American markets during the coming years.

In Vietnam, the fourth wave of the COVID-19 pandemic taking place in April 2021 resulted in lockdowns throughout many provinces and cities. As a result of this, the construction market was seriously impacted after sustaining many previous losses in the recent past whilst Vicostone and construction material manufacturers and trading companies were faced with many difficulties and challenges. Changes in sales policies in line with the new situation helped Vicostone maintain stable revenue in the domestic market. Furthermore, the stable operation of Phenikaa Hue Mineral Processing and Investment One-Member Co. Ltd. - a subsidiary of Vicostone - and the Phenikaa Chemical Factory - a subsidiary of Phenikaa Group - helped stabilize production despite fluctuations in the global material supply chain. This helped Vicostone remain self-sufficient in Cristobalite and Resin, which are the main input materials, and strengthen the Company’s competitive advantages in both domestic and foreign markets.

In 2021, after years of focusing on investment in integrated marketing and communication activities, Vicostone strengthened its brand awareness, built trust, became a highly recognized brand in the industry, and remained the top choice of domestic consumers. Currently, in addition to the showroom in Hanoi and two representative offices in Ho Chi Minh City and Da Nang, VICOSTONE® products are present in more than 1,000 retail agencies nationwide.

Maintaining stable operations amid severe adverse impacts of the COVID-19 pandemic throughout the world and Vietnam, Vicostone continues to reaffirm the soundness of its business strategy as well as the wise leadership, responsiveness, and proactive transformation of its leaders, the Board of Directors, and the Board of Management in the face of constant changes in the business environment.





# 02

## REPORT OF THE BOARD OF MANAGEMENT

36	THE MARKET IN 2021 AND OUTLOOK FOR 2022
42	RISK MANAGEMENT IN 2022
50	BUSINESS PERFORMANCE AND FINANCIAL ANALYSIS FOR 2021
80	RESULTS IN ALL MARKETS
84	BRANDING AND MARKETING ACTIVITIES
88	IMPLEMENTATION OF KEY PROJECTS IN 2021
90	KEY PLAN AND MISSIONS FOR 2022

# THE MARKET IN 2021 AND OUTLOOK FOR 2022

## I THE MARKET IN 2021

### 1. Economic and political landscape in 2021

After two years of the COVID-19 pandemic, the world economy in 2021 recovered faster than expected, and gradually returned to the pre-pandemic levels. Although growth was uneven and there were still risks from new virus strains, with increased vaccination coverage and better preparation, governments expected to usher into 2022 with greater growth momentum.

Global trade growth had been estimated at 10.7% while trade in goods during the third quarter of 2021 soared to a record of \$5.6 trillion and estimates predicted expansion in the whole year to reach 20% higher than in 2020<sup>1</sup>. The World Bank President, David Malpass, showed that the global economic picture had become brighter after "the COVID-19-induced crisis" in 2020, stating that, "The global economy is expected to expand 5.6% in 2021, the fastest post-recession pace in 80 years. This is great news if we look at the past global recessions and post-recession situation"<sup>2</sup>.



*Global trade had been predicted to keep growing in 2021, unveiling a positive scenario for the world's economic recovery in 2022*

In Vietnam, a new wave of COVID-19 pandemic broke out in late April 2021 due to emergence of fast-spreading coronavirus variants. Complicated developments of the pandemic troubled many provinces and cities, especially in key economic areas such as: Ha Noi, Bac Ninh, Bac Giang, Da Nang, Ho Chi Minh City, Binh Duong, Dong Nai, Long An and Can Tho. These circumstances seriously affected people's life and safety, as well as socio-economic development. According to the General Statistics Office, the modest gross domestic product (GDP) growth of 2.58% in 2021 showcased the difficulties caused by the COVID-19 pandemic in all sectors of the economy. This was particularly evident in the third quarter of 2021 when many key economic localities were required to implement prolonged social distancing to prevent and control the pandemic.

<sup>1</sup> <https://vov.vn/kinh-te/kinh-te-the-gioi-nam-2021-phuc-hoi-nhanh-hon-ky-vong-post914219.vov>

<sup>2</sup> <https://vov.vn/kinh-te/kinh-te-the-gioi-nam-2021-phuc-hoi-nhanh-hon-ky-vong-post914219.vov>

In 2021, the Consumer Price Index (CPI) increased by 1.84% year-on-year, this was the lowest average increase since 2016. The core inflation rate increased by 0.81% compared to the 2020 average. Furthermore, it is worth noting that last year also recorded the largest number of closed and temporarily-hibernating businesses ever recorded. According to the socio-economic report in the fourth quarter, and in 2021 of the General Statistics Office, a total of 119,800 enterprises withdrew from the market in 2021 (i.e. an average of 10,000 enterprises monthly). In spite of the bad news, the business community tried to respond proactively to adapt, and continued to work side by side with the Government in pandemic prevention and control efforts. Initiatives were taken with the goal of maintaining production activities, and ensuring safety and jobs for employees. Among the most noticeable initiatives were the models of "3 on-site" and "1 route, 2 destinations".



*New virus variants forced key economic hubs in Vietnam to lock down for pandemic prevention*

A highlight in Vietnam's economy in 2021 was the stock market's continuously high closing records and the real estate sector's skyrocketing prices. During the two global crises in 1997 and 2008-2009, both the stock market and real estate market plummeted. In contrast, during the past two years, despite Vietnam's numerous difficulties, these two markets have increased rapidly. This has helped restructure the country's financial market like never before.

In addition, a remarkable aspect of the economy in 2021 was the process of economic digital transformation and cashless transactions. Overall, these digital economic activities increased as a result of the transition of all face-to-face activities to online activities due to the COVID-19 pandemic, particularly during times of prolonged social distancing across the country<sup>3</sup>.

### 2. Construction sector in 2021

#### Global market

According to a report from GlobalData, contrary to fears over the emergence of new coronavirus variants such as Delta and Omicron, global construction output was estimated to grow by 5.7% in 2021<sup>4</sup>. This growth was considered highly positive news after the industry experienced negative

<sup>3</sup> <https://tuoitre.vn/buc-tranh-kinh-te-viet-nam-2021-nhin-lai-nhung-gam-mau-sang-toi-2022010110401976.htm>

<sup>4</sup> <https://www.international-construction.com/news/Global-construction-industry-to-grow-by-5.7-in-2021/8013775>





growth of 2.4% in 2020. The COVID-19 pandemic resulted in disruption of the global supply chain, thus pushing the price of construction materials up in 2021. In particular, the shortage of skilled labor due to the impact of "The Great Resignation" movement, quickly became the biggest barrier to the industry's growth.

### Vietnam's market

In Vietnam, a strong outbreak of the COVID-19 pandemic and its complicated developments in 2021 negatively affected economic activities, including construction activities. The prolonged social distancing made it difficult for businesses to find new construction contracts. In addition, the price of some construction materials increased sharply in 2021, thus slowing down the progress of on-going and new construction projects. However, by the beginning of the fourth quarter of 2021, the Government issued the temporary nationwide regulations of "Safe adaptation, flexible and effective control of the COVID-19 pandemic", thus created a driving force for economic growth, removed the hurdles, and enabled construction projects to resume<sup>5</sup>.



*Despite the effects of the COVID-19 pandemic, Vietnam's construction market is showing positive signs for the upcoming periods*

The real estate market at the end of 2021 experienced a decrease in supply due to the social distancing measures. New supply entries into the market included mostly products from the high-end segments of the market and the gradual disappearance of affordable apartments. Limited supplies resulted in a high level of market absorption rates that was particularly noticeable in Ho Chi Minh City. In Hanoi, the average selling rate of new projects that were launched at the end of 2021 maintained an upward trend through the first quarter of 2022; prices were expected to continue rising due to soaring land prices and construction costs, increases in high-end products, stable market demand and temporarily limited market supply. Regarding foreign direct investment (FDI) capital, by December 2021, the total newly registered capital in real estate amounted to nearly \$2 billion - this accounted for about 11% of the total registered capital in Vietnam - ranking 3<sup>rd</sup> in the FDI attracting sectors<sup>6</sup>.

Although the fourth outbreak of the COVID-19 pandemic across the country has severely affected the construction market, there are still positive growth signals of this market in the near future.

<sup>5</sup> <https://www.gso.gov.vn/du-lieu-va-so-lieu-thong-ke/2022/01/tinh-hinh-xay-dung-quy-iv-va-nam-2021>

<sup>6</sup> <https://baotintuc.vn/bat-dong-san/nhieuphan-khuc-bat-dong-san-dong-loat-tang-gia-20211219130907729.htm>

## II ECONOMIC OUTLOOK FOR 2022

### 1. Economic outlook for 2022

According to the Center for Economic and Business Research (CEBR)<sup>7</sup> based in London (the U.K.), the total value of the world economy in 2022 will surpass \$100 trillion for the first time in history and two years ahead of estimation. The International Monetary Fund (IMF) also forecasts a 4.9% growth for the world economy in 2022 while Oxford Economics expects a 4.5% growth. The basis for such positive forecasts lies in the fact that global economic recovery would be strengthened by the end of 2021 after the supply chains gradually recovered, and countries achieved increased vaccination coverage, resumed safe and normal life with the COVID-19 pandemic, and implemented stimulus packages.

In the overall picture of the world economy in 2022, countries in the Asia-Pacific region and emerging markets are predicted to be the most promising economies. Asia-Pacific countries will witness the strongest recovery, with India and Indonesia expected to recover robustly thanks to business-friendly structural reforms, strong capital investments and vaccination coverage increases. Emerging markets will remain strong in 2022, with average GDP growing 4.9% despite a slowdown in growth in Brazil and Russia that may reduce the average gain, Morgan Stanley economists said. Specifically, the outlook for emerging markets in Asia is quite significant, with GDP growth in Asia (excluding Japan) estimated at 5.7%. Regarding Southeast Asia, economic forecasts predict stronger growth in 2022, especially from the second quarter onwards, thanks to the promotion of vaccination campaigns, reopening measures and supportive monetary policies. Meanwhile, the U.S., Europe and some emerging economies, which have pushed reopening while the number of COVID-19 cases remain high, are predicted to have lower growth rates. Nevertheless, the major economies remain as the biggest growth drivers, with the U.S. and the Eurozone expected to grow by around 4% and 4.2%, respectively.



*Strict measures used to fight the pandemic may slow down global economic growth in 2022*

Bloomberg is more cautious in their forecasts, saying that entering 2022 the world will face more risks, due to the spread of Omicron, high inflation, and the Fed's raising interest rates. Regarding the Omicron variant, Bloomberg said it is too early to conclude anything. According to Bloomberg,

<sup>7</sup> <https://www.qdnd.vn/quoc-te/doi-song/kinh-te-the-gioi-2022-tren-da-phuc-hoi-mong-manh-682160>



just three months back under the strictest lockdown of 2021, growth may drop to 4.2% for the whole year. Some developed countries like the U.K. have restarted restriction measures to prevent the spread of Omicron.

Regarding inflation, observers forecast a 2% inflation in 2022. The Omicron variation is one of the main reasons for this forecast while tensions between Russia and Ukraine could push up gas prices. Climate change may make the weather more extreme, which can also lead to increase in food prices. Economists fear inflations may not be temporary given price fluctuations in 2021, inflation in the U.S. amounting to nearly 7%, and most major markets experiencing a period of sharp price increases after decades of stability. According to an analysis by CEBR, if economies do not take measures to cope with inflation, the world will have to brace for a recession in 2023 or 2024.

Over the past two years, the COVID-19 pandemic has severely affected the world economy with unpredictable developments. Given the current fragile recovery and eminent risks, the world will usher into the new year with hopes and uncertainties.

Vietnam's economy is forecast to grow 6.5% in 2022 according to the 2021 Asian Development Outlook Report of the Asian Development Bank (ADB)<sup>8</sup>. The ADB believes that exports will continue to be the driver for growth. In addition, the recovery of domestic demand will be an important foundation for Vietnam's development in 2022, with the key drivers coming from the reopening of non-essential services and the recovery of domestic consumers' demand. In addition, fiscal space, public investment capital disbursements and supporting policies will be positive drivers to promote economic recovery.



Economic forecasts highlight the variant Omicron as one of the major factors to the increased inflation across the globe

## 2. Construction market in 2022

The worldwide construction industry is projected to grow 3.7% in 2022<sup>9</sup>, with the largest share of growth in the Asia-Pacific region and China. The American Institute of Architects predicts that the commercial construction sector will grow 4.6% in 2022 while the residential housing sector is expected to grow 9% according to forecasts by Oxford Economics and ConstructConnect. In Canada, the construction industry is forecast to grow by 16.4% in 2022 of which residential housing may increase by 5.5% and commercial building by 23.6%. As for the European market, the construction sector is expected to grow 1.5% in Spain and 3% in France and the Netherlands. Average growth across Europe is forecast at 2.7%, while the U.K. is at 6.3%. In Australia, the Australian Housing Industry Association has warned that Australia's residential construction industry will begin to decline from mid-2022, the real estate market fever driven by financing for construction and renovation is also expected to cool down due to market maturity and cost increases.

<sup>8</sup> <https://vtv.vn/kinh-te/dong-luc-tang-truong-kinh-te-nam-2022-20220109073726039.htm>

<sup>9</sup> <https://www.procore.com/jobsite/global-construction-outlook-2022/>

As for the Vietnamese market, the residential real estate market is expected to start recovery in 2022<sup>10</sup> and have added momentum thanks to a number of factors. The key positive factor is the high demand driven by the large-scale recovery of the market during the year and the Government's implementation of expanded fiscal policies. At the same time, low home loan interest rates will encourage the decision to purchase. In particular, new source supply will increase impressively thanks to legal easing. All of these factors will contribute to creating growth opportunities for Vicostone's production in the coming year.

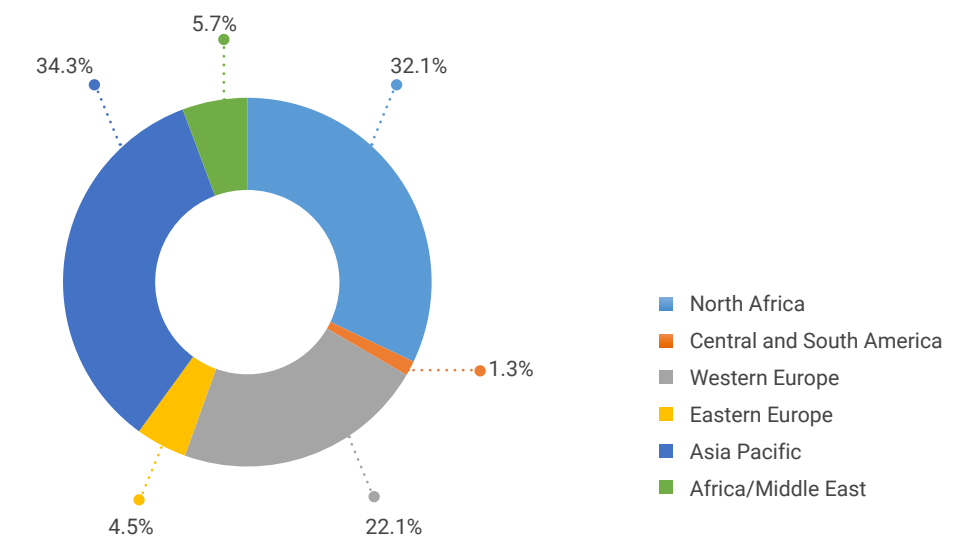
## 3. Projection of the quartz market for 2022

According to a forecast by the U.S. market research company Freedonia, in 2022, the global demand for engineered stones is forecast to reach 66.03 million m<sup>2</sup>, up from 53.9 million m<sup>2</sup> in 2019, equivalent to the CAGR growth rate of 4.8% for the 2019-2024 period. Freedonia also predicts an optimistic forecast for the engineered stone market in the long-term on the following premises:

- Engineered stone is increasingly popular thanks to its aesthetic appeal and higher durability than natural stone;
- Non-Breton production lines are increasingly popular, especially in China. This helps manufacturers increase capacity (previously, the market was restricted by manufacturers that use Breton technology and adhere to a variety of stringent quality control standards).

By market region, demand in Asia-Pacific is expected to account for 34.4% of the market by 2024. This market share is partly driven by high demand from the Chinese market - the second largest engineered stone consumption market in the world.

Following is North America, whose share will increase to 32.1% in 2024. This is also the market with the highest annual growth forecast of 6.2% for the 2019-2024 period, surpassing the global average of 4.8%. This is far below the actual growth of 21.6% in the 2014-2019 period.



Market demand for engineered stone by region in 2022

<sup>10</sup> <https://www.vietnamplus.vn/kich-ban-chuyen-dong-thi-truong-bat-dong-san-trong-nam-2022/766193.vnp>



## RISK MANAGEMENT IN 2022



### I

#### REVENUE DEPENDS ON A FEW MAJOR MARKETS

VICOSTONE® products are now distributed in more than 50 countries and territories throughout the world; however, sales are generated mainly from a few major markets such as North America and Europe.

There are risks associated with the reliance on a densely concentrated customer base, as markets tend to undergo significant changes which are often influenced by forces outside of the Company's control. Disruptions can arise from events such as wide spread diseases, political instability, changes in legal frameworks and policies, tariff and non-tariff barriers, operational challenges experienced by key distributors, and changes in their sales strategies. These changes have the potential to influence a serious decline in the Vicostone's revenue that could drastically affect its sales performance, strategies, and plans in these key markets.

Understanding this situation, Vicostone has actively researched the development of new markets. Seeking out and developing these potential areas of growth is considered to be an important part of the Company's strategic objectives towards achieving and sustaining development in addition to maintaining its presence in current markets.

### II

#### RISK FROM INCREASED SHIPPING EXPENSES

In December 2021, international transport continued to face challenges. Routes to Europe and America have suffered from congestion and caused an increase in costs for international transport from Vietnam to these regions. Currently, the cost for America-bound shipments is back on the rise and ranges between \$15,000-18,000 per container (40 feet), at times the fee can reach as high as \$20,000.

In 2022, the international maritime shipping situation is expected to remain problematic as the global economy recovers and the need for shipment and circulation of goods continues to increase. In addition, the continued pursuit of the "Zero COVID-19" policy by China may cause worsened congestion at major seaports. According to the British maritime consultant firm Drewry and Singapore's Maritime Strategies International, the global supply chain will continue to face the risks of congestion until late 2022, and maritime shipping costs will set up new median prices. Particularly, the escalating Russia-Ukraine conflict may cause maritime shipping costs increase exponentially along with oil prices.



*In 2022, marine transportation is predicted to have big impact on Vicostone's overseas sales policies*

If the international transports situation fails to improve in 2022, Vicostone's sales activities may suffer from increases in time and costs of shipping, which affect the competitiveness of the Company's products.

Facing these challenges, apart from regularly updating the shipping market's situation, actively negotiating with customers on flexible delivery times, and timing for the best prices to increase the volume of goods sold, Vicostone will actively negotiate prices with maritime carriers. With a reputable brand in the international market, Vicostone is confident that it can negotiate a better price than the general market, minimizing this risk's impact.





### III RISK FROM U.S. INVESTIGATIONS ON ANTI-DUMPING AND ANTI-SUBSIDY

The U.S. market has always been a focus market for Vicostone. Therefore, the risks of being under anti-dumping and anti-subsidy investigations by the U.S. is an issue that Vicostone has been cautiously monitoring and evaluating in recent years.

According to data from the United States International Trade Commission (US ITC), in 2021, the total value of manufactured quartz imported into the U.S. from Vietnam accounted for 18.46% of its total imports, representing a 70.7% increase compared to 2020. That made Vietnam one of the three leading exporters of quartz products to the U.S. in 2021.

In retrospect, countries with leading export quantities and low selling prices in the U.S. have always been the target for litigation by U.S. quartz producers, including China (2018), and India and Turkey (2020). These were the three leading exporters to the U.S. before they were sanctioned by tariffs.

Vietnam has always been among the top countries with the most quartz exports to the U.S. during the past few years. At the same time, the median selling prices tend to decrease due to the movements of equipment from China. Vietnam has been faced with the risk of becoming the next country to be reported by U.S. quartz producers to the U.S. Department of Commerce (DOC) and the US ITC.

In recent years, taking a proactive response to this risk, Vicostone has consistently reviewed and uniformly consolidated the administrative system to ensure precise, accurate, transparent management and traceability of product origins. The Company has also developed a clear, transparent database that is capable of quickly providing information to satisfy the requirements of inspection, and is easy to report within a set timeframe should litigation be threatened.

Furthermore, Vicostone has thoroughly studied relevant U.S. anti-dumping and anti-subsidy laws while having reputable international law firms consult and instruct the Company to comply with the laws.

### IV UNDERLYING RISKS FROM THE COVID-19 PANDEMIC

At the end of 2021, the COVID-19 pandemic again broke on a global scale with the super-spreading Omicron variant. With its rapid spread, the new variant caused the COVID-19 pandemic to reverse course once again, with increases in the number of deaths and infections.

Considering such complex developments, the Company's boards of Directors and Management continue to believe that the risks and consequences of the COVID-19 pandemic are one of the significant risks in 2022 as the possibility of the existence of new, fast-spreading, and vaccine-resistant variants may underlie the following risks:

- Disruption in the supply of materials and raw materials: Even though Vicostone has been self-sufficient with more than 90% of input raw materials for the production of slab stone, the collection of required raw materials for the production of resin is still dependent on domestic and international suppliers. The complex development of the pandemic may disrupt the supply of these raw materials and affect the Company's ability to continuously produce, especially as China continues to pursue its "Zero COVID-19" policy which may cause prolonged supply chain disruption in 2022.
- Reduced revenue and profit: The intense outbreak of the COVID-19 pandemic may affect the recovery of the construction sector, weaken consumers' demand and purchasing power, especially in major markets such as North America, the U.K. and Vietnam, while at the same time limit Vicostone's access to new markets.

To ensure continued and safe production and sales, Vicostone has and continued to implement the following solutions:

- With regards to health standards, Vicostone updates, educates and requires all employees, customers, suppliers and visitors to strictly exercise the 5K message as requested by the Ministry of Health;

- Vicostone proactively envisions sales scenarios for each market at various points-in-time, promoting integrated communication and marketing activities to develop the brand and encourage customers' interaction with the products;
- Regarding purchases, to maintain and ensure timely provision of raw materials for production, the Company will continue investing with different suppliers and enter quarterly and annual contracts to stabilize inputs. Additionally, Vicostone will consistently update domestic and international situations to forecast and plan for appropriate stocking plans.

### V INCREASED COMPETITIVE PRESSURE

The risks of increased competition pressure in 2022 come from: competitors within the sector and alternative products.

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

Attractive profitability ratios and low trade barriers have encouraged more companies to enter the industry, especially in the Asia-Pacific region. Production capacity in the area has increased six-fold over the past ten years, with significant players being India, China, Vietnam, and most recently, Malaysia. It is expected that the compound annual growth rate (CAGR) of global quartz production capacity in the five-year period 2020-2024 will reach 6.09%.

According to a forecast by Freedonia, demand in the quartz-based engineered stone market in 2022 will reach 66.03 million m<sup>2</sup>, increasing by 4.8% from 2021. Thus, the substantial increase in supply coupled with lower-than-expected growth in demand will lead to fierce competition among quartz producers to grab market shares. This may lead to price-based competition that could drive a decrease in retail revenues and profitability. This is a significant risk for Vicostone looking forwards, as major investments in production technologies and research to create outstanding, unique, and eco-friendly products have increased manufacturing costs. In contrast, producers applying Chinese technologies with a lower level of investments, can offer more inferior quality products in terms of physic-mechanics, designs, and in-use safety standards, and sell their products at very low-price points. These products are attractive to some market segments among our potential customers. A drop in consumers' incomes brought about by the prolonged pandemic, may also drive more people to look for products that will offer cost saving solutions.

Furthermore, potential mergers between companies within the quartz production sector could help competitors gain competitive advantages due to scales and market coverage. These preceding factors will place increased competitive pressure on Vicostone; more so as competitors may gain stronger financial position. In this event, they may be ready to offer prices much lower than Vicostone's selling price, within the same product category, in order to pursue unhealthy competition for market share.





To compete and reinforce its position as an industry leader, Vicostone will continue to differentiate its products to distinguish them from others. Accordingly, Vicostone will emphasize investing in R&D to discover new materials and products that are safe, unique, hard to reproduce, superior, eco-friendly, and trend-setters for the global quartz market.

Furthermore, quality control and production cost reduction are also preferably implemented through such solutions as self-sufficient input raw materials, Kaizen programs, and effective cost control in all operations, especially production.

## 2. Competition from alternative products

Alternatives for the engineered stone include granite, marble, ceramic, laminates, and recently developed products such as porcelain slabs and sintered stone (such as Dekton). The development of substitute materials and the change in customer tastes will directly impact Vicostone's ambition of market share expansion.

Against such challenges, Vicostone will focus on enhancing its strengths, including ceaselessly improving and developing differential products based on understanding consumer behaviors and trends, as well as focusing on improved customer services, especially after-sales services.

## VI RISK OF CYBERSECURITY

Currently, digital transformation has been vigorously implemented at Vicostone to increase efficiency throughout its operations, from management and administration, to production and sales. However, in tandem with digital transformation are cybersecurity risks. As the third-largest supplier of engineered stone countertop to the global market, that is trusted and highly regarded by millions of partners, customers and shareholders, Vicostone may be targeted by competitors to copy ideas and technological know-how, steal information about products, customers, business performances, etc., and even sabotage its data systems. Such events could be disruptive to production and sales, and weaken the Company's reputation on the market.

Consequently, the Company has prioritized cybersecurity, and has mobilized resources to control potential threats. In 2021, the Company implemented numerous solutions to upgrade and strengthen its information security system, and the system did not record any cyber-attacks. However, the development of information technology and the increase in sophisticated cybercriminals mean that the Company's IT system is always at risk of attacks and must continue to be vigilant against such threats.

Against this backdrop, Vicostone understands that cybersecurity continues to be a significant risk that needs to be closely monitored and managed in 2022. To respond to this risk, Vicostone has upgraded its servers and administrative system to be more modern and more innovative, through a proactively drawn-out processes and scenarios to practice a response to such incidents so we can minimize potential damages to the Company. Furthermore, the Company has issued its "Confidentiality and Privacy Policies" to help users better understand the collection, use, sharing, processing and storage of information between them and the Company. Upon this basis, the Company will build a transparent and safe administrative system for users.

## VII LEGAL RISKS IN INTERNATIONAL TRADE

### 1. Risks in changes to standards of silica dust concentration

The issue of silicosis, a long-term lung disease caused by inhaling unsafe levels of silica dust for years, has and continues to attract attention in Australia after the report on dust diseases by

the Taskforce of the Australian Government's Department of Health was published in July 2021. Even though the report of the Taskforce did not recommend an immediate ban on manufactured quartz in Australia, victims who were craftsmen did call for a ban on quartz-based products. The Australian Government has yet to make a final decision on this issue.

In the event that the Australian Government introduces strong measures to ban the import of quartz-based products, it may become a precedent for countries that are major markets of Vicostone, such as the U.S., Canada and some other developed countries. Such actions could influence other nations to change their policies related to the standards of manufacturing environment, and occupational conditions in silica dust-producing environment in 2022. There is also a risk that countries may further ban the import of quartz-based products based on fears that silicosis has not been properly managed.

As Vicostone truly cares about environmental protection and occupational health and safety for employees, the Company regards these as strategic objectives and specific plans of actions are being closely and professionally carried out. Vicostone sees these issues as the opportunity to earn the trust and affection of customers, partners, and communities, to demonstrate the responsibilities and commitments of a company with the clear pursuit of sustainable development:

- In controlling dust concentration: The Company maintains constant and stable operation of dust treatment systems and solutions to reduce dust concentration, especially in the areas where dust is highly likely to arise, such as feeding, crushing, and screening areas. Observational results in 2021 conducted by the Company and an independent observational partner, show that 100% of measured spots met the specific requirements on minimum dust concentration, in accordance with current regulations of the countries that are Vicostone's markets. In 2022, the Company will continue to maintain and research to implement further measures to control dust concentration and reduce dust concentration from the figures measured in 2021.
- In ensuring occupational health and safety for employees: The Company fully equips protective gears especially for employees in areas with silica dust, and consistently maintains inspections and supervision to ensure that employees fully follow occupational safety and health regulations. In the coming years, the Company will utilize automation in some processes in areas with high silica concentration to minimize employees' exposure to silica dust in their working environment.



## 2. Risks of changes in legal regulations

The Company's products are currently sold and distributed in more than 50 countries and territories all over the world. Therefore, Vicostone's sales activities are always directly affected by the legal regulations and frameworks of the host countries, including tariff policies, non-tariff barriers, procedures, administrative and legal regulations, etc. These policies are continuously adjusted according to the regulations of each country and may imply risks for Vicostone if the Company fails to fully understand, or stay up-to-date on changes, such as increases in fines, products failing to meet standards for distribution.

To manage the risk, Vicostone has and continues to establish relations with reputable international law firms that can provide consultation and continuous updates to changes in policies and laws related to the sale of quartz stones in different countries. This is especially important in major markets, so that the Company can proactively make adjustments and changes to promptly and fully satisfy these requirements.

## 3. Risks of legal disputes

When partaking in international trade, the Company has to deal with legal disputes from various sides, such as disputes in sales contracts or provision of global services, product quality, social responsibilities and environmental responsibilities, especially disputes with competitors on product designs and intellectual properties.

In the context of increasingly fierce competition among quartz stone producers, Vicostone believes that competitors will continue to employ unhealthy competitive tricks and take advantage of litigations to damage the reputation of Vicostone on the market. To reduce these risks, the Company has and continues to register for the protection of its brand, trademark, product designs and other intellectual properties in the markets where the Company is operating. This applies especially to new products before their official commercialization.

## VIII RISKS OF INFLATION

Since mid-2021, many countries have introduced unprecedented economic stimulus packages to help their economies quickly recover after the pandemic. This has led to the circulation of large amounts of money. Furthermore, the re-opening of economies has caused a sharp increase in demands for goods and products, while supply has been scarce due to disrupted supply chains, transport congestions, and high energy prices. These have caused a substantial increase in inflation on a global scale.

According to the U.S. Department of Labor's report on December 10, 2021, the U.S. Consumer Price Index (CPI) in November 2021 increased by 6.8% year-on-year, the highest increase since 1982. Accordingly, in the Eurozone, based on data from Eurostat, the CPI of the region in January 2022 increased 5.1% in one year. Prior to this, the inflation figure for December 2021 was 5%. This was already the highest inflation rate in the past 25 years.

Entering 2022, the global inflation situation does not seem to have reached its peak, especially as the Russia-Ukraine conflict continues, causing concerns of disruption in the supply of crude oil from Russia. This circumstance is causing a sharp increase in crude oil prices. At one point, the price was reaching \$130/barrel. If the conflict prolongs and worsens, the oil may reach a new record price. This will lead to increased prices for most goods and services and inflation to continue rise.

Vietnam is at risk from these global economic pressures through "inflation by import." In response, the country has implemented fiscal and monetary policies to support socio-economic recovery worth VND 350,000 trillion over two years, from 2022 to 2023. Thus, it is expected that inflation pressure will overshadow the economy in 2022.

Then, the costs of production of the Company is expected to increase sharply due to the increases in the prices of raw input materials based on these inflation rates. In particular, increased crude oil prices are expected to have a significant impact. Vicostone estimates that a 10% increase in oil prices will lift the price of resin (the material accounting for the large portion of the price) by more than 8%. Thus, the Company's profits in 2022 may sharply decrease due to increased production costs while the sales prices are expected to remain stable by the Company, in an effort to share the burden with consumers during these difficult times. This will also help the Company improve the competitiveness of its products in the marketplace.

Since early 2022, the Company has proactively updated on the inflation situation and the global commodities market, taking advantage of reasonable price points to sign and negotiate with suppliers in an effort to stock up on raw materials.

Additionally, the Company sets a significant target for 2022 to be effective cost management to increase productivity, reduce production costs to maintain and increase profits for 2022 and the following years.

## IX RISKS OF HIGHER INTEREST RATES

The bond market is sending an alarming signal to the U.S. economy: the inverted yield curve – which is usually considered a sign that investors are concerned about the short-term future instead of the long-term, and causes interest rates of short-term bonds to increase more than long-term bonds. The high inflation rates and the Federation Reserves (Fed) increasing basic interests to control inflation are the leading causes of the inverted yield curve.

Currently, inflation in the U.S. has increased by 7.9%, which is four times higher than the long-term target. The main driver of growth in the U.S. comes from financial aid packages and a strong increase in the money supply. While input prices tend to increase sharply due to energy and disruption in supply chains, the U.S. may need to increase benchmark policy rate and trade off growth for inflation control. For the foregoing reasons, the increases in benchmark policy rate are expected to be faster and stronger than from 2016 to 2019.

On March 16, 2022, the Fed raised the basic interest rates by 0.25% to the 0.25-0.5% range, the first rate increase since December 2018. In addition, statements by the Fed also indicated that the U.S. is tightening its monetary policy, including statements on the rise in benchmark policy rate to 1.8% by the end of 2022, and 2.8% by the end of 2023, along with statements on reducing the supply of money into the system.

Whereas in Vietnam, commercial banks' deposit and lending rates tend to be on the rise again since early 2022, and they are expected to continue to increase by 1-2% in 2022 along with inflation trends.

Thus, the borrowing costs of the Company are expected to increase in 2022. Despite the relatively small amount of loans in domestic and foreign currencies, the increased interest rates will contribute to the adverse impacts on the Company's production, sales, and profits.

Against such a backdrop, Vicostone proactively and consistently updates the interest rates to utilize its financial instruments effectively, and balance and transfer short-term loans in domestic and foreign currencies as appropriate to reduce potential financial losses.

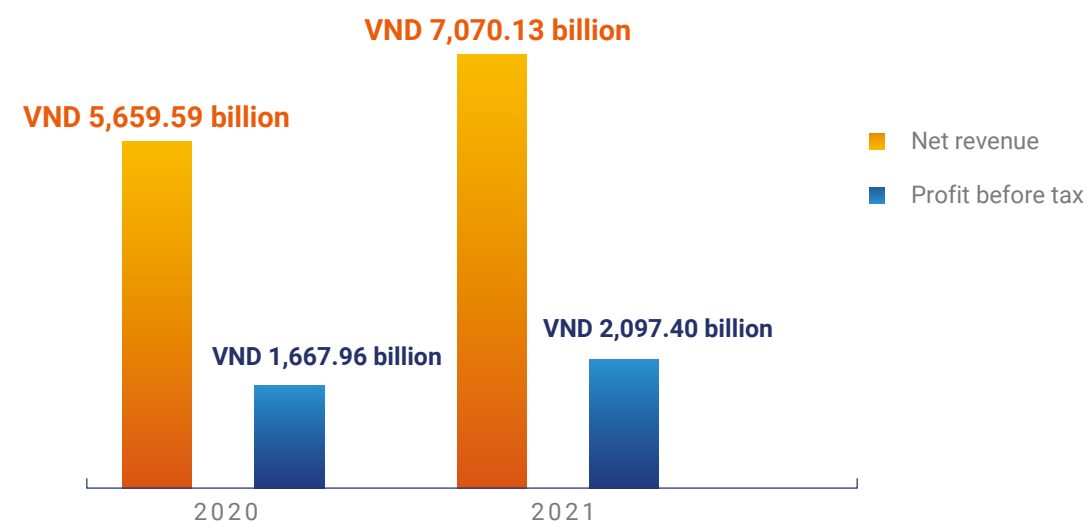


## OVERVIEW OF BUSINESS PERFORMANCE IN 2021

In 2021, the COVID-19 pandemic has continued complicated around the world. The Board of Directors of Vicostone applied reasonable and effective tactics, managed risks, seized the opportunities, and exceeded the plan in terms of revenue and profit.

### I VARIANCE ANALYSIS OF BUSINESS PERFORMANCE IN 2021

No.	Item	Unit	Actual in 2020	Target in 2021	Actual in 2021	Actual vs. Target in 2021	YoY Growth
1	Net revenue	VND billion	5,659.59	6,797.00	7,070.13	104.02%	24.92%
2	Profit before tax	VND billion	1,667.96	1,919.00	2,097.40	109.30%	25.75%



Business performance results in 2021 compared to those in 2020

### II OPERATING ACTIVITIES

#### 1. Main indicators of operating activities

No.	Item	Unit	Actual in 2019	Actual in 2020	Actual in 2021	YoY Growth
1	Total business and production value	VND million	2,758,537	2,847,432	3,458,159	21.45%
2	Import and export turnover of goods	USD million	224.46	202.68	277.81	37.07%
	In which:					
	Import turnover	USD million	42.21	39.05	48.99	25.45%
	Export turnover	USD million	182.25	163.63	228.82	39.85%
3	Gross revenue	VND million	5,562,763	5,659,595	7,070,129	24.92%
4	Profit before tax	VND million	1,652,663	1,667,955	2,097,401	25.75%
5	Profit after tax	VND million	1,410,115	1,428,420	1,772,060	24.06%
6	Payable of State budget: amount paid	VND million	365,572	307,797	448,404	45.68%
7	Depreciation and amortization of fixed assets	VND million	103,979	119,185	128,144	7.52%
8	Owners' equity at the year end	VND million	3,448,686	3,857,821	4,874,197	26.35%
9	Construction in progress	VND million	50,651	88,395	41,195	(53.40%)

(Source: Vicostone's audited consolidated financial statements)

With the motto of being proactive in response to changes, drastic direction and administration of the Board of Directors of the Company and continuous efforts of the employees, Vicostone completed in excess of the plan.

- Net revenue in 2021 reached 104.02% of the plan, increased by 24.92% in comparison with 2020;
- Profit before tax in 2021 reached 109.30% of the plan, increased by 25.75% in comparison with 2020;
- Contribution to State budget reached VND 448.40 billion, increased by 45.68% in comparison with 2020.

With a sustainable and proactive foundation in response to market changes, Vicostone overcame the challenges and posted growths in revenue and profit before tax:

- Revenue growth remained strong in key markets, overcoming unpredictable challenges caused by the impact of the COVID-19 pandemic;



- Production activities: Factories were always ready to meet continuous production, even in the context of social distancing due to the COVID-19 pandemic, improve output, and modernize the production system, increase labor productivity and save investment costs;
- The Company ensured income for employees during the COVID-19 pandemic while many businesses in the market had to make payroll cuts.
- Effective governance, especially in risk management: Identified and managed the risk so that the Company was always prepared for responsive actions, at the same time proactively exercised possible solutions in all circumstances. Expenses were reduced and controlled in all activities through the application of technologies, initiatives, etc. to ensure standards were met at the optimal cost.

## 2. Key financial indicators

Item	2019	2020	2021
<b>1. Liquidity ratios</b>			
Current ratio:			
Current assets/Current liabilities ratio	2.37	2.45	3.11
Quick ratio:			
(Current assets - Inventories)/Current liabilities ratio	1.35	1.44	2.05
<b>2. Capital structure</b>			
Liabilities/Total assets ratio	0.38	0.36	0.29
Liabilities/Equity ratio	0.62	0.57	0.41
<b>3. Efficiency</b>			
Inventory turnover days:			
360*(Average inventory/Cost of goods sold	192	191	156
Account receivable turnover days:			
360*(Average accounts receivable – Average advance from customers)/Net revenue	100	120	110
Account payable turnover days:			
360*(Average accounts payable – Average advance to suppliers)/Cost of goods sold	31	30	19
Net revenue/Total assets ratio	1.00	0.93	1.03
<b>4. Profitability ratios</b>			
Profit after corporate income tax/Net revenue ratio	0.25	0.25	0.25
Profit after corporate income tax/Owners' equity ratio	0.41	0.37	0.36
Profit after corporate income tax/Total assets ratio	0.25	0.24	0.26
Net profit from operating activities/Net revenue ratio	0.30	0.30	0.30

In 2021, the Company did not incur bad debts, or bad debts expenses that could affect its business results:

- Current and quick ratios in 2021 were higher than those in 2020 because the growth rate of current asset outpaced that of current liabilities;
- Liabilities/Total assets and Liabilities/ Owners' equity ratios over years were small and the figure of 2021 declined from the previous year. Therefore, the Company was able to settle current financial obligations and had no risks with other loans if interest rates suddenly rose;
- The number of inventory turnover days in 2021 decreased in comparison with that in 2020 because the Company maintained production output based on closely-watched market demand forecasts;
- The number of account turnover receivable days in 2021 decreased by 10 days year-on-year as debt collection was promoted more in order to assure efficient use of capital;
- Profit after tax/Net revenue, Net profit from operating activities/Net revenue, and Profit after tax/Total assets ratios remained at high levels;
- Profit after tax/Owners' equity ratio in 2021 fell from the previous year because the growth rate of profit after tax was lower than that of owners' equity.

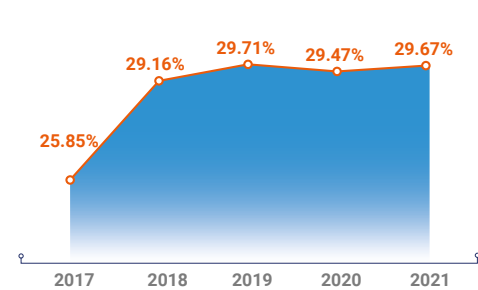
Thus, most of liquidity and profitability ratios in 2021 were higher than those in 2020, proving efficient corporate governance at Vicostone.



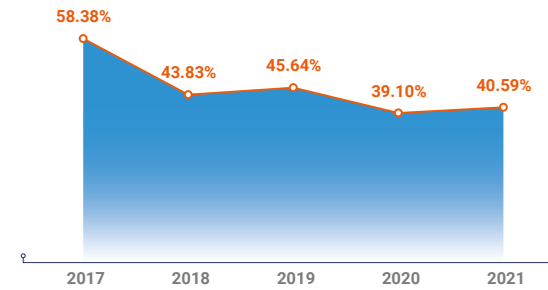


# FINANCIAL SITUATION ANALYSIS FOR 2021

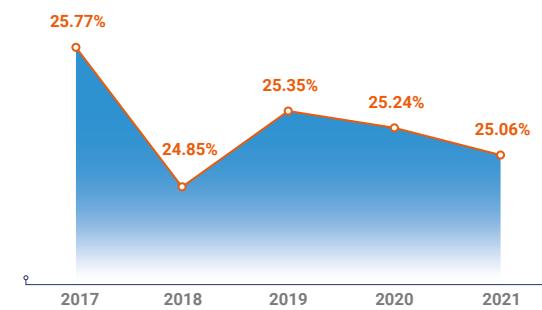
## I PROFITABILITY RATIOS, LIQUIDITY RATIOS



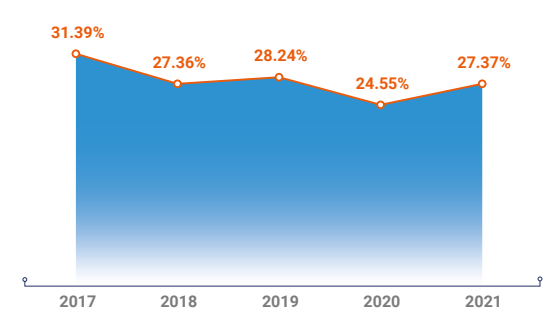
1. Profit before tax/Net revenue ratio in 2017-2021



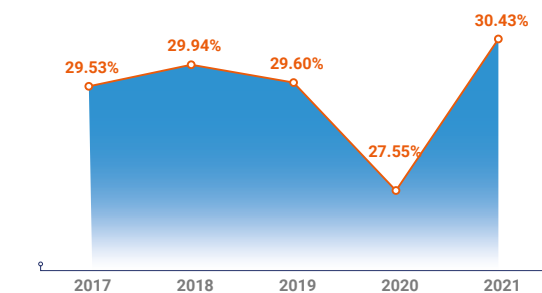
2. Return on Average Equity (ROAE) ratio in 2017-2021



3. Profit after tax/Net revenue ratio in 2017-2021



4. Return on Average Assets (ROAA) ratio in 2017-2021



5. Profit before tax/Total assets ratio in 2017-2021

No.	Item	Unit	2017	2018	2019	2020	2021
6	Current ratio	Times	2.69	2.63	2.62	2.76	3.41
7	Liquidity ratio	Times	2.33	2.27	2.37	2.45	3.11
8	Quick ratio	Times	1.26	1.08	1.35	1.44	2.05
9	Earnings per share (EPS)	VND	13,461	6,548	8,114	8,251	9,890
10	Book value	VND/Share	29,949	17,414	21,554	24,857	30,464

(Source: Vicostone's audited consolidated financial statements)

Financial year (FY) 2021 was a remarkably difficult year due to the lockdown and social distancing in localities, and the global freight transportation encountered many difficulties. However, in comparison with 2020, the profit margin items such as: Profit before tax/Net revenue ratio, Return on Average Assets (ROAA) ratio, and Profit before tax/Owners' equity ratios increased slightly in 2021.

- The increase of sales led to the growth of VND 1,410.53 billion, or 24.92% on-year in net revenue, and resulted in increasing gross profit by VND 498.68 billion;
- Financial incomes increased by VND 22.01 billion mainly due to an increase of VND 8.82 billion in the income from saving and loan interests, and a VND 13.86 billion gain in foreign exchange difference;
- Financial expenses decreased by VND 3.39 billion as loan interests decreased by VND 20.11 billion and foreign exchange difference rose VND 16.72 billion;
- Selling expenses increased by VND 111.63 billion mainly due to an increase of VND 13.50 billion in tools and supplies, and external services expenses and other expenses also recorded an increase of VND 100.93 billion, which were in line with the increase of revenue;
- General and administrative expenses decreased by VND 24.13 billion mainly due to a decrease of labor costs, fees and charges, external services expenses and other expenses, with the amount of VND 10.75 billion, VND 1.93 billion, VND 11.47 billion and VND 1.80 billion, respectively;

As the result, the profit before tax increased by VND 429.45 billion, and the profit after tax increased by VND 343.64 billion compared to year-end (YE) 2020;

In 2021, the COVID-19 pandemic had significant impacts on the business operations in general. The expenses of the Company such as freight expenses, costs of raw materials and expenses for disease control increased. However, the profit margin and liquidity ratios in 2021 remained stable at high level and most of them were higher over the previous year.

- The Profit before tax/Net revenue ratio and Profit before tax/Total assets ratio were 29.67% and 30.43%, respectively. These figures proved high profitability on revenue and assets, reflecting the Company's efforts to overcome challenges amid adversities brought by the pandemic with the purpose of maintaining continuous production, increasing revenue and optimizing profit;
- Current ratio and quick ratio were at high level of 3.41 and 3.11 times, assuring the Company's liquidity to settle current liabilities.



Factors impacted the current ratio:

Unit: VND billion

<b>Increase in current assets</b>	<b>928.59</b>
Because:	
Increase in cash and cash equivalents	255.07
Increase in short-term investments	60.00
Increase in trade receivables	495.24
Increase in value-added tax deductibles, taxes and other receivables from the State	143.31
Decrease in inventories	24.90
Decrease in other current assets	0.14
<b>Decrease in current liabilities</b>	<b>125.50</b>
Because:	
Decrease in trade payables to sellers and advances from customers	69.97
Decrease in short-term loans and finance leases	53.92
Decrease in other payables	2.22
Increase in taxes and other payables to the State	0.02
Increase in payables to employees	0.58

- The quick ratio in YE 2021 was 2.05 and higher than that of YE 2020 as (Current assets – Inventories) added VND 953.48 billion and current liabilities declined by VND 125.50 billion;
- The current ratio, liquidity ratio and quick ratio remained at high level, which showed the capability of paying their short-term obligations;
- Book value in YE 2021 was higher than that in YE 2020 by the absolute value of VND 1,016.38 billion;
- Book value per share in FY2021 increased by VND 5,606.64 compared to FY2020, mainly due to the increase in owners' equity:
  - The profit after tax in FY2021: VND 1,772.06 billion;
  - Decrease in undistributed earnings due to the payment of dividends: VND 640.00 billion;
  - Decrease in undistributed earnings due to the distribution of bonus and welfare fund: VND 116.21 billion.







## BOOK VALUE

Unit: VND

No.	Item	Ending balance (31/12/2017)	Ending balance (31/12/2018)	Ending balance (31/12/2019)	Ending balance (31/12/2020)	Ending balance (31/12/2021)	Increase/Decrease YE 2021 compared to YE 2020 (+/-)
<b>A</b>	<b>ASSETS</b>						
<b>1</b>	<b>Current assets</b>	<b>3,291,343,374,668</b>	<b>3,794,495,007,360</b>	<b>4,456,305,278,663</b>	<b>4,900,512,297,699</b>	<b>5,829,100,412,476</b>	<b>928,588,114,777</b>
1.1	Cash and cash equivalents	656,279,062,859	427,351,751,020	469,919,515,100	790,349,857,796	1,045,421,628,805	255,071,771,009
1.2	Short-term investments	30,000,000,000	-	-	-	60,000,000,000	60,000,000,000
1.3	Current trade receivables	951,290,523,619	1,249,984,440,619	1,915,443,533,555	1,953,209,393,596	2,448,451,558,208	495,242,164,612
1.4	Inventories	1,513,931,435,283	1,986,792,777,928	1,913,745,246,413	2,014,961,208,129	1,990,065,772,716	(24,895,435,413)
1.5	Other current assets	139,842,352,907	130,366,037,793	157,196,983,595	141,991,838,178	285,161,452,747	143,169,614,569
<b>2</b>	<b>Non-current assets</b>	<b>518,411,252,031</b>	<b>609,832,297,541</b>	<b>1,127,451,451,166</b>	<b>1,154,822,046,234</b>	<b>1,063,813,155,887</b>	<b>(91,008,890,347)</b>
2.1	Long-term receivables	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	-
2.2	Fixed assets	483,762,757,473	548,662,662,740	1,058,231,180,457	1,018,159,912,711	1,036,694,489,298	18,534,576,587
2.3	Construction in progress	20,669,627,555	40,498,242,919	47,698,857,585	118,194,912,231	9,670,832,872	(108,524,079,359)
2.4	Long-term investments	-	-	-	-	-	-
2.5	Other long-term assets	13,948,867,003	20,641,391,882	21,491,413,124	18,437,221,292	17,417,833,717	(1,019,387,575)
2.6	Goodwill	-	-	-	-	-	-
	<b>TOTAL ASSETS</b>	<b>3,809,754,626,699</b>	<b>4,404,327,304,901</b>	<b>5,583,756,729,829</b>	<b>6,055,334,343,933</b>	<b>6,892,913,568,363</b>	<b>837,579,224,430</b>
<b>B</b>	<b>RESOURCES</b>						
<b>1</b>	<b>Liabilities</b>	<b>1,413,864,163,277</b>	<b>1,673,774,768,632</b>	<b>2,135,070,735,316</b>	<b>2,197,513,273,144</b>	<b>2,018,716,551,655</b>	<b>(178,796,721,489)</b>
1.1	Current liabilities	1,413,416,219,225	1,673,444,027,380	1,882,161,864,194	1,997,920,622,226	1,872,419,253,793	(125,501,368,433)
1.2	Non-current liabilities	447,944,052	330,741,252	252,908,871,122	199,592,650,918	146,297,297,862	(53,295,353,056)
<b>2</b>	<b>Owners' equity</b>	<b>2,395,890,463,422</b>	<b>2,730,552,536,269</b>	<b>3,448,685,994,513</b>	<b>3,857,821,070,789</b>	<b>4,874,197,016,708</b>	<b>1,016,375,945,919</b>
2.1	Owners' equity	2,395,890,463,422	2,730,552,536,269	3,448,685,994,513	3,857,821,070,789	4,874,197,016,708	1,016,375,945,919
2.2	Other funds	-	-	-	-	-	-
<b>C</b>	<b>NON-CONTROLLING INTEREST</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>3,809,754,626,699</b>	<b>4,404,327,304,901</b>	<b>5,583,756,729,829</b>	<b>6,055,334,343,933</b>	<b>6,892,913,568,363</b>	<b>837,579,224,430</b>

(Source: Vicostone's audited consolidated financial statements)



Total assets for YE 2021 increased in comparison to YE 2020 by VND **837.58** billion, including: Increase in current assets: VND 928.59 billion; Decrease in non-current assets: VND 91.01 billion

Current assets increased as:

- Cash and cash equivalents increased by VND 255.07 billion;
- Short-term investments increased by VND 60.00 billion as the Company had a deposit maturing over three months.

Short-term trade receivables increased by VND **495.24** billion, including:

Unit: VND

Item	Beginning balance	Ending balance	Movement
Short-term trade receivables from customers	1,921,424,011,443	2,406,105,347,822	484,681,336,379
Short-term advances to suppliers	29,685,255,365	42,468,184,250	12,782,928,885
Short-term loan receivables	50,129,329	50,129,329	-
Other receivables	2,955,306,231	4,180,386,693	1,225,080,462
Provision for doubtful short-term receivables	(905,308,772)	(4,352,489,886)	(3,447,181,114)
<b>TOTAL</b>	<b>1,953,209,393,596</b>	<b>2,448,451,558,208</b>	<b>495,242,164,612</b>

Short-term receivables from customers increased by VND 484.68 billion from VND 1,921.42 billion at the beginning of the year to VND 2,406.11 billion at the end of the year. The late payment customers were traditional customers with good financial capacity, having always paid on time in previous years.

Short-term advances to suppliers increased by VND 12.78 billion from VND 29.69 billion at the beginning of the year to VND 42.47 billion at the end of the year.

Short-term trade receivables decreased more than VND 1,000 billion as at December 31, 2021.

Unit: VND billion

Item	Amount
<b>Decrease in inventories</b>	<b>24.90</b>
Decrease in finished goods and trading goods	107.28
Increase in goods in transit	6.07
Increase in raw materials	64.22
Increase in tools and supplies	0.76
Increase in work-in-progress	13.73

Finished goods, merchandise goods decreased by VND 107.28 billion as sales of goods in the year increased significantly and exceeded the plan. Raw materials increased by VND 64.22 billion to ensure sufficient inputs for production.

Other current assets increased by VND **143.17** billion, including:

Unit: VND billion

Item	Amount
Increase in value-added tax deductibles	143.32
Decrease in short-term prepaid expenses	0.14

Non-current assets decreased by VND **91.01** billion, including:

Unit: VND billion

Item	Amount
Increase in new purchase of tangible fixed assets and transfer from construction in progress	147.19
Decrease due to depreciation and amortization of fixed assets in the year	128.14
<b>Construction-in-progress expenses decreased by VND 108.52 billion due to:</b>	
Decrease in construction in progress	10.22
Decrease in new purchases	98.43
<b>Other long-term assets decreased by VND 1.02 billion due to:</b>	
Decrease in long-term prepaid expenses	0.84
Increase in deferred tax assets	0.18

Capital covering the growth of assets increased as:

Unit: VND billion

Item	Amount
<b>Liabilities increased by VND 178.80 billion due to:</b>	
Decrease of short-term trade payables to sellers and short-term advances from customers	69.97
Decrease of long-term loans and financial leases	53.20
Decrease of short-term loans and financial leases	53.92
Increase of other statutory obligations	0.02
Increase of dividend payables	4.01
Increase of others long-term and short-term payables	351.85
<b>Owners' equity increased by VND 1,016.38 billion due to:</b>	
Profit from operating activities in FY2021	1,772.06
Issuance of treasury shares	0.53
Decrease of undistributed profit after tax due to paid dividends	640.00
Decrease of undistributed profit after tax due to the distribution of bonus and welfare fund	116.21

Thus, the total assets increased due to the raise of both Current assets and Non-current assets, the Capital covering the growth of assets increased due to the increase of Liabilities and Owners' equity.







### SELLING EXPENSES, GENERAL AND ADMINISTRATIVE EXPENSES

Unit: VND

Item	2017	2018	2019	2020	2021
<b>Net revenue</b>	<b>4,352,524,092,876</b>	<b>4,521,596,112,810</b>	<b>5,562,762,994,808</b>	<b>5,659,594,518,666</b>	<b>7,070,128,978,997</b>
Total selling expenses, general and administrative expenses					
Labor costs	27,380,348,589	25,513,576,940	40,363,160,819	29,816,345,766	16,317,927,242
Ratio %	0.63%	0.56%	0.73%	0.53%	0.23%
Material, tool and supply costs	13,321,939,880	18,734,670,015	25,300,690,295	27,132,541,917	40,442,518,792
Ratio %	0.31%	0.41%	0.45%	0.48%	0.57%
Depreciation expenses	8,494,440,007	8,744,006,369	9,786,432,991	9,725,293,970	8,272,131,036
Ratio %	0.20%	0.19%	0.18%	0.17%	0.12%
Warranty expenses	-	-	-	-	-
Ratio %	0.00%	0.00%	0.00%	0.00%	0.00%
Taxes, fees, charges	362,583,440	357,541,897	1,044,489,700	3,261,974,771	1,327,004,069
Ratio %	0.01%	0.01%	0.02%	0.06%	0.02%
Provision, goodwill, branding	280,673,174	58,320,012	127,361,667	51,523,817	3,461,989,956
Ratio %	0.01%	0.00%	0.00%	0.00%	0.05%
Expenses for external services	81,005,720,128	80,062,121,096	119,633,436,185	135,653,834,152	221,371,565,566
Ratio %	1.86%	1.77%	2.15%	2.40%	3.13%
Other expenses	17,002,160,943	12,551,895,623	20,201,037,280	26,354,122,744	28,300,847,295
Ratio %	0.39%	0.28%	0.36%	0.47%	0.40%
<b>Total selling expenses, general and administrative expenses</b>	<b>147,847,866,161</b>	<b>146,022,131,952</b>	<b>216,456,608,938</b>	<b>231,995,637,137</b>	<b>319,493,983,956</b>
Ratio %	3.40%	3.23%	3.89%	4.10%	4.52%

(Source: Vicostone's audited consolidated financial statements)



The selling expenses, general and administrative expenses of the Company during FY2021 increased in comparison with the previous year: Selling expenses, general and administrative expenses for FY2021 increased by VND 87.50 billion compared over the year, accounting for 4.52% of the Net revenue and up 0.42 percentage point over a year.

Details of the increases and decreases are as follows:

- Labor costs decreased by VND 13.50 billion, or 45.27% year-on-year, equal to 0.23% of the Net revenue and down 0.30 percentage point from 2020;
- Material, tool and supply costs increased by VND 13.31 billion, or 49.06% year-on-year. The Material, tool and supply costs/Net revenue ratio increased from 0.48% to 0.57% as the volume of sold goods during 2021 increased, making the material costs gain accordingly. In addition, during the year, domestic sales were also boosted, so these costs also increased compared to FY2020;

- Depreciation costs decreased by VND 1.45 billion, or 14.94% year-on-year, taking up to 0.12% of the Net revenue and down 0.05 percentage point from 2020;
- External services expenses increased by VND 85.72 billion, or 63.19% year-on-year, equal to 3.13% of the Net revenue and up 0.73 percentage point from 2020;
- Other expenses increased by VND 1.95 billion, or 7.39% year-on-year, equal to 0.40% of the Net revenue and down 0.07 percentage point from 2020.

## IV LIABILITIES

Unit: VND

Item	Ending balance 2017	Ending balance 2018	Ending balance 2019	Ending balance 2020	Ending balance 2021	Increase/(Decrease) between 2021 and 2020
Short-term loans and financial leases	955,024,601,355	1,150,561,555,555	1,417,553,641,838	1,533,227,187,070	1,479,310,860,822	(53,916,326,248)
Other short – term liabilities	458,391,617,870	522,882,471,825	464,608,222,356	464,693,435,156	393,108,392,971	(71,585,042,185)
Non-current liabilities	447,944,052	330,741,252	252,908,871,122	199,592,650,918	146,297,297,862	(53,295,353,056)
<b>TOTAL LIABILITIES</b>	<b>1,413,864,163,277</b>	<b>1,673,774,768,632</b>	<b>2,135,070,735,316</b>	<b>2,197,513,273,144</b>	<b>2,018,716,551,655</b>	<b>(178,796,721,489)</b>

(Source: Vicostone's audited consolidated financial statements)

Details of increases/decreases in payables are as follows:

Unit: VND

<b>Decrease in short-term loans and liabilities</b>	<b>53,916,326,248</b>
Decrease in short-term loans	53,916,326,248
<b>Decrease in other current liabilities</b>	<b>71,585,042,185</b>
Decrease in short-term trade payables to sellers	58,857,960,660
Decrease in short-term advances from customers	11,109,683,066
Decrease in other short-term payables	1,727,088,845
Decrease in bonus and welfare fund	491,980,660
Statutory obligations	23,818,948
Increase in payables to employees	577,852,098
<b>Decrease in non-current liabilities</b>	<b>53,295,353,056</b>
Decrease in long-term loans and non-current liabilities	53,199,017,404
Decrease in the Scientific and Technological Development Fund	96,335,652





## V INVENTORIES

Unit: VND

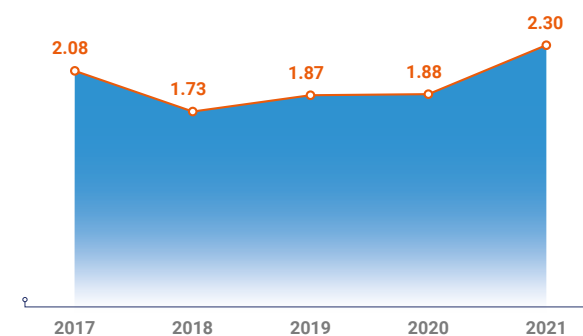
Item	2017	2018	2019	2020	2021
<b>Cost of goods sold</b>	<b>3,085,309,497,515</b>	<b>3,025,953,450,218</b>	<b>3,650,651,586,771</b>	<b>3,695,766,493,820</b>	<b>4,607,624,494,397</b>
Goods in transit	56,557,798,286	54,474,340,275	43,013,849,103	49,053,962,104	55,128,619,661
Raw materials	105,223,708,093	124,253,280,221	192,756,347,566	154,669,799,424	218,885,783,716
Tools and supplies	43,829,087,955	74,626,818,042	74,079,740,327	97,742,007,186	98,503,048,680
Work in progress	32,146,742,719	14,482,115,768	28,960,892,798	16,827,197,992	30,552,469,465
Finished goods	1,287,309,735,495	1,723,738,302,000	1,579,716,494,997	1,701,450,319,801	1,594,173,380,044
Goods on consignment					
Provision for obsolete inventories	(11,135,637,265)	(4,782,078,378)	(4,782,078,378)	(4,782,078,378)	(7,177,528,850)
<b>Total inventories</b>	<b>1,513,931,435,283</b>	<b>1,986,792,777,928</b>	<b>1,913,745,246,413</b>	<b>2,014,961,208,129</b>	<b>1,990,065,772,716</b>

(Source: Vicostone's audited consolidated financial statements)

Inventories at YE 2021 decreased by VND 24.90 billion compared to YE 2020, in which finished goods and merchandises decreased by VND 107.28 billion. The main causes for such changes were the significant growth of revenue and strong consumption despite the impact of the COVID-19 pandemic. The Company will continue finding solutions to reduce the level of obsolete inventories and maintain the proper level of inventories as planned.

## VI INVENTORY TURNOVER RATIO

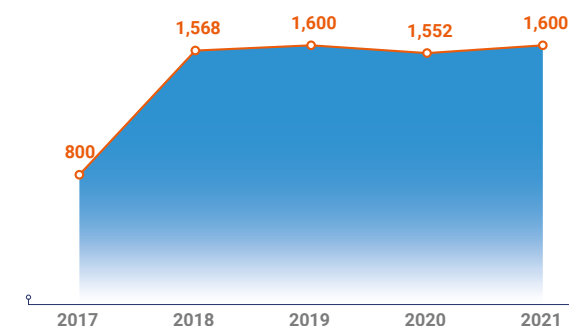
### Inventories



Inventory turnover ratio (Unit: Times)

The Company in 2021 wanted to keep inventories at a certain level that allowed instant product delivery on customers' requests. The inventory turnover ratio in FY2021 was 2.30 times, which increased strongly in comparison with FY2020 because the consumption of goods was boosted.

## VII CHANGES IN SHAREHOLDERS' EQUITY



Contributed charter capital (Unit: VND billion)

(\*) The amount of treasury shares at YE 2018 was 3,200,000 shares and 4,800,000 shares at YE 2020.

The total amount of shares by category: As of December 31, 2021, the amount of outstanding shares on the market was 160,000,000 shares.





## ANALYSIS OF INCOME STATEMENT INDICATORS

### 1. Income statement over the years

Unit: VND

Item	2017	2018	2019	2020	2021
Revenue from sales of goods and rendering of services	4,352,524,092,876	4,522,435,184,761	5,568,613,461,812	5,674,600,425,338	7,108,211,833,610
Deductions	-	839,071,951	5,850,467,004	15,005,906,672	38,082,854,613
Net revenue from sales of goods and rendering of services	4,352,524,092,876	4,521,596,112,810	5,562,762,994,808	5,659,594,518,666	7,070,128,978,997
Cost of goods sold and services rendered	3,085,309,497,515	3,025,953,450,218	3,650,651,586,771	3,695,766,493,820	4,607,624,494,397
<b>Gross profit from sales of goods and rendering of services</b>	<b>1,267,214,595,361</b>	<b>1,495,642,662,592</b>	<b>1,912,111,408,037</b>	<b>1,963,828,024,846</b>	<b>2,462,504,484,600</b>
Financial incomes	54,377,404,040	41,397,309,947	26,341,074,370	40,073,177,690	62,082,451,372
Financial expenses	48,814,490,753	69,868,203,492	68,019,078,673	92,877,592,099	89,487,688,687
In which: Loan interest expenses	40,596,080,433	32,204,626,279	59,995,756,140	76,985,258,575	56,876,350,423
Shares of profit/(loss) of associates, joint ventures	-	-	-	-	-
Selling expenses	95,648,232,925	99,926,387,202	154,062,211,849	160,513,261,846	272,145,112,014
General and administrative expenses	52,199,633,236	46,095,744,750	62,394,397,089	71,482,375,291	47,348,871,942
<b>Operating profit</b>	<b>1,124,929,642,487</b>	<b>1,321,149,637,095</b>	<b>1,653,976,794,796</b>	<b>1,679,027,973,300</b>	<b>2,115,605,263,329</b>
Other incomes	1,178,903,601	1,509,915,834	1,447,542,683	1,552,175,940	4,433,747,988
Other expenses	1,096,988,069	4,148,980,489	2,761,669,460	12,625,030,979	22,637,976,339
Other profits	81,915,532	(2,639,064,655)	(1,314,126,777)	(11,072,855,039)	(18,204,228,351)
<b>Accounting profit before tax</b>	<b>1,125,011,558,019</b>	<b>1,318,510,572,440</b>	<b>1,652,662,668,019</b>	<b>1,667,955,118,261</b>	<b>2,097,401,034,978</b>
Current corporate income tax expense	3,233,701,436	194,966,717,351	242,548,054,943	242,123,826,716	325,160,412,470
Deferred tax expense	-	-	-	(2,588,472,166)	180,758,453
<b>Net profit after tax</b>	<b>1,121,777,856,583</b>	<b>1,123,543,855,089</b>	<b>1,410,114,613,076</b>	<b>1,428,419,763,711</b>	<b>1,772,059,864,055</b>
<b>Net profit after tax attributable to shareholders of the parent</b>	<b>1,121,777,856,583</b>	<b>1,123,543,855,089</b>	<b>1,410,114,613,076</b>	<b>1,428,419,763,711</b>	<b>1,772,059,864,055</b>
Net profit after tax attributable to non-controlling interests	-	-	-	-	-
Basic earnings per share	13,461	6,548	8,114	8,251	9,890

(Source: Vicostone's audited consolidated financial statements)





## 2. Other financial data

Unit: VND

Item	2017	2018	2019	2020	2021
<b>1. Net profit after tax (1)</b>	<b>1,121,777,856,583</b>	<b>1,123,543,855,089</b>	<b>1,410,114,613,076</b>	<b>1,428,419,763,711</b>	<b>1,772,059,864,055</b>
<b>2. Current and deferred tax expenses (2)</b>	<b>3,233,701,436</b>	<b>194,966,717,351</b>	<b>242,548,054,943</b>	<b>239,535,354,550</b>	<b>325,341,170,923</b>
<b>3. Depreciation and amortization (3)</b>	<b>69,627,210,979</b>	<b>73,428,586,478</b>	<b>103,979,030,170</b>	<b>119,184,581,565</b>	<b>128,143,604,400</b>
<b>4. Financial expenses</b>	<b>48,814,490,753</b>	<b>69,868,203,492</b>	<b>68,019,078,673</b>	<b>92,877,592,099</b>	<b>89,487,688,687</b>
In which:					
- Interest expenses (4)	40,596,080,433	32,204,626,279	59,995,756,140	76,985,258,575	56,876,350,423
- Foreign exchange losses (5)	8,156,543,240	37,663,577,213	8,023,322,533	15,892,333,524	32,611,338,264
- Losses on disposal of investments (6)					
- Other financial expenses (7)	61,867,080	-	-	-	-
<b>5. Financial incomes</b>	<b>54,377,404,040</b>	<b>41,397,309,947</b>	<b>26,341,074,370</b>	<b>40,073,177,690</b>	<b>62,082,451,372</b>
In which:					
- Interest incomes (8)	12,271,399,748	10,705,402,612	2,124,441,929	5,642,720,046	14,464,239,826
- Foreign exchange gains (9)	22,050,257,892	30,691,907,335	24,016,357,892	33,753,761,597	47,618,211,546
Gains from disposal of investments (10)	20,055,746,400	-	-	994,500	-
Other financial incomes (11)			200,274,549	675,701,547	-
<b>6. Adjusted EBITDA (9)=(1)+(2)+(3)+(4)+(5)+(6)+(7)-(8)-(9)-(10)-(11)</b>	<b>1,189,075,855,711</b>	<b>1,420,410,052,463</b>	<b>1,798,319,702,492</b>	<b>1,839,944,114,235</b>	<b>2,252,949,876,693</b>
<b>7. EBITDA Margin (%)</b>	<b>27.32%</b>	<b>31.41%</b>	<b>32.33%</b>	<b>32.51%</b>	<b>31.87%</b>

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

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 expenses and financial incomes), 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 company 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 cashflow from operation activities, profitability ratio, liquidity ratio, or any other performance measurements. There are some limitations in adjusted EBITDA as other analysis tools, therefore, the adjusted EBITDA should not be used or replaced separately in analyses.





## EFFICIENCY COMPARATION IN DIFFERENT PERIODS

The table below shows operational performance as parts of revenue in different periods:

Unit: VND billion

Item	2017			2018		2019		2020		2021	
	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 sales of goods and rendering of services	4,352.52			4,522.44		5,568.61		5,674.60		7,108.21	
Deductions	-			0.84		5.85		15.01		38.08	
Net revenue from sales of goods and rendering of services	4,352.52			4,521.60		5,562.76		5,659.59		7,070.13	
Cost of goods sold and services rendered	3,085.31			3,025.95		3,650.65		3,695.77		4,607.62	
<b>Gross profit from sales of goods and rendering of services</b>	<b>1,267.21</b>	<b>29.11%</b>		<b>1,495.64</b>	<b>33.08%</b>	<b>1,912.11</b>	<b>34.37%</b>	<b>1,963.83</b>	<b>34.70%</b>	<b>2,462.50</b>	<b>34.83%</b>
Financial incomes	54.38	1.25%		41.40	0.92%	26.34	0.47%	40.07	0.71%	62.08	0.88%
Financial expenses	48.81	1.12%		69.87	1.55%	68.02	1.22%	92.88	1.64%	89.49	1.27%
In which: Loan interests	40.60	0.93%		32.20	0.71%	60.00	1.08%	76.99	1.36%	56.88	0.80%
Shares of profit/(loss) of associates, joint ventures	-	0.00%		-	0.00%	-	0.00%	-	0.00%	-	0.00%
Selling expenses	95.65	2.20%		99.93	2.21%	154.06	2.77%	160.51	2.84%	272.15	3.85%
General and administrative expenses	52.20	1.20%		46.10	1.02%	62.39	1.12%	71.48	1.26%	47.35	0.67%
<b>Operating profit</b>	<b>1,124.93</b>	<b>25.85%</b>		<b>1,321.15</b>	<b>29.22%</b>	<b>1,653.98</b>	<b>29.73%</b>	<b>1,679.03</b>	<b>29.67%</b>	<b>2,115.61</b>	<b>29.92%</b>
Other incomes	1.18	0.03%		1.51	0.03%	1.45	0.03%	1.55	0.03%	4.43	0.06%
Other expenses	1.10	0.03%		4.15	0.09%	2.76	0.05%	12.63	0.22%	22.64	0.32%
<b>Other profits</b>	<b>0.08</b>	<b>0.00%</b>		<b>(2.64)</b>	<b>-0.06%</b>	<b>(1.31)</b>	<b>-0.02%</b>	<b>(11.07)</b>	<b>-0.20%</b>	<b>(18.20)</b>	<b>-0.26%</b>
<b>Accounting profit before tax</b>	<b>1,125.01</b>	<b>25.85%</b>		<b>1,318.51</b>	<b>29.16%</b>	<b>1,652.66</b>	<b>29.71%</b>	<b>1,667.96</b>	<b>29.47%</b>	<b>2,097.40</b>	<b>29.67%</b>
Current corporate income tax expense	3.23	0.07%		194.97	4.31%	242.55	4.36%	242.12	4.28%	325.16	4.60%
Deferred tax expense	-	0.00%		-	0.00%	-	0.00%	(2.59)	-0.05%	0.18	0.00%
<b>Net profit after tax</b>	<b>1,121.78</b>	<b>25.77%</b>		<b>1,123.54</b>	<b>24.85%</b>	<b>1,410.11</b>	<b>25.35%</b>	<b>1,428.42</b>	<b>25.24%</b>	<b>1,772.06</b>	<b>25.06%</b>
Net profit after tax attributable to non-controlling interest	-	0.00%		-	0.00%	-	0.00%	-	0.00%	-	0.00%
<b>Net profit after tax attributable to shareholders of the parent</b>	<b>1,121.78</b>	<b>25.77%</b>		<b>1,123.54</b>	<b>24.85%</b>	<b>1,410.11</b>	<b>25.35%</b>	<b>1,428.42</b>	<b>25.24%</b>	<b>1,772.06</b>	<b>25.06%</b>
Basic earnings per share (VND)	13,461			6,548		8,114		8,251		9,890	

(Source: Vicostone's audited consolidated financial statements)



In the recent four years, the Profit before tax/Net revenue ratio of the Company remained over 29%. The Profit after tax/Net revenue ratio was always higher than 25%. These figures showed the Company's efforts to focus on optimizing profit for the expansion of the business and assurance of incomes for employees and right of shareholders.

## X THE RISKS OF FOREIGN EXCHANGE RATES AND INTEREST RATES

As Vicostone mainly operates in international market 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 calculates payment terms of all contracts and takes advantage of derivative financial instruments.

The Company had closing balance of cash and cash equivalents, receivables, payables and loans with foreign currencies on December 31, 2021 as below:

Foreign currency item	USD	EUR	CAD
Cash and cash equivalents	12,387,750	715,780	5,415,710
Receivables	36,464,651	41,208	18,310,676
Payables	(3,649,605)	(628,159)	-
Loans	(62,260,368)	-	-
<b>TOTAL</b>	<b>(17,057,572)</b>	<b>128,830</b>	<b>23,726,386</b>

With the closing balance of cash and cash equivalents, receivables, payables and loans as on December 31, 2021 as above, if the exchange rates between VND and CAD, EUR and USD increased or decreased by between 2% and 5%, the impact on profit before tax of the Company would be:

Increase (+)/ decrease (-) USD FX	Increase (+)/ decrease (-) EUR FX	Increase (+)/ decrease (-) CAD FX	Impact on profit before tax (*)
2.0%	4.5%	5.0%	12,963,894,854
-2.0%	-4.5%	-5.0%	(12,963,894,854)

(\*) 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.

### 2. The risk of interest rates

The risk of interest rates is 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 floating rate and fixed rate.

As of December 31, 2021, the Company had closing account balances for USD-denominated loans with the floating rates as follows:

Item	USD	Converted to VND
Short-term USD-denominated loans	41,029,073	940,876,355,682
Current VND-dominated loans, due long-term loans		53,199,017,404
Long-term VND-dominated loans		146,297,297,862

The rates of short-term loans in USD for FY2021 of the Company were from 1.70% per annum to 2.40% per annum; The rates of long-term loans in VND were from 8.225% per annum to 8.275% per annum. If the loan balance with floating rate fluctuated by 0.7% for USD and 0.05% for VND on December 31, 2021, the Company would see its profit before tax change as below:

	Short-term loans	Long-term loans	Change in profit before tax (**)
USD	70		(6,586,134,490)
VND	5	5	(99,748,158)
USD	-70		6,586,134,490
VND	-5	-5	99,748,158

(\*\*) 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 floating rates recorded on the last day of the reporting period.

The impact of interest rate fluctuation on the Company's income statement was not remarkable.





**XI**
**LIQUIDITY RATIO AND EQUITY**

The income in FY2021 was mainly from sales of merchandises and finished goods, VAT settlements, and current loans received from credit institutions.

Major capital requests in FY2021 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 2021 wanted to keep inventories at a certain level that allowed instant product delivery on customers' requests. The Company's inventory policy was significantly impacted by sales in the U.S. and Canada which had remained the major sales markets of the Company. In the next years, this inventory policy would be kept, and the Company would focus on the improvement of product quality and quantity by raising the efficiency in planning, production and management.

Based on the current business plan, cash and cash equivalents, cash from 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 productions and sale activities in FY2021 onwards.

The cashflow in operation, investment and financing activities is classified by period in the table below:

Unit: VND

Code	Item	2019	2020	2021
<b>I. Cashflow from operating activities</b>				
01	Profit before tax	1,652,662,668,019	1,667,955,118,261	2,097,401,034,978
	Adjusted for:			
02	Depreciation and amortization of fixed assets (including distribution of goodwill)	103,861,827,370	119,067,378,765	128,047,268,748
03	Provisions	-	-	5,842,631,586
04	Foreign exchange (gains)/losses arisen from revaluation of monetary accounts denominated in foreign currency	28,114,223	(3,505,066,527)	10,856,954,333
05	Profits from investment activities	(2,124,441,929)	(5,642,720,046)	(14,038,583,398)
06	Interest expenses	59,995,756,140	76,985,258,575	56,876,350,423
08	Operating profit before changes in working capital	1,814,423,923,823	1,854,859,969,028	2,284,985,656,670
09	Increase/(decrease) in receivables	(604,986,876,688)	(20,016,029,440)	(648,791,983,076)

Code	Item	2019	2020	2021
10	Increase/(decrease) in inventories	88,265,536,716	(101,215,961,716)	22,499,984,941
11	Increase/(decrease) in payables	(14,169,178,938)	(105,376,842,984)	(66,633,231,842)
12	Increase/(decrease) in prepaid expenses	(2,004,949,282)	5,862,640,365	979,403,959
14	Interests paid	(55,684,099,565)	(81,061,138,974)	(56,884,970,781)
15	Corporate income tax paid	(276,235,539,417)	(198,162,331,778)	(324,841,945,403)
16	Other cash inflows from operating activities	-	-	-
17	Other cash outflows for operating activities	(64,232,613,310)	(94,437,099,499)	(116,703,598,796)
20	Net cashflow from operating activities	885,376,203,339	1,260,453,205,002	1,094,609,315,672
<b>II. Cashflow from investment activities</b>				
21	Purchases and construction of fixed assets and other long-term assets	(50,651,275,363)	(88,395,274,034)	(41,195,138,027)
22	Proceeds from disposals of fixed assets	-	-	98,000,000
23	Loans to other entities and payments for purchase of debt instruments of other entities	-	-	(60,000,000,000)
24	Collections from borrowers and proceeds from sales of debt instruments of other entities	-	-	-
25	Payments for investments in other entities (net of cash held by entity being acquired)	(49,269,557,490)	-	-



Code	Item	2019	2020	2021
26	Proceeds from sales of investments in other entities (net of cash held by entity being disposed)	-	-	-
27	Interests and dividends received	2,124,441,929	5,642,720,046	14,464,239,826
30	Net cashflow used in investment activities	(97,796,390,924)	(82,752,553,988)	(86,632,898,201)
<b>III. Cashflow from financing activities</b>				
31	Capital contribution and issuance of shares	252,603,810	-	527,700,000
32	Capital redemption	-	(293,331,372,873)	-
33	Drawdown of borrowings	2,092,507,128,245	2,668,622,825,548	2,826,063,241,011
34	Repayment of borrowings	(2,124,196,594,726)	(2,605,681,700,628)	(2,935,029,359,337)
35	Payment of principal of financial leases and liabilities	-	-	-
36	Dividends paid/ Profit distributed	(713,512,226,500)	(627,149,566,575)	(642,014,742,700)
40	Net cashflow from financing activities	(744,949,089,171)	(857,539,814,528)	(750,453,161,026)
50	Net increase/ (decrease) in cash for the year (50 = 20+30+40)	42,630,723,244	320,160,836,486	257,523,256,445
60	Cash and cash equivalents at the beginning of the year	427,351,751,020	469,919,515,100	790,349,857,796
61	Impact of exchange rate fluctuations	(62,959,164)	269,506,210	(2,451,485,436)
70	Cash and cash equivalents at the end of the year (70 = 50+60+61)	469,919,515,100	790,349,857,796	1,045,421,628,805

## 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 financial investments, 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 changes in receivables, payables, inventories, prepaid expenses, loan interests and incurred expenses.

Compared to FY2020, the Company in FY2021 recorded: The net cashflow from operating activities decreased by VND 165.84 billion as profit before tax excluding non-cash and non-operating items was up VND 430.13 billion (of which: Total of profit before tax gained VND 429.45 billion) and working capital was down VND 595.97 billion.

In FY2021, net cashflow from operating activities was VND 1,094.61 billion, including an accounting profit before tax of VND 2,097.40 billion that excluded VND 187.58 billion worth of non-cash and non-operating items, then deducted by VND 1,190.38 billion after accounting items had been changed.

The changes of accounting items are specified as below:

- Increase in receivables: VND 648.79 billion
- Decrease in inventories: VND 22.5 billion
- Decrease in payables: VND 66.63 billion
- Decrease in prepaid expenses: VND 0.98 billion
- Paid loan interests: VND 56.88 billion
- Paid corporate income tax: VND 324.84 billion
- Other cash outflows for operating activities: VND 116.70 billion.

## 2. Cashflow from investments

Net cashflow from investment activities in FY2021 was negative VND 86.63 billion, specified as below:

- Purchase and construction of fixed assets and other long-term assets were worth VND 41.2 billion, mainly for the installment of the new vibro-compression line, new grinding line and software;
- Loans to other entities and payments for purchase of debt instruments of other entities were worth VND 60 billion, taken from the Company's six-month term deposit.;
- Incomes from interests, dividends and profits were worth VND 14.46 billion, mainly coming from bank saving interests and loan interests.

## 3. Cashflow from financing activities

Net cashflow from financing activities in FY2021 was negative VND 750.45 billion, specified as below:

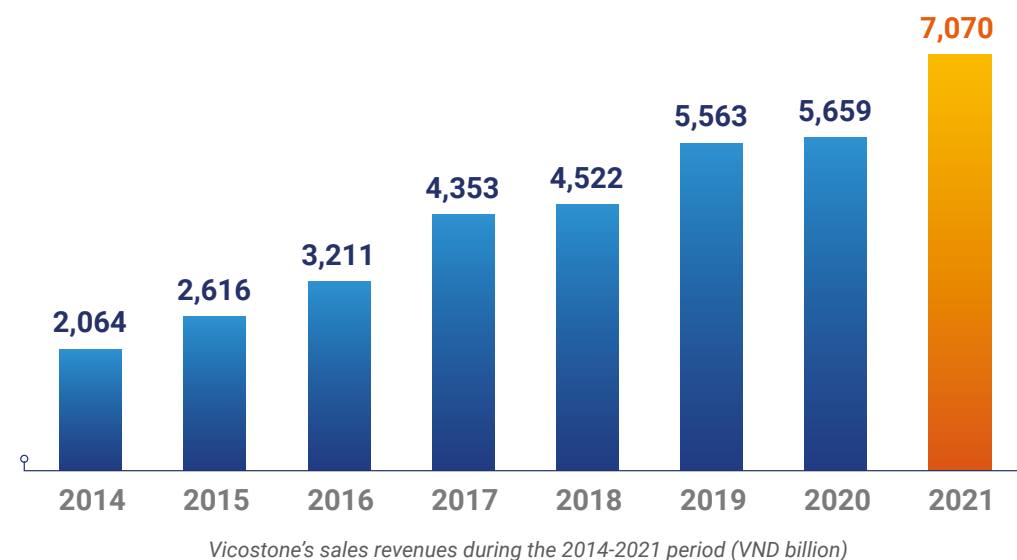
- Short-term and long-term borrowings received in FY2021 was VND 2,826.06 billion, in which the total loan receipt was short-term loans for operating activities with the term under six months;
- Principal loan payment was worth VND 2,935.03 billion;
- Dividends paid and profit distributed for shareholders in FY2021 were worth VND 642.01 billion. These were mainly from dividends distributed for shareholders from profit after tax according to the Resolution No. 11/2021/NQ/VCS-HDQT dated June 3, 2021 and Resolution No. 15/2021/NQ/VCS-HDQT dated November 30, 2021 by the Company's BOD.



## RESULTS IN ALL MARKETS

The COVID-19 pandemic is not only a health crisis, but also impacts all aspects of social life and the global economy, resulting in inflation and disruption of supply chains. At the 2021 United Nations Economic and Social Council Forum, United Nations Secretary-General Antonio Guterres emphasized that the world is facing the worst global health and economic crisis in the past 90 years<sup>11</sup>. According to the UN's World Economic Report, the global economy in 2020 shrank by 4.3%, more than twice as large as the decline recorded during the 2009 global financial crisis. According to UN estimates, a 4.7% recovery in 2021 would still fall short of making up for the losses in the previous year<sup>12</sup>.

Following the action guideline of "**Comprehensive Initiatives for Stronger and Faster**", Vicostone proactively grasped the market situation to offer timely and flexible solutions that were suitable and prompt in each market to expand the scale of business and reach its business targets. The Company's net revenue in 2021 reached VND 7,070 billion, up 24.92% compared to 2020.



### I EXPORT MARKETS

The COVID-19 pandemic has significantly impacted global trade and investment with unprecedented speed and scale. Multinational companies have been faced with a raw material supply shock, followed by demand shock, as an increasing number of country-imposed quarantine and social distancing measures were implemented. Governments, businesses and individual consumers are suddenly finding it difficult to procure basic products and materials and are forced to confront the fragility of modern supply chains.

Through support from Phenikaa Group, in line with its market development strategy, Vicostone's revenues in key markets experienced robust growth, with a focus on the major markets, including North America, Europe and Asia.

<sup>11</sup> <https://twitter.com/antonioguterres/status>

<sup>12</sup> <https://www.un.org/en/world-economic-situation-and-prospects-2021>

In the U.S., the construction market's rebound in 2021 led to a sharp increase in U.S. market demand for engineered quartz stone products. According to data recorded by the U.S. International Trade Commission (US ITC), the total amount of quartz stone exported to the U.S. in 2021 increased by 70.7% compared to 2020. Vicostone, with its proactive responsiveness, implemented flexible solutions and business decisions, thereby maintaining and expanding business, contributing substantively to making Vietnam one of the three biggest exporters of quartz stone products to the U.S. market.



Design of product line BQ7702 applied in the kitchen

In Canada, with active support from Phenikaa Group in developing retail network to enhance customers' experience and promote the VICOSTONE® brand in the market, Vicostone achieved a 150% increase in revenue compared to 2020.

European markets were also an important contributor to Vicostone's export revenue. In 2021, the Company's revenue from these markets grew by 28% compared to 2020, a promising figure despite the fact that the COVID-19 pandemic with new virus variants continued to spread throughout the European economy and society.

In 2021, revenue in the Asian markets also saw an impressive year-on-year growth of 20%. This success was attributable to brand development and sales promotion strategies in some major markets such as Japan and Korea.

The results achieved in 2021 demonstrated the Company's spirit of comprehensive initiatives, as well as the determination to conquer the goals set out in the business strategy, to maintain the existing markets, expand to new ones, and promote the VICOSTONE® brand on a global scale.



## II DOMESTIC MARKET

In Vietnam, the COVID-19 pandemic, along with the emergence of new virus variants, resulted in severe damages to the economy that seriously affected enterprises in the construction materials industry. Immediately following the fourth wave of the pandemic, starting from the second quarter, the Government and relevant agencies, in collaboration with local authorities, took strict and drastic measures in an attempt to control the impact of the virus, such as social distancing, travel restrictions, and closure of non-essential services. These actions significantly affected the overall economic performance. By the end of 2021, Vietnam's economy saw a 2.58% increase overall, and a 4.05% rise for the industry and construction sector alone<sup>13</sup>. In spite of the lowest growth rates since 2000, the figures provided an indication that the efforts and consensus of the Government, the business community, and the people on the journey, to realize the dual goal of epidemic prevention and sustained economic development.

As one of the leading engineered stone manufacturers in Vietnam, Vicostone developed and implemented flexible response plans to maintain and stabilize production and business operations, ensuring employment, income, and also occupational health and safety for all employees. Revenue from domestic sales in 2021 increased by 50% over the same period last year, enabling Vicostone to maintain its leading position and fulfilling the 2021 targets.



*Vicostone's sales staff introduce products at showroom in Hanoi*

In 2021, in order to strengthen its presence and business efficiency in the Vietnamese market, Vicostone changed its sales policy, expanded its distribution channels to large enterprises and processing and manufacturing firms of high prestige to increase product coverage, reduce the pressure on delivery time for the Company's partners during peak periods, as well as minimizing the risk of losing market share to competitors.

<sup>13</sup> <https://moit.gov.vn/tin-tuc/hoat-dong/gdp-quy-iv-dao-chieu-ca-nam-2021-tang-truong-2-58>

Understanding the shopping culture of Vietnamese consumers, Vicostone continued to promote and develop the direct distribution network in the domestic market, including representative offices, showrooms and agencies to promote sales and increase interactions with industrial professionals (i.e., architects and interior designers), and consumers. By the end of 2021, Vicostone had three showrooms in Hanoi, Da Nang, and Ho Chi Minh City. Additionally, there are more than 1,000 agencies and distributors nationwide. Furthermore, the Company implemented online sales activities (Prosite and Visualizer) as well as promotion campaigns to increase access to consumers while some provinces applied counter-epidemic social distancing measures.

Overcoming the challenges and difficulties incurred by the COVID-19 pandemic, the year 2021 marks Vicostone's leap in the domestic market thanks to the responsive decision-making and resolution of the Company's leadership. Vicostone's impressive growth in the domestic market serves as a testament to its leading position in high-end quartz stone production, and lays the foundation for the Company's further successes in the Vietnamese domestic market in the future.



*Vicostone's showroom at Hoa Lac Hi-Tech Park in Hanoi.*



## BRANDING AND MARKETING ACTIVITIES

### I DOMESTIC MARKET

#### 1. End-consumer oriented activities

In 2021, given the complicated situation of the COVID-19 pandemic in Vietnam, Vicostone implemented online and offline promotions for end-consumers to stimulate demand and boost sales in support of retail agencies and distributors. The Company continued to strengthen its leading position in the field of engineered stone manufacturing by introducing new products of unique and sentimental designs as well as organizing networking activities and interior design contests for the domestic architect community.

Vicostone maintained well-known promotions such as "The Flower of Quartz" and "Home Comes First", recording a total of more than 21 million interactions and nearly 3,000 customer engagements and purchases. In addition, Vicostone first implemented the program "Online shopping – Double promotion" to adjust consumer behaviors in the context of growing online shopping trends while localities

implemented social distancing measures. The program succeeded in attracting over 500 customers.

Nearly **3,000** customer engagements and purchases

More than **21** million interactions on media channels

Additionally, in 2021, Vicostone launched the "Pele Hawaii Collection", consisting of five new products of impressive and unique beauty, inspired by the magnificent Pele Hawaiian volcano.



Vicostone General Director Pham Anh Tuan (second from the right), at the Soul of Stone 2021 Award Ceremony

#### 2. Expert-oriented activities

In addition to promotion activities, in 2021, Vicostone organized events for distributors, agents and design professionals such as Factory Tour, development of point of sale materials (POSM) and 2021 Soul of Stone Contest (S.O.S 2021) which aimed to connect, strengthen and expand the network with experts in the interior design and engineered stone production sectors.

For domestic distributors and agencies, on April 23, 2021, Vicostone held a meeting with distributors and agencies in northern Vietnam to introduce the Company's brands and products, as well as long-term cooperation prospects. At the meeting, distributors and agencies had a chance to tour around the factory and see Vicostone's engineered stone manufacturing process. They could also verify Vicostone's production capacity showcased through the Company's large-scale modern production lines and the strict control process of the leading high-end engineered stone brand. In addition, the Company launched a program to develop 50 standard POSMs nationwide and enhanced customer experience, thereby bringing the VICOSTONE® brand closer to consumers.

Vicostone also gave special attention to the professional interior design community with the annual Soul of Stone contest. After the success of the Soul of Stone 2020 (S.O.S 2020), Vicostone continued to organize the S.O.S 2021 contest

from August 15, 2021 to October 15, 2021 to fuel the passion and boost understanding of the professionals about Vicostone's quartz products. The event stimulated creativity in commercial space when combining interior architectural designs with various models of Vicostone products.

The prize worth VND **230** million

more than **80,000** experts in the design sector

The theme of "Entertainment Space Design" and a total prize value of over VND 230 million were used to promote the online S.O.S Contest to the fan page and the VietCG Community group with more than 80,000 members. By the end of the contest, the jury received nearly 100 entries and hundreds of thousands of interactions on the contest fan page and the VietCG Community group. The program continued to expand the ideas and application space of VICOSTONE® products among the community of young architects and designers. With that, a prestigious and large-scale annual contest was in the making.





## II INTERNATIONAL MARKETS

Under the influence of the COVID-19 pandemic, to ensure the safety and health of customers and partners, Vicostone continued to increase the use of online approaches, maximized the user experience on the website, digitized purchasing, approaching and consulting activities for customers, and organized traditional exhibition events.

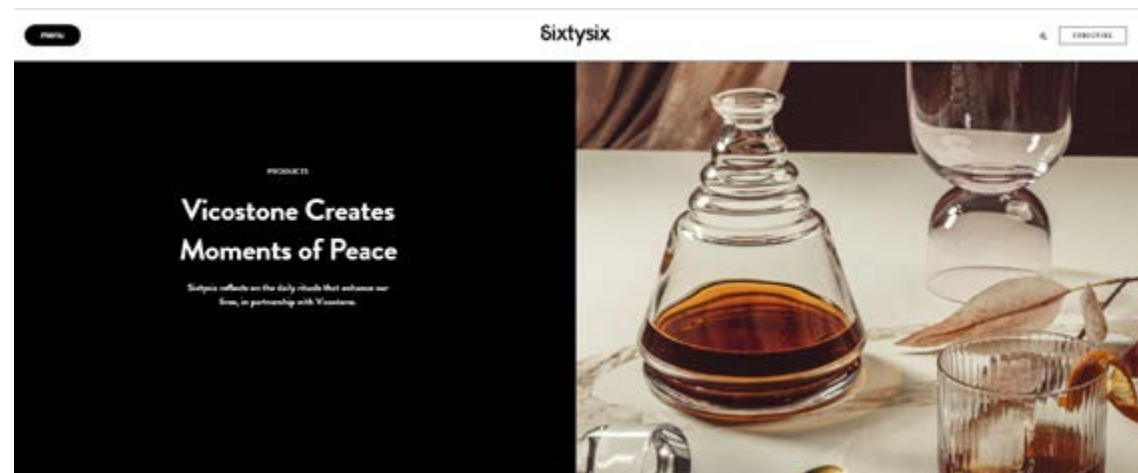
### 1. Approaching potential markets

Vicostone proactively reached out to potential customers through a number of activities, such as:

- Promotion of advertising on e-commerce platforms such as Alibaba, targeting business customers (B2B Online) to enhance brand recognition and attract new customers;
- Maintained email marketing activities aimed at potential customers, diversified contents, topics about products, their applications and design styles;
- Built Prosite - a specialized webpage for experts - to serve the needs of potential and current customers for product information, materials, and recommendations, equipped with up-to-date and useful features to enhance customers' interaction with VICOSTONE® products and brands.

### 2. Approaching key markets

In the U.S. - one of the key markets, Vicostone conducted brand and product promotion activities via prestigious and influential magazines in the fields of design and interior. Typical examples included articles introducing new products in the summer issue of Aspire Design and Home magazine (Chicago Edition), a feature on product styles made by Vicostone U.S. in association with Sixtysix magazine, or a seminar on how to blend colors in design at Design Chicago 2021. In addition, online interactive activities continued to be launched to help the Company stay connected with customers. These included surveys about product ideas to collect customers' opinions and feedback in an effort to improve the efficiency of new product commercialization activities. Besides, Vicostone also opened a new showroom in Tulsa, Oklahoma, thereby bringing the total number of showrooms in the U.S. to six showrooms and thousands of other retail points across the U.S.



An article presenting VICOSTONE® products on SixtySix magazine

In Canada, Vicostone continued to expand its distribution network by putting into operation new showrooms in Winnipeg, Edmonton and Victoria, bringing the total number of Vicostone showrooms in Canada to seven. In the coming years, Vicostone Canada will continue to expand this network to increase coverage and accessibility to customers. At the same time, communication activities through specialized magazines will also be promoted with the regular appearance of Vicostone in prestigious magazines such as Reno & Décor, and Azure. Events held online such as the Design Contest (in partnership with George Brown College) and the 10-day Give Away series of events are expected to attract a great number of customers and experts in the sector, thereby enhancing the reputation and prestige of Vicostone's premium brand in the market.



A Vicostone salesman presents the superior qualities of VICOSTONE® products



## IMPLEMENTATION OF MAJOR PROJECTS

### I PROJECTS IN 2021

In 2021, Vicostone researched and upgraded the equipment for Factory No. 1, including the continued fulfillment of the project on “Vibro-compression line No. 2 of Factory No. 1” and implementation of project on “Enhancement of production capacity and improvement of transport infrastructure at Vicostone JSC”. Specifically:

#### 1. Project on the Vibro-compression line No. 2 of Factory No. 1

Total investment value	VND 248,871,120,152
Source of capital	Company's own capital
Investment objectives	To bring the vibro-compression line No. 2 of Factory No. 1 into operation in tandem with the current production line upon the most advanced technology for the production of jumbo-sized products and new products
Duration	From December 2019 to June 2021
Location	Factory No. 1 – Vicostone JSC., Hoa Lac High-Tech Park, Thach Hoa Commune, Thach That District, Hanoi
Implementation status	The project has been completed and entered operation since June 2021 with total accounting value of investment finalization of <b>VND 134,040,047,259</b> , increasing vibro-compression capacity by 500,000m <sup>2</sup> /year.

#### 2. Project on Enhancement of production capacity and improvement of transport infrastructure at Vicostone JSC

Total investment value	VND 400,000,000,000
Source of capital	Company's own capital
Investment objectives	To enhance production capacity and product quality at factories to satisfy Company's product orders
Duration	First Quarter of 2021 – Fourth Quarter of 2022
Location	Factory No. 1 – Vicostone JSC, Hoa Lac High-Tech Park, Thach Hoa Commune, Thach That District, Hanoi
Implementation status	Project currently implemented. Disbursement value so far: <b>VND 55,500,000,000</b> , the remainder to be disbursed in 2022.

### II INVESTMENT PLANS FOR 2022

Continued implementation of projects scheduled from 2021, specifically:

**Project on Enhancement of production capacity and improvement of transport infrastructure at Vicostone JSC**

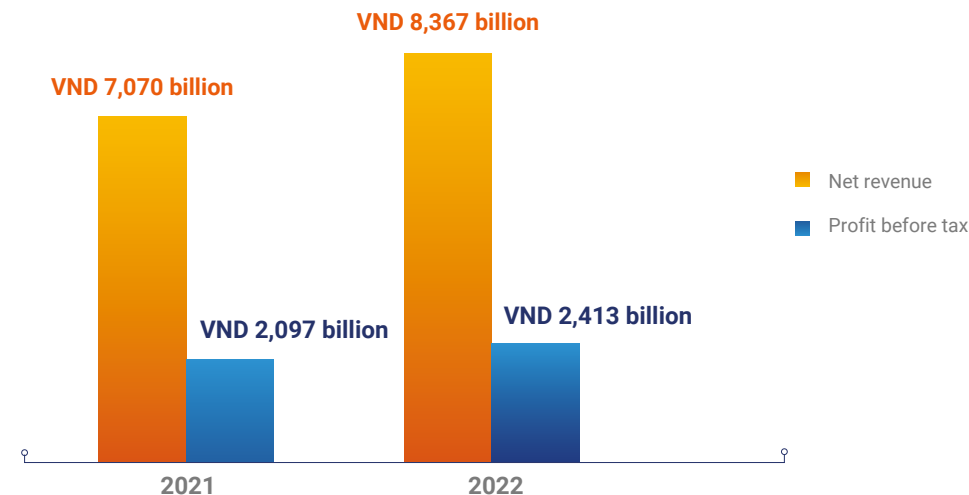
TOTAL VALUE OF INVESTMENT:  
**VND 400,000,000,000**

SOURCE OF CAPITAL:  
**COMPANY'S OWN CAPITAL**



## MAJOR TARGETS AND KEY MISSIONS IN 2022

### I MAJOR TARGETS IN 2022



Net revenue and profit before tax targeted in 2022 compared to 2021

### II KEY MISSIONS IN 2022

Vicostone is resolved to continue our tradition of overcoming obstacles in the pursuit of meeting and achieving important challenges than have been set as our targets again in 2022. This year we have adopted the mantra, “**Comprehensive Initiatives for Stronger and Faster**” characterizes our outlook, which is supported and in alignment with the Phenikaa Ecosystem. We strive to maintain and promote the spirit of proactiveness, rapidness, decisiveness, convergence and attraction of talents. Through the stating of these goals we show our commitment towards building a sustainable company that constantly keeps humanity as a core value of our business model.

Vicostone sets out its major missions as follows:

#### 1 MAINTAIN GROWTH IN PRODUCTION AND SALES

In 2022, Vicostone continues to set the targets for high growth, specifically in relation to revenue and pre-tax profits. The targets have been set at VND 8,367 billion and VND 2,413 billion respectively. These figures represent increases of 18.34% and 15.06% from 2021. To achieve said growth, the Company intends to:

- Fulfill the strategy of raw materials self-supply according to international standards, improve the internal strengths of the Company, control and improve product quality, ensure continuous production, minimize the risks of dependence on suppliers of raw materials, and improve competitive advantages;
- Explore new markets in addition to continued enhancement of strength in major markets as well as making strong investments in scientific technological research to create advanced, innovative, distinctive and artistic products;
- Enhance investment in production lines and factories to improve product quality and satisfy the strictest technical standards of markets and consumers.

#### 2 STRENGTHEN ADMINISTRATIVE SYSTEMS AND CONTROL COSTS

- Continue to improve administrative operations in accordance with new standards to match practical conditions, update and prepare business administrative systems to be ready for potential challenges and risks;
- Promote technological innovations, make comprehensive investment in the information technology infrastructure to proactively respond to changes of the economy, improve business efficiency, increase production capacity, and optimize business operations.
- Develop the plans to optimize and control the costs of production and operation, especially those of raw materials, fuel and energy to reduce the impacts of inflation on business activities; Continue to review costs of sales, marketing and administration, and optimize salaries and bonuses to harmoniously ensure income for all employees;
- Improve the efficiency of Kaizen-5S program, improve the quality standards to increase productivity and ensure occupational safety and health for employees in factories.

#### 3 IMPROVE THE QUALITY OF HUMAN RESOURCES

- Promote the learning culture among all individuals of the Company, offer opportunities for all employees to join training courses and improve professional capabilities, assist them to work more professionally, realize individual potentials, and be eligible for promotions. Thereby, the high-quality human resources are maintained, while the next-generations at all levels are ensured;
- Implement appropriate policies and activities to establish and reinforce a solidary, responsible, critical, respectful and creative working environment.

#### 4 INCREASE SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES

- Continue to spread the culture of “Conscious Business”, ensure the interests of shareholders, investors and relevant stakeholders, thereby contributing to the sustainable development of the Company and local communities;
- Together with Phenikaa Group, actively participate in social activities, increasingly coordinate with local authorities, and support people in plight, thus contributing to the socio-economic development of localities;
- Emphasize on improving production processes to satisfy higher environmental standards; Ensure that waste treatment systems run stably, and contribute to maintaining a healthy environment for the localities and communities.



# 03

## CORPORATE GOVERNANCE

94	REPORT OF THE BOARD OF DIRECTORS
108	REPORT OF THE AUDIT COMMITTEE
114	REPORT OF THE BOARD OF INVESTOR RELATIONS



# REPORT OF THE BOARD OF DIRECTORS

## I MEMBERS AND STRUCTURE OF THE BOARD OF DIRECTORS

### 1. BOD members and their ownerships at Vicostone

No	BOD member	Title	Time of appointment/ election/ dismissal	Shares held at Vicostone	Percentage of shares owned/ Total shares issued
1	Mr. Ho Xuan Nang	Chairman of BOD	Elected to BOD on April 12, 2019	5,983,581	3.74%
2	Mr. Pham Anh Tuan	Member of BOD – General Director	Elected to BOD on April 12, 2019	19,913	0.01%
3	Ms. Nguyen Dieu Thuy Ngoc	Member of BOD	Elected to BOD on April 12, 2019	-	-
4	Ms. Tran Lan Phuong	Member of BOD	Elected to BOD on April 12, 2019	18	-
5	Mr. Nguyen Quang Hung	Independent member of BOD	Elected to BOD on May 30, 2020	-	-

As of December 31, 2021, the BOD of the Company had 01 independent member, thus complying with legal regulations on the ratio of independent members in a listed company.

Vicostone BOD members were all experts with years of experience and expertise in various areas, including finance, accounting, international trade, business administration and personnel administration, who were highly responsible in discharging BOD tasks, prioritized the interests of Company's shareholders, as well as effectively and closely performed the supervision of activities throughout the Company.

Since December 15, 2016, Vicostone has separated the roles of the Chairman and those of the General Director to demonstrate the independence and clear division of responsibilities between the Board of Directors and the Board of Management to ensure decentralization in decision making and promote independence in the activities of the BOD.

(Details of BOD members are displayed in Governance Structure, Employment Structure and Management Apparatus)

### 2. List of BOD members with certificates in corporate governance

- All BOD members of the Company have completed training courses on corporate governance in accordance with the law.

## II BOD ACTIVITIES IN 2021

As the COVID-19 pandemic had severe impacts on production and sales activities across the globe, the BOD demonstrated its leading role in directing the establishment of sales targets, strategies, and plans for 2021 in light of challenges to the economy and the engineered stone manufacturing industry in particular. In 2021, with the spirit of **"Comprehensive Initiatives for Stronger and Faster"**, the BOD and its sub-divisions organized, initiated, and implemented activities stipulated by the Internal Regulation on Corporate Governance and the Resolution of the 2021 Annual General Meeting of Shareholders, namely:

### 1. Organized the Annual General Meeting of Shareholders 2021

On April 16, 2021, Vicostone successfully organized the Annual General Meeting of Shareholders, in which the Resolution 01/2021/VCS/NQ-DHDCD was approved as follows:

- Approved the BOD's report on business performance in 2020;
- Approved the Board of Internal Audit's report on internal audit results in 2020;
- Approved the business report in 2020 and the business plan for 2021;
- Approved the audited financial statements for 2020, selected the independent audit firm to assess the financial statements 2021;
- Approved the plan on profit distribution for 2020, the plan on profit distribution for 2021 and the plan on remunerations for BOD members;
- Approved the amendment of the Company's Charter;
- Approved the amendment of the Internal Regulation on Corporate Governance;
- Approved the amendment of the Internal Regulation on operation of the BOD;
- Approved the authorization of the BOD to finalize investment projects, transactions and contracts signed between Vicostone and relevant parties;



The voting session at Vicostone's Annual General Meeting of Shareholders in April 2021

## 2. Organized regular BOD meetings to evaluate the Company's performance and assess market conditions to devise appropriate strategies and developmental directions

In 2021, the unpredictable developments of the COVID-19 pandemic led to restrictions on travel and the organization of events. In light of this situation, the BOD flexibly held meetings in both in-person and online formats, with a total of 25 meetings, to discuss important matters for the Company. With respect to meetings of special significance and in need of opinions from the Board of Management (BOM), the BOD always invited the BOM to participate and provide their input.

All BOD meetings were held in accordance with the Law on Enterprise and the Company's Charter. All members of the Board fully participated and voted in BOD meetings in accordance with the provisions of the Company's Charter and the Internal Regulation on operation of the BOD.

In accordance with the rules, BOD members are required to participate in all Company BOD meetings held within the year. In cases where participation is not possible, said members must notify the BOD of the reason for their absence. In 2021, the rates of meeting attendance among all BOD members were as follows:

No	BOD member	Title	Number of BOD meetings attended	Rate of BOD meetings attended	Reason of absence
1	Mr. Ho Xuan Nang	Chairman	25	100%	
2	Mr. Pham Anh Tuan	Board member	25	100%	
3	Ms. Nguyen Dieu Thuy Ngoc	Board member	25	100%	
4	Ms. Tran Lan Phuong	Board member	25	100%	
5	Mr. Nguyen Quang Hung	Board member	25	100%	

At the meetings, the BOD focused on key topics concerning the implementation of the Resolution passed at the AGM 2021; the development and implementation of 2021 business scenarios as approved by the AGM; and monitoring of the implementation of the business plans, key missions and the resolutions of AGM 2021. 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.



## 3. Resolutions adopted by the BOD in 2021

In 2021, the BOD adopted the following important decisions:

No.	Resolution number	Date	Content
1	01a/2021 NQ/VCS-HDQT	January 8, 2021	Changes in the organizational structure and adoption of Internal Regulation on the operation of the Company.
2	01/2021 NQ/VCS-HDQT	January 12, 2021	Adoption of goods/services transactions between the Company and relating companies in 2021.
3	02/2021 NQ/VCS-HDQT	January 13, 2021	Adoption of time and venue for payment of bonus shares for investors using treasury shares.
4	03/2021 NQ/VCS-HDQT	January 27, 2021	Termination of operation of the Company's representative office in Nha Trang.
5	04/2021 NQ/VCS-HDQT	February 3, 2021	Adoption of time for distribution, solution, and selling price of shares left from the division of bonus shares for investors using treasury shares.
6	05/2021 NQ/VCS-HDQT	February 20, 2021	Adoption of 2021 production and sales plan subject to ratification by the General Meeting of Shareholders.
7	06/2021 NQ/VCS-HDQT	March 1, 2021	Convention of the 2021 Annual General Meeting of Shareholders.
8	07/2021 NQ/VCS-HDQT	March 26, 2021	Adoption of time and documentation of the 2021 Annual General Meeting of Shareholders.
9	09/2021 NQ/VCS-HDQT	May 7, 2021	Appointment of Company's key personnel.
10	10/2021 NQ/VCS-HDQT	May 7, 2021	Dismissal of the Board of Internal Audit, establishment of the Audit Committee and issuance of the Regulation on the operation of the committee.
11	10b/2021 NQ/VCS-HDQT	June 2, 2021	Adoption of credit guarantee quota for short-term loans and foreign currency transactions for A&A Green Phoenix Group JSC at the Sumitomo Mitsui Banking Corp. Bank.
12	11/2021 NQ/VCS-HDQT	June 3, 2021	Adoption of the rate and plan to make the first advance payment of cash dividend for 2021.
13	12/2021 NQ/VCS-HDQT	June 28, 2021	Selection of audit company to review the semi-annual Financial Statements and the annual Financial Statements for 2021.
14	13/2021 NQ/VCS-HDQT	July 21, 2021	Re-appointment of Chief Accountant.
15	14/2021 NQ/VCS-HDQT	October 27, 2021	Dismissal of Brand Marketing Department and adoption of amended internal statute on the operation of the Company.
16	15/2021 NQ/VCS-HDQT	November 30, 2021	Adoption of the rate and plan to make the second advance payment of cash dividend for 2021.
17	16/2021 NQ/VCS-HDQT	November 30, 2021	Changes in senior personnel.
18	17/2021 NQ/VCS-HDQT	November 30, 2021	Restructuring of the Domestic Sales – Marketing Department and Import-Export Sales Department, and adoption of the amended Internal Regulation of the operation of the Company.

#### 4. Activities of BOD members

As of December 31, 2021, Vicostone's BOD had 01 independent member that was Mr. Nguyen Quang Hung, assuring the eligible number of independent BOD members in a listed company as regulated.

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

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

Mr. Ho Xuan Nang is 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. 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 changes in both local and international markets in order to make accurate and timely business decisions.

##### Ms. Nguyen Dieu Thuy Ngoc – BOD member

Ms. Nguyen Dieu Thuy Ngoc has many years of experience in finance and accounting. 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 audit of the financial statements to be done in an accurate, transparent and timely manner.

##### Ms. Tran Lan Phuong – BOD member

Ms. Tran Lan Phuong has years of experience in human resources management. She has made great contribution to help the Company develop and implement the human resources 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

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 Board of Management (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.

#### 5. Activities of sub-divisions of the BOD

##### General Affairs Sub-Division

In 2021, the General Affairs Sub-Division carried out the following important tasks:

- Prompt reporting of outcomes to the BOD and BOM on basis of monitoring, analysis of market changes; consolidation of regular reports on Company's sales and production activities;
- Coordination with other departments and divisions in the provision of legal consultancy related to the Law on Enterprise and Law on Securities to the Board of Management to provide information and respond to inquiries from investors;
- Organization of meetings of the General Meeting of Shareholders, BOD, and BOM;
- Carrying out other tasks.

#### Audit Committee

##### Information on the members of the Board of Internal Audit (BA)/Audit Committee (AC)

No.	Member of BA/AC	Title	Date of membership/termination of BA/AC membership	Professional expertise
1	Mr. Nguyen Quang Hung	Head of the AC	Elected on May 7, 2021	Master in Economics
2	Ms. Nguyen Dieu Thuy Ngoc	<ul style="list-style-type: none"> <li>From January 1, 2021 – May 7, 2021: Head of BA</li> <li>From May 7, 2021 – present: Member of AC</li> </ul>	Elected on June 28, 2019	Bachelor of Accountancy
3	Mr. Nguyen Van Toan	BA member	No longer member of BA since May 7, 2021	Bachelor of Accountancy

##### Meetings of BA/AC and participation rate of members

No.	BA/AC member	Number of meetings attended	Rate of meetings attended	Rate of voting	Reason for absence
1	Mr. Nguyen Quang Hung	02	100%	100%	Elected to AC on May 7, 2021
2	Ms. Nguyen Dieu Thuy Ngoc	03	100%	100%	
3	Mr. Nguyen Van Toan	01	100%	100%	No longer member of BA since May 7, 2021 (due to the dissolution of BA)

##### Internal audit on the Board of Management

The activities of the Audit Committee were as follows:

- Monitored the BOM in planning, management and operation of the Company;
- Directly monitored the performance of BOM through meetings, discussions;
- Assessed the operational performance of the Company;
- Reviewed, updated regulations on internal audit to assure the Company's compliance to Vietnamese laws and international standards and practices;
- Assessed the quality of risk management and internal audit, gave recommendations and proposals to improve risk management and internal audit;
- Conducted supervision through internal reporting and cooperation with the independent auditor.

##### Cooperation between Audit Committee, BOD, BOM and other managers

Consulted the BOD and BOM with solutions in planning, strategy development and corporate governance.





## Other activities

### Risk management

- Analyzed the conditions of the markets and studied both local and international socio-economic developments to address the key risks that may threaten the operation and performance of the Company, and gave advice to the BOD and BOM in the development of business plans and limitation of risks;
- Analyzed, evaluated and addressed the risks and impacts caused by the COVID-19 pandemic on the operation of the Company, consulted the BOD and BOM to develop action plans upon the developments of the pandemic and prepare for possible scenarios, thus reducing risks and preparing all resources to achieve the targets;
- Evaluated independently and objectively the law compliance, cost efficiency, validity and effectiveness of internal audit and risk management activities at the Company;
- Reviewed, monitored and gave advice to improve the governance, management and operation of the Company;
- Assured the operations of the Company in line with the laws.



## SUPERVISION OF THE BOD OVER THE OPERATION OF THE BOM

Pursuant to the Company's Charter and Internal Regulation on Corporate Governance, the BOD executed their supervision over the BOM on the operation of the Company and implementation of resolutions in 2021 as follows:

### 1. Method of supervision

- The BOD conducted regular and periodic supervision of the BOM through regular and extraordinary meetings, emails and phone calls to oversee the implementation of the business strategies, business plans and AGM resolutions, and the realization of business targets as approved by the AGM. On the other hand, the BOM proactively and frequently reported to the BOD about the implementation of the business plan, discussed the difficulties and obstacles with the BOD and asked for the best solutions.
- The Audit Committee worked with professional departments to oversee the implementation of risk management and internal audit as well as the audit of financial statements.

### 2. Areas of supervision

- Supervised the development and implementation of 2021 business plan as approved by the AGM;
- Supervised the operation of the BOM to improve business performance and achieve expected targets;
- Reviewed and improved corporate governance, internal audit and risk management;
- Supervised the compilation of separate and consolidated financial statements for each quarter and financial year 2021 in accordance with procedures, plans and regulations;
- Supervised the payment of dividends for shareholders.

### 3. Results of BOD supervision over BOM

In 2021, the business performances of the Company in major export markets improved compared with those in 2020. The domestic market, however, suffered from the pandemic as production and

sales activities were severely affected by months-long social distancing orders. In light of such changes, the BOD provided close and accurate directions to adjust the Company's production and sales strategies, ensuring the dual target of obtaining positive growth plus maintaining safety while the pandemic was widespread in the country. The results included:

### Production and sales

- Provision of guidance on production and sales activities, enhancement of service quality, effective usage of costs to foster competitiveness;
- Provision of guidance on seeking out new customers, development of potential markets to expand the Company's market-based revenue structure and reduce risks in case of adversities in major markets;
- Provision of guidance on the continued implementation of the strategy on self-supply and mastery of input raw materials, mastery of production technology, improvement of productivity to contribute to the Company's adaptability towards international economic and political adversities;
- Provision of guidance on the continued promotion of scientific research and application of high technologies, utilization of new technology to standardize and automate the entire production chain to achieve high productivity and outstanding quality. The initiation and stable operation of the new production line in the first six months of the year contributed to improving productivity and quality and proved the Company capable of innovating;
- Provision of guidance on the development of new products to affirm Vicostone's pioneership, unrelenting innovation and creativity, and market leadership;
- Provision of guidance on the enhanced implementation of the "continuous improvement" Kaizen program that helped to minimize production wastes, reduce working hours, and improve the effectiveness of production and sales;
- Provision of guidance on enhanced measures to combat the COVID-19 pandemic, provide flexible solutions for production and sales to ensure growth targets while responding to the pandemic. Some outstanding measures in 2021 included the "3 on-site" production model and 100% vaccination rate for employees at the Company.

### Brand recognition in domestic and international markets

In 2021, the BOD provided guidance on promoting strategies and developing the VICOSTONE® brand in domestic and international markets, namely:

- Domestic market: Developed and implemented Integrated Marketing Communications (IMC) programs in 2021 with the "Flower of Quartz", "Home Comes First" and "Purchase Online – Double Promotion" campaigns; Held a living space design contest titled "Soul Of Stone - S.O.S 2021"; Organized the "New Pele Hawaii Product" launching campaign; and Held a factory tour for Distributors and Agencies in the northern region;
- International market: Developed a specific site for the professionals (prosite), which provides architects, designers, producers, distributors, etc., with unlimited access to the database, exchange of information, and receiving consultation on VICOSTONE® products; developed a VR tour feature (augmented reality and 360° spaces) for the Company's website, etc.

### Investor relations:

On April 16, 2021, the BOD successfully and safely organized the 2021 Annual General Meeting of Shareholders amid the COVID-19 pandemic;

- Directed the Board of Investor Relations to draft and issue the Company's 2020 Annual Report and 2020 Sustainable Development Report to promptly inform Shareholders and Investors about the Company's performance;



- Directed the Board of Investor Relations with prompt, transparent information disclosure in conformity with legal regulations.

#### Personnel planning

- Appointed the Vice General Director to take charge of R&D, reinforced strategic-level human resources to develop Company's R&D activities and enhance the Company's competitiveness with differentiation based on science and technology.

#### Corporate governance

- Directed departments and divisions to develop new working methods, technologies and products and enhanced the automation of production lines;
- Directed departments and divisions to develop and implement responsive plans to cope with changes in both domestic and overseas markets and react to unfair competition.

## IV IMPLEMENTATION OF THE RESOLUTION OF THE 2021 ANNUAL GENERAL MEETING OF SHAREHOLDERS

### 1. Implementation of the 2021 plans for production and sales

In 2021, the COVID-19 pandemic continued to have complex and unpredictable developments, affecting global economic growth. In Vietnam, the fourth outbreak that occurred in late April 2021 caused many localities to enforce social distancing and travel restriction measures that lasted many months, seriously impacting all aspects of socio-economic life, especially in the construction industry. However, with a strong foundation of Technology – People – System as well as the active support of Phenikaa Group (parent company), Vicostone recorded impressive 2021 business results. Net revenue in 2021 reached VND 7,070.13 billion, up 24.92% year on year, while pre-tax profit was VND 2,097.40 billion, an annual increase of 25.75% year on year. Therefore, the Company not only achieved but also exceeded targets stated in the sales scenario approved by the 2021 Annual General Meeting of Shareholders.

Unit: VND billion

Indicator	Actual in 2020	Planned for 2021	Actual in 2021	Accomplishment of the full-year plan (%)	Annual growth (%)
Net revenue	5,659.59	6,797.00	7,070.13	104.02%	24.92%
Total profit before tax	1,667.96	1,919.00	2,097.40	109.30%	25.75%

The results not only demonstrated the determination, hard work and judgment of the leaders and employees at Vicostone but also showed the Company's proper preparations and solutions upon the developments of each market to stabilize operations and maintain its position in both domestic and international markets.

### 2. Selection of the independent auditor for 2021 financial statements reviews

Authorized by shareholders at the AGM, the BOD contracted with Ernst & Young Vietnam Co. Ltd. - one of the world's four biggest and most reputable auditing firms – to review mid-year and full-year financial statements for Vicostone alone and consolidated financial statements for Vicostone and the Company's members in 2021.

For 10 years, Ernst & Young Vietnam – Hanoi branch has earned the trust of the BOD to take charge of reviewing Vicostone's financial statements, assuring progress and quality as contractually required at a reasonable price. The auditing firm also gives advice to help Vicostone improve the financial management and compliance with existing regulations of the Government.

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

### 3. Profit distribution in 2021

The Company plans to allocate its 2021 profit as follows:

Unit: VND

Items	Realized figure	Ratio (%)	Note
Undistributed profits of previous years	1,956,288,824,222		
Profit before tax in 2021	1,986,156,747,720		
Corporate income tax (CIT)	315,882,778,795		
Current CIT	315,882,778,795		
Deferred CIT			
Profit after tax in 2021	1,670,273,968,925		
First cash dividend payment in 2021	320,000,000,000	20.00%	Of the par value of VND 10,000 per share
Second cash dividend payment in 2021	320,000,000,000	20.00%	Of the par value of VND 10,000 per share
Bonus for BOD and BOM	66,810,958,757	4.00%	Of the profit after tax
Allocation of the Awards and Welfare Fund	116,919,177,825	7.00%	Of the profit after tax
Distributed profit	823,730,136,582		
Cumulative undistributed profit	2,802,832,656,565		

In 2021, the BOD approved the following dividend payments:

- January 2021: Distributed bonus shares for shareholders at the rate of 3.09:100 (every shareholder received 3.09 bonus shares for every 100 shares they had);
- June 2021: Paid the first cash dividend of 2021 to shareholders at the rate of 20%;
- December 2021: Paid the second cash dividend of 2021 to shareholders at the rate of 20%.





## 4. Corporate governance

### Amendment of the Company's Charter

The 2021 Annual General Meeting of Shareholders adopted the amendments to the Company's Charter to bring it into compliance with the Law on Enterprise No. 59/2020/QH14 promulgated on June 17, 2020; the Law on Securities No. 54/2019/QH14 promulgated on November 06, 2019; Degree No. 155/2020/ND-CP promulgated on December 31, 2020 to instruct the implementation of the Law on Securities; Circular No. 116/2020/TT-BTC dated December 31, 2020 instructing the implementation of certain provisions of Degree No. 155/2020/ND-CP related to the administration of public companies; and Circular No. 96/2020/TT-BTC promulgated on November 16, 2020 to instruct the information disclosure on the stock market.

The BOD instructed functional departments to draft amendments to Vicostone's Charter.

### Amendment of the Company's Internal Regulation on corporate governance

The 2021 Annual General Meeting of Shareholders adopted the amendments to the Company's internal regulation on corporate governance to bring it to compliance with the Law on Enterprise No. 59/2020/QH14 promulgated on June 17, 2020; the Law on Securities No. 54/2019/QH14 promulgated on November 06, 2019; Degree No. 155/2020/ND-CP promulgated on December 31, 2020 to instruct the implementation of the Law on Securities; Circular No. 116/2020/TT-BTC dated December 31, 2020 instructing the implementation of certain provisions of Degree No. 155/2020/ND-CP related to the administration of public companies.

The BOD instructed functional departments to draft amendments to Vicostone's Internal Regulation on corporate governance.

### Amendment of the Regulation on operation of the BOD

The 2021 Annual General Meeting of Shareholders adopted the amendments to the Regulation on operation of the BOD.

The BOD instructed functional departments to draft amendments to the Regulation on operation of the BOD.

### Authorization of the BOD to review, finalize investment projects, transactions, contracts signed between Vicostone and relevant parties

The BOD on January 12, 2021 approved merchandise and service transactions for the year between Vicostone and relevant companies.

The details of principal contracts were publicly posted on the Company's website at: <https://vicostone.com/vi-vn/investor-news> and the portals of the Hanoi Stock Exchange and the State Securities Commission in accordance with the laws.

### Remuneration for BOD members in 2021

The monthly remuneration for BOD members complies with provisions of the Company's Charter on policies related to salaries, bonuses, and expenses for BOD members, decisions of the Annual General Meeting of Shareholders, and relevant legal regulations.

In 2021, the remuneration made by Vicostone for BOD members was in line with the Resolution of the 2021 Annual General Meeting of Shareholders. The total amount of remuneration for BOD members in 2021 was VND 312,000,000, specifically:

No.	Name	Title	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. Tran Lan Phuong	BOD member	12	60,000,000
5	Mr. Nguyen Quang Hung	BOD independent member	12	60,000,000
<b>TOTAL</b>				<b>312,000,000</b>

In addition to remuneration, BOD members that take charge of tasks at the Company also received their salaries in line with the Company's wage structure.

*(Details on the income of the BOD and BOM are provided in the Report of the Audit Committee).*



**V**

## GENERAL ASSESSMENT OF THE BOD'S PERFORMANCE IN 2021

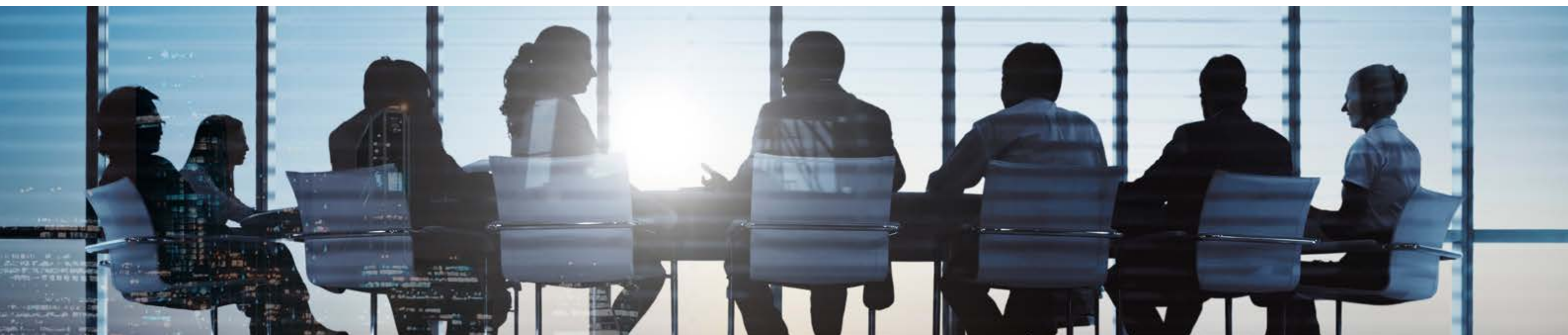
- In 2021, a year full of adversities brought by the COVID-19 pandemic, the achievements were the results of enormous efforts by the BOD that performed assigned tasks with excellence to guide the Company to operate in accordance with the law, the Company's Charter and Internal Regulation on the operation of the Company. The BOD overcame difficulties and challenges, successfully exceeded the targets set by the 2021 Annual General Meeting of Shareholders, and effectively operated the administrative model, thus securing and balancing the interests of shareholders with those of stakeholders, including customers, employees and communities. Under the management of the BOD, Vicostone fully exercised corporate governance and assured organizational structure and operations in conformity with the Law on Enterprise and Company's Charter;
- The BOD instructed the BOM and functional departments and divisions to strictly and effectively implement the resolutions of the Annual General Meetings of Shareholders, assure income, employment and safety for employees, and conduct business in a conscious and responsible manner towards stakeholders;
- Sub-divisions under the BOD contributed to assisting the BOD in risk management, internal audit, investment, and appointment of senior personnel;
- All BOD members were assessed to have successfully completed their tasks and actively and positively performed their assigned responsibilities. 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 endeavor, the Company was able to realize earnings targets and pursue sustainable development. With years of experience in finance, international trade, business administration, human resources management, production technology, laws and so forth, they were capable of delivering effective analyses and judgments, performed their roles with integrity and transparency, and assured and balanced the benefits of shareholders with those of stakeholders;
- The Chairman of BOD performed the key role to deploy the activities, encouraged all members to discuss related topics under the BOD's jurisdiction, and developed action plans for the next financial year to maximize the collective strength of Vicostone.

**VI**

## DIRECTION AND PLANNING FOR THE BOD IN 2022

The global economy in 2022 is expected to experience continued difficulties and challenges due to impacts from the COVID-19 pandemic. The BOD will continue to promote the values it has established and developed in past years, resolutely implement production and sales solutions under the **"Comprehensive Initiatives for Stronger and Faster"** motto, focusing on the following key activities:

- Improve corporate governance capacities based on international administration practices to ensure effective use of resources and create sustainable values in the long term;
- Implement the Resolution of the 2022 Annual General Meeting of Shareholders with a focus on fulfilling the 2022 plans for production and sales as approved by the Annual General Meeting of Shareholders;
- Sustain the revenue growth rate that exceeds planned targets through effective solutions in the areas of marketing, identifying and developing new markets, improving product quality, creating uniqueness, improving productivity, and effectively reducing and controlling costs;
- Continuous development of new and unique lines of products that are attractive to customers, differentiate from competitors, and satisfy the increasingly demanding needs of the market is the key task that will help determine the Company's competitive advantages;
- Improve productivity and quality of products, and preserve brand reputation; develop and implement solutions to sustain the quality of product designs;
- Implement media campaigns to commemorate Vicostone's 20<sup>th</sup> anniversary. Continue to promote the 2022 Integrated Marketing Communications campaign to retain and expand domestic and international markets and improve competitiveness as important tasks for Vicostone;
- Update new features for Vicostone website (prosite, VR tour, Visualizer, Vicostone 360°...) and maintain the level of brand recognition;
- Enhance the quality of sales and market development, and attract new customers in accordance with the sales plans for VICOSTONE® products in international markets;
- Implement on-site activities in new markets, promote access to and cultivate potential customers to support sales during and after the COVID-19 pandemic;
- Continuously establish and develop sales support tools (Prosite, Visualizer, Mobile App);
- Assure occupational safety and health, employment and income for employees during and after the COVID-19 pandemic;
- Improve training quality to satisfy present and future personnel demands; Invest in skill enhancement programs for all employees so they will have the necessary professional knowledge and experience to respond to the developmental periods and strategies of the Company;
- Enhance communication activities, establish the culture of conscious business.



# REPORT OF THE AUDIT COMMITTEE

In accordance with Paragraph B, Article 137 of the Law on Enterprise 59/2020/QH14 which came into effect on January 01, 2021, the BOD promulgated Resolution 10/2021/NQ-VCS-HDQT dated May 07, 2021 establishing the Audit Committee (AC). The Audit Committee is the direct sub-division of the BOD that provides consultancy and assistance to the BOD in ensuring the effectiveness of internal administration and risk management in compliance with legal regulations.

## I MEMBERS OF THE AUDIT COMMITTEE

The list of members of the Audit Committee as of December 31, 2021 included:

No.	Member	Title	Time of election
1	Mr. Nguyen Quang Hung	Independent BOD member cum Head of Audit Committee	May 7, 2021
2	Ms. Nguyen Dieu Thuy Ngoc	BOD member cum Audit Committee member	May 7, 2021

## II REPORT ON THE OPERATION OF THE AUDIT COMMITTEE

In the past year, the Audit Committee regularly held meetings with the full participation of members to implement work within its authorities and obligations in accordance with the Audit Committee's rules of procedure. Following is the report of the Audit Committee on its activities in 2021:

### 1. Supervision of the BOD

- The actions of the BOD complied with the laws, the Company's Charter and the Internal regulation on corporate governance. Resolutions and decisions made by the BOD were issued in a timely, orderly and competent manner;
- All BOD members performed their assigned tasks in accordance with the provisions of the Company's Charter;
- The BOD actively stayed updated with new political and economic events in Vietnam and the world, especially the developments of the pandemic and the re-opening of global economies in the face of the adversities caused by COVID-19 pandemic. Therefore, the BOD was able to adjust the business plan properly to match the conditions of each specific market;
- There were neither conflicts of interest among BOD members nor conflicts between BOD and the Company;
- Salaries and bonuses paid to executive BOD members were in line with their contracts and wage structure of the Company; their remunerations were at the levels approved by the AGM;
- Remunerations for non-executive BOD members were at the levels approved by the AGM.

### 2. Supervision of the BOM

- The BOM was consistently proactive in the management and operation of the Company. Sales solutions for the year were flexibly adjusted by the BOM in light of the complex developments of the market and the COVID-19 pandemic;
- The BOM strictly followed existing laws of the Government, the Corporate Charter and the Internal regulation on corporate governance;
- There were neither conflicts of interest between the BOM and the BOD nor conflicts between the BOM and the Company;
- The salaries and bonuses for the BOM members complied with the labor contracts and regulations of the Company.





The details of salaries and bonuses for the BOD and BOM members in 2021 are as below:

Unit: VND

Name	Duration as member of the BOD	Duration as member of the BOM /Chief Accountant	Duration of being paid salaries and bonuses	Income from salary, bonuses and allowances as member of BOD/BOM	Remuneration for member of the BOD	Total income from salary and bonus as Chief Accountant	Total
Mr. Ho Xuan Nang	Whole year		Whole year	4,075,931,558	72,000,000		4,147,931,558
Mr. Pham Anh Tuan	Whole year	Whole year	Whole year	2,861,022,428	60,000,000		2,921,022,428
Mr. Nguyen Quang Hung	Whole year		Whole year	107,500,000	60,000,000		167,500,000
Ms. Nguyen Dieu Thuy Ngoc	Whole year		Whole year	50,000,000	60,000,000		110,000,000
Ms. Tran Lan Phuong	Whole year		Whole year		60,000,000		60,000,000
Mr. Pham Tri Dung		Whole year	Whole year	2,787,220,200			2,787,220,200
Mr. Luu Cong An		Whole year	Whole year	2,799,787,800			2,799,787,800
Mr. Nguyen Chi Cong		Whole year	Whole year	2,484,403,036			2,484,403,036
Ms. Pham Thi Bich Thuy		January 1 – November 30	January 1 – November 30	86,247,018			86,247,018
Mr. Dong Quang Thuc		May 7 – December 31	May 7 – December 31	771,273,885			771,273,885
Ms. Nguyen Thi Nga		Whole year	Whole year			1,245,691,999	1,245,691,999
<b>TOTAL</b>				<b>16,023,385,925</b>	<b>312,000,000</b>	<b>1,245,691,999</b>	<b>17,581,077,924</b>





### 3. Supervision over the Company's financial statements and operations

#### Financial statements

The AC reviewed the Company's quarterly financial statements before publication, and in coordination with the independent auditor reviewed the semi-annual financial statements as well as audited the Company's 2021 financial statements. The results show that:

- The AC did not discover any signs of violation with the principles of independence and confidentiality by the auditor – the Ernst & Young Vietnam Co. Ltd. and members of the audit team;
- Financial transactions in the year were fully recorded and these records accurately reflected the actual operations of the Company in 2021. The auditor found no errors that could deflect the financial statements;
- The financial statements were honestly and accurately developed to reflect the Company's key financial indicators, business results and cashflow as of December 31, 2021 while meeting Vietnamese accounting standards and regulations on financial reporting;
- The AC found no extraordinary and noteworthy issues regarding the transactions of the related parties. In addition, trading prices were comparable with the market prices at the time of transactions and were not different from other independent transactions;
- Quarterly, semi-annual and annual financial statements were compiled, audited and published in accordance with the regulations of the State Securities Commission and the Hanoi Stock Exchange, and other existing rules.

#### Operations of the Company

In light of the unpredictable developments of the COVID-19 pandemic, the BOD and BOM were consistent and sharp when managing and operating production and sales. Thus, the Company's performance in 2021 maintained high growth compared to 2020:

Indicator	Actual in 2020	Planned for 2021	Actual in 2021	Accomplishment of 2021 plan (%)	Annual growth compared to 2020 (%)
Net revenue (VND billion)	5,659.59	6,797.00	7,070.13	104.02%	24.92%
Profit before tax (VND billion)	1,667.96	1,919.00	2,097.40	109.30%	25.75%

#### Internal control and risk management systems

The Company's internal control and risk management systems were improved and became more efficient in risk prevention and management. The results show that:

- The internal control and risk management systems were maintained with higher efficiency;
- The AC found no breaches in the Company's internal control system;
- The Company's units and departments highly and strictly complied with regulations and procedures and no failures and violations were found;

- Operational procedures were continuously adjusted and updated to meet the conditions of the business;
- The AC regularly conducted internal assessments and accredited the quality control standards of ISO 9001:2015, ISO 14001, etc.

#### The compliance of the Company with the law

- The operations of the Company consistently and fully complied with laws in the following areas: Tax management; environmental protection; management of resources and minerals; regulations on COVID-19 prevention, etc. without the occurrence of outstanding tax debts.

#### Coordination between the AC and the BOD and BOM

- In the course of conducting audits, the BOD and BOM always facilitated, supported, and closely coordinated with the AC by fully and promptly providing processes, documents, and reports relevant to the administration and operation of the Company;
- The AC participated in all meetings of the BOD and BOM. Through this, the AC was fully aware of relevant information and was able to provide important advice to help the BOD and BOM in fulfilling their tasks.



#### RECOMMENDATIONS FROM THE AC

To improve the apparatus and enhance effectiveness in the management, operation, and production and sales of the Company, the AC recommends the BOD and BOM:

- Establish an internal audit division directly under the AC to advise and support the AC in discharging its functions and tasks;
- Amend some provisions of the Internal regulation on risk management, continue to improve risk management to integrate risk management processes into all of the Company's activities;
- Direct departments and divisions to provide continued and more proactive support in coordination with the AC to enhance the effectiveness of audit activities and the Company's management, operation, and production and sales activities.



#### MAJOR PLANS AND ACTIVITIES FOR 2022

- Supervise and evaluate the performance of the BOD, BOM and their respective members with the management and operation of the Company;
- Supervise the operation and implementation of strategic goals, production and sales targets set for 2022;
- Evaluate the compliance, frugality, enforceability and effectiveness of the Company in risk management and other operational processes;
- Conduct quarterly financial statements reviews, coordinate with the independent auditor in reviewing semi-annual financial statements and audit the 2022 annual financial statements.
- Inspect and supervise the compliance of the Company with the laws.





# REPORT OF THE BOARD OF INVESTOR RELATIONS

I

SHAREHOLDER INFORMATION

### 1. General information

Name of the Company	VICOSTONE JOINT STOCK COMPANY
Address	Hoa Lac Hi-Tech Park, Thach Hoa Commune, Thach That District, Hanoi, Vietnam
Phone	024 3368 5826
Fax	024 3368 6652
Email	<a href="mailto:quanhecodong@vicostone.com">quanhecodong@vicostone.com</a>
Investor relations portal	<a href="https://vicostone.com/vi-vn/investor-news">https://vicostone.com/vi-vn/investor-news</a>

Information of stock (As of December 31, 2021)

Registered capital	VND 1,600,000,000,000
Total amount of issued and listed shares	160,000,000 shares
Stock code	VCS, listed on the Hanoi Stock Exchange (HNX) and debuted on December 17, 2007
Type of stock	Common stock
Total amount of outstanding shares	160,000,000 shares
Total amount of treasury shares	0
Par value	VND 10,000
Total market capitalization	VND 18,720 billion (as of December 31, 2021)

### 2. Shareholder structure

(Upon the list of shareholders recorded by the Vietnam Securities Depository as of December 14, 2021)

No.	Shareholder	Number of shareholders	Amount of owned shares	Rate of ownership (%)
1	Major shareholder (with more than 5% ownership)	1	134,647,082	84.154%
2	Labor Union	1	6,000	0.004%
3	Other shareholders	4,398	25,346,918	15.842%
	<b>TOTAL</b>	<b>4,400</b>	<b>160,000,000</b>	<b>100%</b>
	Including:			
	Domestic shareholders:			
	+ Institutional shareholders	43	136,071,675	85.045%
	+ Individual shareholders	4,215	18,085,527	11.303%
	Foreign shareholders			
	+ Institutional shareholders	36	5,451,631	3.407%
	+ Individual shareholders	106	391,167	0.244%



### 3. Ownership of major shareholders (with more than 5% ownership)

(Upon the list of shareholders recorded by the Vietnam Securities Depository as of December 14, 2021)

No.	Name of individual/institution (representative)	Category of shareholder		ID number/Business registration number	Date of issue	Amount of owned shares	Owned shares/Outstanding shares ratio (%)
		State shareholder	Major shareholder				
1	A&A Green Phoenix Group JSC		X	0104961939	October 20, 2010	134,647,082	84.15%

### 4. Ownership of insiders (members of BOD, BOM and AC)

(Upon the list of shareholders recorded by the Vietnam Securities Depository as of December 14, 2021)

No.	Name	Title and position	Amount of owned shares at the end of the year	Owned shares/Outstanding shares ratio (%)
1	Ho Xuan Nang	Chairman of BOD	5,983,581	3.74%
2	Nguyen Quang Hung	Member of BOD Head of Audit Committee	0	0%
3	Nguyen Dieu Thuy Ngoc	Member of BOD Member of Audit Committee	0	0%
4	Pham Anh Tuan	Member of BOD General Director	19,913	0.01%
5	Tran Lan Phuong	Member of BOD	18	0%
6	Luu Cong An	Vice General Director	206,261	0.13%
7	Pham Tri Dung	Vice General Director	353,391	0.22%
8	Nguyen Chi Cong	Vice General Director	10,975	0.01%
9	Dong Quang Thuc	Vice General Director	10	0%
10	Pham Thi Bich Thuy	Vice General Director (resigned on December 1, 2021)	0	0%
11	Nguyen Thi Nga	Chief Accountant	0	0%
12	Nguyen Van Toan	Member of the Board of Internal Audit (former)	0	0%
<b>TOTAL</b>			<b>6,574,149</b>	<b>4.11%</b>

### 5. Share transactions of insiders and related persons

In 2021, there were no transactions by members of the BOD, BOM and Audit Committee, Chief Accountant, major shareholders and those related to the aforementioned persons.

### 6. Treasury share transactions

No.	Transaction conducted by	Number of treasury shares before transaction	Number of treasury shares after transaction	Date of transaction	Median price of transaction (VND)
1	Vicostone JSC	4,800,000	6,000	February 22, 2021	N/A (as the transaction of treasury shares was to divide bonus shares to current shareholders)
2	Vicostone JSC	6,000	0	February 22, 2021	VND 87,950 per share

### 7. Investor relation policies

#### Ensure rights and equality between shareholders and investors

This is one of the top priorities in corporate governance at Vicostone. The Company always attaches great importance to the development and implementation of policies to protect the rights and ensure fairness for shareholders, investors with no discrimination between major and minor shareholders or between domestic and foreign shareholders. Vicostone's investor relation activities aim to protect and fulfill interests of shareholders; comply with the law; ensure that shareholders/investors are all provided with full information, including information related to the time and rate of dividend payment, invitation to Annual General Meeting of Shareholders (AGM) and extraordinary meetings of shareholders; facilitate voting rights of shareholders at the AGM or through authorized persons; provide written opinions with respect to issues that the Company seek approval or other issues related to interests of shareholders, etc. Additionally, the Board of Investor Relations also actively responds to inquiries and fulfills the demand of shareholders and investors for information disclosure through indirect channels such as email, phone, and the Investor Relations portal on Vicostone's website.

#### Provide different channels of communication for shareholders and investors

As a listed company with a large number of shareholders, Vicostone understands the importance of updated information to investment decisions towards shareholders and investors. In 2021, in light of the serious outbreaks of the COVID-19 pandemic with new variants that led to social distancing, travel restriction and crowd-gathering restrictions, the Company managed to ensure the interests of shareholders and investors by promptly, accurately and transparently updating and disclosing information while diversifying and improving communication quality, thus, providing investors and shareholders with full and prompt updates on the strategic development, business performance, corporate governance, etc.



In addition to strictly complying with regulations on information disclosure in accordance with Circular 96/2020/TT-BTC, Vicostone also proactively discloses major information which may affect the interests of shareholders and investors, including: Quarterly earnings estimates, new product reports and statements on share trading and dividend payment for shareholders.

#### 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 fair among all shareholders and investors. Their concerns to receive dividend payments, to vote, to nominate members for the BOD, to approve annual financial statements and annual business plans, to comment on key issues, and to access the business and production information are always adequately satisfied in a timely and transparent manner. These communications are delivered through updates in line with standards and procedures on information disclosure, meeting organization, voting and commenting to assist shareholders in the execution of their rights. In order to improve the credibility of the provided data, Vicostone maintains the compilation of financial statements in compliance with Vietnamese accounting standards, and contracts an independent auditor to work with the AC and review annual financial statements. The Company also conducts internal review of quarterly financial statements to confirm the accuracy and credibility of the data.

### 8. Dividend policy

Dividend is considered one of the best interests for every shareholder. Through the stability of annual cash dividend payments, Vicostone makes sure shareholders receive fixed dividends and stable income.

The ratio and form of dividend payment are decided and executed in line with the Resolution of the AGM, the proposal of BOD and following principles:

- Dividends are paid only when the Company is profitable, after the Company completes profit distribution to specific funds and accomplishes tax and financial duties in accordance with the law;
- The Company must assure due debts and liabilities are resolvable after the dividend payments are completed;
- The dividend payments are made on two conditions: The interests of shareholders are secure and the need of capital for business expansion is met;
- The dividend payment is subject to each shareholder's ownership.



Chairman of the BOD, Mr. Ho Xuan Nang (middle), and General Director, Mr. Pham Anh Tuan (left), moderate the 2021 Annual General Meeting of Shareholders

Annual dividend ratios are as follows:

Year	Dividend ratio	Provisioned value of the dividend (VND)	Settled value of the dividend (VND)	Note
2007	14%	3,354,483,463	3,284,483,463	From profit after tax in 2006
2008	20%	14,717,824,240	14,787,824,240	From profit after tax in 2007
2009	-	1,497,600,000	1,497,600,000	From profit after tax in 2008
2010	35%	53,625,000,000	53,625,000,000	20% of profit after tax in 2009 15% of profit after tax in 2010
2011	5%	9,942,391,000	10,533,300,000	From profit after tax in 2010
2012	20%	105,998,502,000	106,427,397,000	From profit after tax in 2011
2013	-	-	124,536,000	-
2014	25%	111,298,527,500	26,495,156,100	5% of profit after tax in 2013 20% of profit after tax in 2014
2015	40%	169,597,804,000	169,571,493,275	From profit after tax in 2015
2016	40.00%	190,797,404,000	275,186,472,700	From profit after tax in 2016
	~ 13.21%	70,007,490,000	-	Issued bonus shares
2017	20.00%	120,000,000,000	120,012,199,500	From profit after tax in 2017
	~ 33.33%	200,000,000,000	-	Issued bonus shares
2018	40%	476,800,000,000	388,181,228,100	20% of profit after tax in 2017 20% of profit after tax in 2018
	100%	800,000,000,000	-	Issued bonus shares
2019	40%	627,200,000,000	713,512,226,500	40% of profit after tax in 2019
	2.04%	240,247,311,882	-	Distribution of bonus shares for shareholders using treasury shares
2020	40%	630,400,000,000	630,400,000,000	20% of profit after tax in 2019 20% of profit after tax in 2020
2021	40%	640,000,000,000	640,000,000,000	40% of profit after tax in 2021
	3.09%	292,964,708,657	-	Distribution of bonus shares for shareholders using treasury shares



## INVESTOR RELATIONS IN 2021

In 2021, in light of the complex and unpredictable COVID-19 pandemic, Vicostone's investor relations were carried out under the guidance of the BOD and BOM in accordance with the **"Comprehensive Initiatives for Stronger and Faster"** guideline set out by Phenikaa Group (parent company). The Company always ensured the best interests for shareholders and investors, attached great importance to the development of close and fine relations with shareholders and investors, and at the same time fulfilled the responsibilities on information disclosure in accordance with Circular 96/2020/TT-BTC of the Ministry of Finance to deliver prompt, accurate information on Vicostone, helping the BOD and BOM to immediately learn the feedbacks and opinions of shareholders, investors and analysts, and stay updated on market performance.

Information on administration, business operations and performances, and extraordinary events was issued by the Company within the allowed timeframe, ensuring transparency, accuracy, credibility, adequacy and promptness. The Company's investor relations page (<https://vicostone.com/vi-vn/investor-news>) was the portal releasing official information and documents on Vicostone, including disclosed information, financial data, annual reports, documents for general meetings of shareholders, and corporate governance reports.

Vicostone's investor relations in 2021 achieved several remarkable results as follows:

- Ensured fair treatment among shareholders: The fair treatment among shareholders was the consistent principle that has been implemented since the establishment of the Company and demonstrated in the fact that all shareholders were provided with the same information. Additionally, the Company facilitated shareholders to exercise their voting rights by attending the AGM in person and enabling unavailable shareholders (especially foreign shareholders) to authorize representatives to participate in the AGM;
- Disclosed information on the website of Company, the CIMS system of the Hanoi Stock Exchange and the IDS system of the State Securities Commission in a strict, transparent and legal manner in accordance with Circular 96/2020/TT-BTC. Information on business performance, financial status, corporate governance and other issues that might affect the rights and interests of shareholders were consistently, accurately, fully and regularly updated;
- Successfully held the 2021 AGM in light of the COVID-19 pandemic, ensured distancing and safety requirements for all attendees according to standards set by the Ministry of Health;
- In the past year, Vicostone's Board of Investor Relations operated actively and effectively, having received and responded promptly to shareholders' inquiries through such channels as telephone and email; promptly provided shareholders with important information updates that may directly affect shareholders' rights and interests.



## THE PLAN FOR INVESTOR RELATIONS IN 2022

The Board of Investor Relations has developed a plan to improve the efficiency and professionalism of the work in 2022, assuring transparency, credibility, accuracy, sufficiency and promptness of information disclosures on business performance and operation, and demonstrating the accountability of Company towards shareholders and investors. The activities planned for 2022 are:

- Update shareholders and investors with prompt, credible news about business performance and operation on the website of Company, including both mandatory and non-mandatory information disclosures in accordance with the laws;
- Maintain and improve the quality of information disclosure, enhance the standardization, transparency, credibility and promptness of the information, thus assuring Vicostone's sustainability on the stock market;
- Educate and improve professional abilities and skills for the Board of Investor Relations and its staff in information disclosure and other activities relating to the Company's performance and operation;
- Maintain and adopt new channels of communication with shareholders and investors such as: In-person meeting, phone call and email, assuring transparent, sufficient and prompt information disclosures, and improving the relations with investors and shareholders;
- Meet with investors and shareholders to explore opportunities for better cooperation in both domestic and overseas markets;
- Continue to promote investor relations activities, actively and promptly respond to requests and inquiries of shareholders, investors and concerned stakeholders.





# 04

## SUSTAINABLE DEVELOPMENT

124	COMMITMENT TO SUSTAINABLE DEVELOPMENT
130	VICOSTONE'S CODE OF CONDUCT WITH STAKEHOLDERS
134	HSEQ MANAGEMENT SYSTEM
146	ENVIRONMENTAL RESPONSIBILITIES
156	SOCIAL RESPONSIBILITIES
160	SUSTAINABLE HUMAN RESOURCES DEVELOPMENT



## COMMITMENT TO SUSTAINABLE DEVELOPMENT

Over 19 years of operation, “sustainable development” has always been the compass that guides Vicostone through all activities, including production, sales, corporate governance, research and development, and human resources development. The commitment to the development and benefit of humanity and society is the fundamental principle for each of the Company’s actions.

The sustainable development of Vicostone is attached to customers’ satisfaction, environmental protection, occupational health and safety, and social security and stability. Accordingly, the Company commits to:

- Contribute to make better life for the community and society;
- Focus on the human resources development as the core strength of the business;
- Implement policies on cost-saving, efficient use of natural resources and the application of sustainable technologies;
- Realize all commitments to the stakeholders;
- Abide to the law as a transparent and ethical business;
- Provide all resources required to maintain and improve the system on quality management, environmental protection, social responsibility, and occupational health and safety upon the standards ISO 9001:2015, ISO 14001:2015, SA 8000:2014, ISO 45001:2018.



*Vicostone engineers check the solar power panels*





## STAKEHOLDER ENGAGEMENT

Vicostone believes the shareholders, partners, employees, community and society share mutual interests based on law abidance and an understanding, respectful, side-to-side partnership. In order to maintain the balance among all stakeholders, Vicostone is fully aware of their concerns and the Company always seeks the most appropriate approaches to resolve the problems while assuring the stability of the business operation and accomplishment of targets.

**The stakeholders of Vicostone are as follows:**



Stakeholder	Major concerns	Vicostone's goals	Vicostone's actions
 Shareholders & Investors	<ul style="list-style-type: none"> <li>• Efficiency of business operation;</li> <li>• Accurate, transparent, prompt information disclosure;</li> <li>• Fair treatment and right among shareholders and investors;</li> <li>• Quality of corporate governance; improvement of corporate governance in accordance with global standards;</li> <li>• Two-way communication between shareholders, investors and the Company.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain and develop the relationship with investors and shareholders;</li> <li>• Abide by the rules on transparency and information disclosure;</li> <li>• Guarantee the rights and benefits of shareholders and investors.</li> </ul>	<ul style="list-style-type: none"> <li>• Held the 2021 Annual General Meeting of Shareholders to review production and sales activities of the past year, as well as discuss and consolidate action plans for the future. The 2021 Vicostone Annual General Meeting of Shareholders was held on April 16, 2021 with the participation of shareholders representing more than 143 million shares and accounting for 89.64% of total voting shares. The shareholders agreed to adopt the production and sales plans under the impact of the COVID-19 pandemic for 2021;</li> <li>• Distributed all 4.8 million treasury shares to shareholders to fulfill the payment of dividends in the second phase in 2021 in accordance with plans adopted at the Annual General Meeting of Shareholders;</li> <li>• Agreed to pay the 2021 dividends in cash with a rate of 40% on June 23 and December 24, 2021;</li> <li>• Ensured that all shareholders could exercise their rights and enjoyed fair treatment;</li> <li>• Provided full, transparent, and prompt information on production and sales to shareholders and investors;</li> <li>• As a listed company, Vicostone implemented and fully observed the obligations and responsibilities in accordance with the laws of securities, and promoted the brand of VICOSTONE® to the investors.</li> </ul>
 Employees	<ul style="list-style-type: none"> <li>• Safe, friendly and non-discriminatory working environment;</li> <li>• Fair, attractive salary and bonus policies; competitive, diverse welfare regime;</li> <li>• Opportunities to join training programs and develop professional competencies;</li> <li>• Recognition of individual achievements and efforts.</li> </ul>	<ul style="list-style-type: none"> <li>• Develop teamwork spirit and discipline for all employees;</li> <li>• Enhance loyalty among employees towards the Company; encourage them to prolong their careers;</li> <li>• Evaluate and improve welfare policies for the labor;</li> <li>• Educate and encourage Vicostone's employees to make contributions to the community.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensured a safe working environment, freedom and equality, and healthcare for employees. In 2021, despite the continued adverse effects of the COVID-19 pandemic on Vietnam's socio-economic development, Vicostone still enacted prompt and uniform measures that prioritized occupational safety and health for all employees, including the implementation of the "3 on-site" production model, disinfection of the workplace, provision of hand-wash liquid and face-masks for all employees, installation of smart body temperature monitors at the entrance of office buildings and factories, maintenance of safe distance in the workplace and cafeteria, etc.;</li> <li>• Maintained and improved welfare policies and income stability for employees. In 2021, under the impacts of the COVID-19 pandemic, various companies were forced to suspend or close operations. With firm administrative and financial foundations, Vicostone not only sustained but actually increased the number of employees to maintain a strong workforce while ensuring income for all employees;</li> <li>• Continued to improve the working environment, upheld solidarity, coordination, and cooperation among individuals, departments and divisions;</li> <li>• Organized online training courses for 100% of the Company's employees. All employees were subject to regular performance reviews so that recommendations could be made to the boards of Directors and Management on skill and professional improvement programs and the next generation of managers and leaders can be identified and trained;</li> <li>• Surveyed the happiness levels of all employees in the Company, listened to feedback, and offered timely and appropriate solutions to improve the effectiveness of the administrative and sales activities of the Company.</li> </ul>
 Customers	<ul style="list-style-type: none"> <li>• Guaranteed quality of products and services;</li> <li>• Investment worth every dime through returned quality;</li> <li>• Accessibility to the information of products and services;</li> <li>• Provide prompt, accurate, direct information to make decisions about purchasing the products;</li> <li>• High quality of customer care services; prompt response and support to customers' complaints on clear agreement terms.</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement of customers' satisfaction on the products and services provided by Vicostone;</li> <li>• Enhancement of the popularity for VICOSTONE® brands on the market.</li> </ul>	<ul style="list-style-type: none"> <li>• Conducted frequent market surveys to understand and predict consumer trends thus developing the product lines that satisfy the tastes and needs of customers;</li> <li>• Expanded the network of distributors and agencies to increase market coverage and serve customers in all regions in the fastest manner possible;</li> <li>• Trained and developed customer services teams and professionally and diligently resolved complaints;</li> <li>• Frequently reviewed and improved procedures for receiving and handling customers' complaints to increase service quality and customers' satisfaction;</li> <li>• Expanded channels to receive customers' feedback at the customer services department, through emails, 24/7 hotlines, etc.</li> <li>• Established an online sales system and launched promotions to boost market demand and help customers easily access Vicostone's products and services;</li> <li>• Frequently surveyed customers' levels of satisfaction to foster strengths and improve shortcomings, aiming to provide the best quality services that meet the expectations of customers.</li> </ul>

Stakeholder	Major concerns	Vicostone's goals	Vicostone's actions
 Partners & Suppliers	<ul style="list-style-type: none"> <li>Fair treatment among suppliers;</li> <li>Fair, transparent cooperation based on a win-win principle;</li> <li>Confidentiality of partners' information preserved from their competitors.</li> </ul>	<ul style="list-style-type: none"> <li>Assure cooperation on mutual respect and win-win principles;</li> <li>Assure all stakeholders comply to mutual agreements and obligations;</li> <li>Assure information confidentiality for partners.</li> </ul>	<ul style="list-style-type: none"> <li>Transparently exchanged information in the evaluation of partners and negotiation of contracts;</li> <li>Updated procedures for monthly/quarterly/annual evaluation of partners and suppliers with an emphasis on production safety, environmental protection and realization of commitment to relevant parties;</li> <li>Participated in conferences and workshops to share experiences with partners within the field and explore new cooperation opportunities;</li> <li>Received feedback through hotlines, emails, direct meetings and provided timely responses.</li> </ul>
 Community & Society	<ul style="list-style-type: none"> <li>Impact of the production on the local environment and community;</li> <li>Impact on local employment condition;</li> <li>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...</li> </ul>	<ul style="list-style-type: none"> <li>Assist the local socio-economic development and environmental protection;</li> <li>Support the local community to achieve sustainable development;</li> <li>Promote corporate social responsibility, especially in dealing with the issues on environmental protection and social sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>Together with the parent company Phenikaa Group, Vicostone donated in cash, in kind, and human resources with a total value of more than VND 57 billion to disease prevention activities, for purchase of COVID-19 vaccines for the people of Hanoi and employees of the Company; gifted liquid oxygen tanks to assist Thach That District General Hospital with the treatment of all patients; gifted bookshelves to the library of the Thach Hoa Commune Junior Highschool; awarded two new houses worth total VND 200 million to two underprivileged neighborhoods in Thach That District; and carried out other charitable activities;</li> <li>Hired local employees, contributed to the stable livelihood of the people in the area;</li> <li>Participated in poverty alleviation and environmental protection movements;</li> <li>Improved and updated environmental protection systems at the Company, contributed to the maintenance of a healthy and sustainable environment;</li> <li>Strictly complied with regulations on tax obligations.</li> </ul>
 State Agencies	<ul style="list-style-type: none"> <li>Compliance to the laws and rules issued by both central and local governments;</li> <li>Accomplishment of the obligations and duties regulated by the State;</li> <li>Participation in activities launched by State agencies.</li> </ul>	<ul style="list-style-type: none"> <li>Join hands to further improve the laws and regulations on the Company's activities;</li> <li>Fulfill the obligations and duties required by the State;</li> <li>Perform actively and effectively in the campaigns launched by the State agencies.</li> </ul>	<ul style="list-style-type: none"> <li>Updated legal documents relevant to the Company's areas of operation;</li> <li>Fully and strictly implemented the Company's obligations and responsibilities towards the State;</li> <li>Participated in programs to raise public awareness of sustainable development and environmental protection.</li> </ul>
 Media/press	<ul style="list-style-type: none"> <li>Release of accurate information for the press.</li> </ul>	<ul style="list-style-type: none"> <li>Frequently share and exchange information with the media to develop the brand of a transparent, credible enterprise.</li> </ul>	<ul style="list-style-type: none"> <li>Maintained contact with press agencies and organized press conferences for significant events as needed;</li> <li>Provided accurate, regular, timely information on the Company's production and sales activities while ensuring transparency and cooperation;</li> <li>Established and maintained a sharing culture to ensure equal right of access to information among press agencies.</li> </ul>





## VICOSTONE'S CODE OF CONDUCT

### I VICOSTONE CULTURE – THE 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 Vicostone Culture – the culture of the conscious business:

#### 1. Core Values

**Credibility:** Dare to think – dare to act, integrity, sincerity and commitment to the interests of all stakeholders;

**Pioneership:** Never stop learning, be innovative and lead the market trend;

**Inspiration:** Commit to making products of best quality and design, meeting the demand of customers and the market.

#### 2. Cultural characteristics

**Trust:** Trust built within Vicostone as well as between Vicostone and its stakeholders;

**Accountability:** Clear, transparent, well-communicated about all aspects and among all stakeholders;

**Care:** Cautious and honest conduct in the spirit of sympathy, sharing and recognition;

**Transparency:** Clarity and accuracy of information, policies, plans, targets...;

**Integrity:** Honest, straightforward, serious, and committed to humanity;

**Loyalty:** Commitment, dedication and effort;

**Equality:** Encouragement of free and open expression and two-way feedback (between employees and managers).

### II THE CODE OF CONDUCT TOWARDS STAKEHOLDERS

#### 1. To Employees

Vicostone believes the value and success of the enterprise are built on the creativity, passion and discipline of each member. Therefore, the Company has developed a happy, professional, 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. In the spirit of understanding, caring and sharing, Vicostone is home to those whose dreams are nurtured and aspirations are awakened, developed and realized.

- **Respect:** Vicostone acknowledges employees 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 experience and develop their careers, thus accomplishing personal achievements and new heights of knowledge and work;
- **Information sharing:** Vicostone encourages labor-related information is shared among all employees upon the principle of constructive criticism and open communication. All employees are free and highly-appreciated to raise their voice and personal information of all employees is secure and remains confidential in the Company's system. The collection, processing, storage and use of employees' personal information can only be done if necessary and must comply to the laws;
- **Equal treatment:** Employees are treated and assessed fairly based on the competencies, attitude, qualities and results for 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 employee 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 with the best working conditions, which refer to personal space, equipment and device, internal disciplinary rules, and prohibition of cigarettes and alcohol...; guarantee the physical conditions for employees by complying strictly to the rules on occupational health and safety; and responsively deal with conflicts to make sure they are dealt with fairly, quickly and legally.



## 2. To Shareholders and Investors

Transparency, respect, equality and co-operation form the foundation in 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;
- 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 employee acts for the common goals and will not take advantage of the Company'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, asset and member, assisting the Company to realize the strategies and achieve the targets.

- The Company commits to introducing high-quality products and services in line with international standards, and proactively creates and applies technological know-hows in production and service renovation to release unique and divergent products;
- 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;
- 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 any forms of bribery;
- Information about the rules and working protocols is provided in full and accuracy to make sure the co-operation with suppliers and partners is fair, competitive and thorough;
- Law abidance: Legal standards are considered fundamental for all actions and policies, especially those regarding employees' occupational health and 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 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 retaliations against the domestic and international rules on competition;

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

## 5. To State Agencies

Vicostone pledges to honor and abide the laws on competition, environmental protection, labor, intellectual property and securities market. The Company also 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 its agencies 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 Company also pledges to take part in community services to help develop a sustainable society;
- Employees 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 of the Government to improve living conditions for local people, hastening the projects to build and upgrade the local infrastructure, reduce poverty, create jobs and launching 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.



# HSEQ MANAGEMENT SYSTEM

## I INTRODUCTION OF HSEQ MANAGEMENT SYSTEM

The COVID-19 pandemic and rapid development of science and technology are creating both opportunities and adversities for the global business community. Under such circumstances, Vicostone believes that proactive, comprehensive preparation, through continuous update of management tools and making the best of opportunities and intrinsic strength, is the key for the business to conquer challenging targets.

In recent years, Vicostone has kept updating the Health-Safety-Environment-Quality (HSEQ) management system upon the latest standard issues in the world to strictly control the risks of occupational health and safety, prevent the possibility of diseases and accidents, while assuring the Company comply with legal requirements, reduce environmental risks and pollution, increase the efficiency of resource and energy use, improve quality control system and productivity, and expand the brand recognition on the market.

The HSEQ Management System consists of the following standards:

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

Standard	Date of Registration	Date of Latest Update	Date of Validity	Certification Number	Certification Agency
ISO 9001:2015	05/11/2005	01/10/2021	05/11/2021	FM 692548	BSI
ISO 14001:2015	25/10/2006	01/10/2021	25/10/2021	EMS 692550	BSI
ISO 45001:2018 (previously known as OHSAS 18001:2007)	20/10/2015	01/10/2021	20/10/2021	OHS 692551	BSI
SA 8000:2014	21/12/2010	30/11/2019	21/12/2019	SA569249	BSI

### 1. Quality Control Standard ISO 9001:2015

Vicostone, having acknowledged the importance of quality control, in 2005 successfully applied the Quality Control standard based on the standard ISO 9001:2000 in order to achieve sustainable successes and increase the Company's credibility on the market. Since then, Vicostone has kept the standard updated with the latest international practices.

Vicostone is now adopting the standard ISO 9001:2015 to develop the quality control system, which is customized to help the Company integrate a wide range of management systems, build inner strengths and push the employees to move forward. Some notable changes of the system are as follows:



No.	Content	Effect
1	Display structure of ISO 9001:2008: The number of main parts is shifted from 5 to 7 (articles 4-8 are changed to articles 4-10)	<p>All future management standards shall apply this new arrangement with fundamentally identical basic requirements. The new display structure will:</p> <ul style="list-style-type: none"> <li>• Help all units make similar judgment of the same issue;</li> <li>• Make it easier for the Company to incorporate various management systems to optimize systems of documents, files, procedures.</li> </ul>
2	ISO 9001:2018 is revised with additional provision on "Background of the organization".	<ul style="list-style-type: none"> <li>• The provision helps the Company to identify internal and external "backgrounds" to assess impacts. To identify one specific background, the Company may employ strategic planning tools such as SWOT, MGSC Matrix, SPACE Matrix, etc.;</li> <li>• The output of this process is the selection of strategies (which may be done through evaluation), implementation, inspection, and adjustment of strategies throughout the processes of production and sales;</li> <li>• To implement strategies, the Company sets out targets and plans for quality control systems and primary processes.</li> </ul>
3	Leadership role: In the ISO 9001:2015 version, leadership representation is no longer required.	The most senior leader demonstrates his leadership and commitment to the quality control system through the accountability principle... ensuring the commitment of the boards of Directors and Management...
4	ISO 9001:2015 added "quality control system planning" and "risk management".	<ul style="list-style-type: none"> <li>• "Quality control system planning" replaced "preventive activities" of the older version, helping the Company to become more proactive in its response to, prevention, or mitigation of undesired effects, thus enhancing continuous innovation process.</li> <li>• "Risk management" helps the Company to sharply reduce risks that directly affect quality of products and services through the control of inputs and outputs;</li> <li>• Risks occur at different frequencies and levels of harm. The latest version helps to address risks with high levels of harm to control. The control of such risks must be done through "targets" and/or "procedures".</li> </ul>





## 2. Environmental Management Standard ISO 14001:2015

Along with the upgrade of the quality control system, Vicostone has also changed the standard of environmental management to ISO 14001:2015 from ISO 14001:2004. The new standard has assisted the Company to keep up with changes of the legal framework, strictly abide by legal requirements and restrain the risks of environmental issues. The continuous development of environmental management standard 14001 also helps Vicostone cut costs through efficient use of materials, energy and resources.

Besides, the environmental management standard enables better and more precise data collection, less environmental impact, saving of time and resources, thus allowing smooth, quick renovations.

A constantly-improved working environment also helps improve the trust and loyalty of employees towards the Company.

## 3. Occupational Health and Safety Standard ISO 45001:2018

Occupational health and safety are extremely vital for both employees and customers. Having acknowledged the issue, Vicostone has changed the occupational health and safety standard version to ISO 45001:2018 from OHSAS 18001:2007.

In addition to similar changes in comparison with standard ISO 9001 and ISO 14001 regarding circumstance, leadership and risk management, the standard ISO 45001:2018 enables the participation of employees. That helps increase the relationship between the Company and employees when developing a framework to resolve occupational health and safety issues.

As employees are subject to the regulations, they benefit and suffer from the working environment. Therefore, employees have the legitimate right to join the development and implementation of occupational health and safety management standard. Their participation in every decision of the Company will assure the feasibility and validity of the decision as well as the benefit of employees.

## 4. Social Responsibility Standard SA 8000:2014

In the global economy, companies are encouraged to pay attention to the comprehensive impacts that their operation and production have on ethics and society. A company will gain higher trust from customers, partners and social communities with high standards of corporate social responsibility. Being aware of its social responsibilities, Vicostone has adopted the Social Responsibility Standard using standard SA 8000 from the very first days of foundation.

The standard focuses on eight issues: Child labor; Forced labor; Occupational health and safety; Freedom of association and collective bargaining; Discrimination; Disciplinary practices; Working hours; and Remuneration. The ninth issue, relating to the governance system, contains necessary criteria that assure the Company's compliance to the standard.

The use of standard SA 8000 has brought many benefits as follows:

- Improve market competitiveness of the Company, attract more customers and explore new markets;
- Build trust among target audiences about products and services being made in a complete safe and fair environment;
- Develop the brand/image of the Company as a good, conscious business on the labor market.



## OCCUPATIONAL HEALTH AND SAFETY

### 1. International production standards and criteria

Since its beginning, the COVID-19 pandemic has had numerous negative impacts on the living conditions of people and caused severe damages to the economic development and healthcare. The pandemic has also changed the way consumers think about sustainable consumption and product quality remains one of the key factors that drive the will of consumers. To assure the quality of products and services, in addition to HSEQ standards, Vicostone has adopted a number of international standards issued by prestigious organizations.

No	Certification body	Quality	Time of validity
1	NSF International (Public Health and Safety Organization)	NSF Certificate certifies the safety of the product for use at laboratories, healthcare facilities and food producers	2008
2	Greenguard Environment Institute	GreenGuard and GreenGuard Gold certificates recognize the product is safe to in-door environments such as houses, schools and totally safe for kids.	2009
3	SGS United Kingdom Ltd	CE certificates (EN 15285: 2008 and EN15286:2013) acknowledge the product qualifies European standards on size, durability, water-resistance, scratch-resistance.	2009
4	Greenguard Environmental Institute	Microbial Resistant Certificate proves the product is bacteria-free and safe for users and environment.	Annually extended
5	Vietnam Institute for Building Materials (Ministry of Construction)	The institute certifies the engineered countertop product qualifies the standard QCVN16:2019/BXD for ricks and tiles	Re-certified on August 21, 2020



On the basis of standards of product quality control and the desire to diversify its products for customers, Vicostone has evaluated the quality outcome of each product, controlled and enhanced product quality, eliminated sources of hazard or detriment to product quality. Quality control has been exercised thoroughly and uniformly in all production management and quality inspection processes. Below is a table on the technical statistics of VICOSTONE® quartz stones accredited in accordance with international standards:

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 <sup>3</sup>
	EN 14617-1:2013	
Flexural strength	ASTM C880/C880M-09:2009	> 40 MPa
	EN 14617-2:2008	
Dimension stability	EN 14617-12:2012	Grade A
Electrical stability	EN 14617-13:2013	Volume resistivity (Rv) = 0.9 x 1,014 Ω
		Volume resistivity (pv) = 4.88 x 1,014 Ωm
Impact resistance	ASTM D1709:2015	≥ 3.0 J
	EN 14617-9:2005	
Compressive strength	ASTM C170/C170M-09:2009	≥ 155 Mpa
	EN 14617-15:2005	
Mohs scale of hardness	EN101	6.0 – 7.0
Resistance to deep abrasion	ASTM C1243:2009	Abraded volume: V ≤ 195 mm <sup>3</sup>
	EN 14617-5:2012	
Freeze-thaw resistance	ASTM C1026:2013	No 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. Material assessment process

As the world population explodes and the demand for raw material consumption skyrockets, governments have tried to stabilize their economies and political and social systems in light of risks arising from the shortage of natural resources. In sharing the burden with the Vietnamese Government, Vicostone has consistently improved the Company's production technologies and management system to efficiently utilize resources. In manufacturing, all raw materials for the production of Vicostone's engineered stones are supplied by reputable domestic and international partners, and are subject to the following strict control procedures:

### Material assessment process

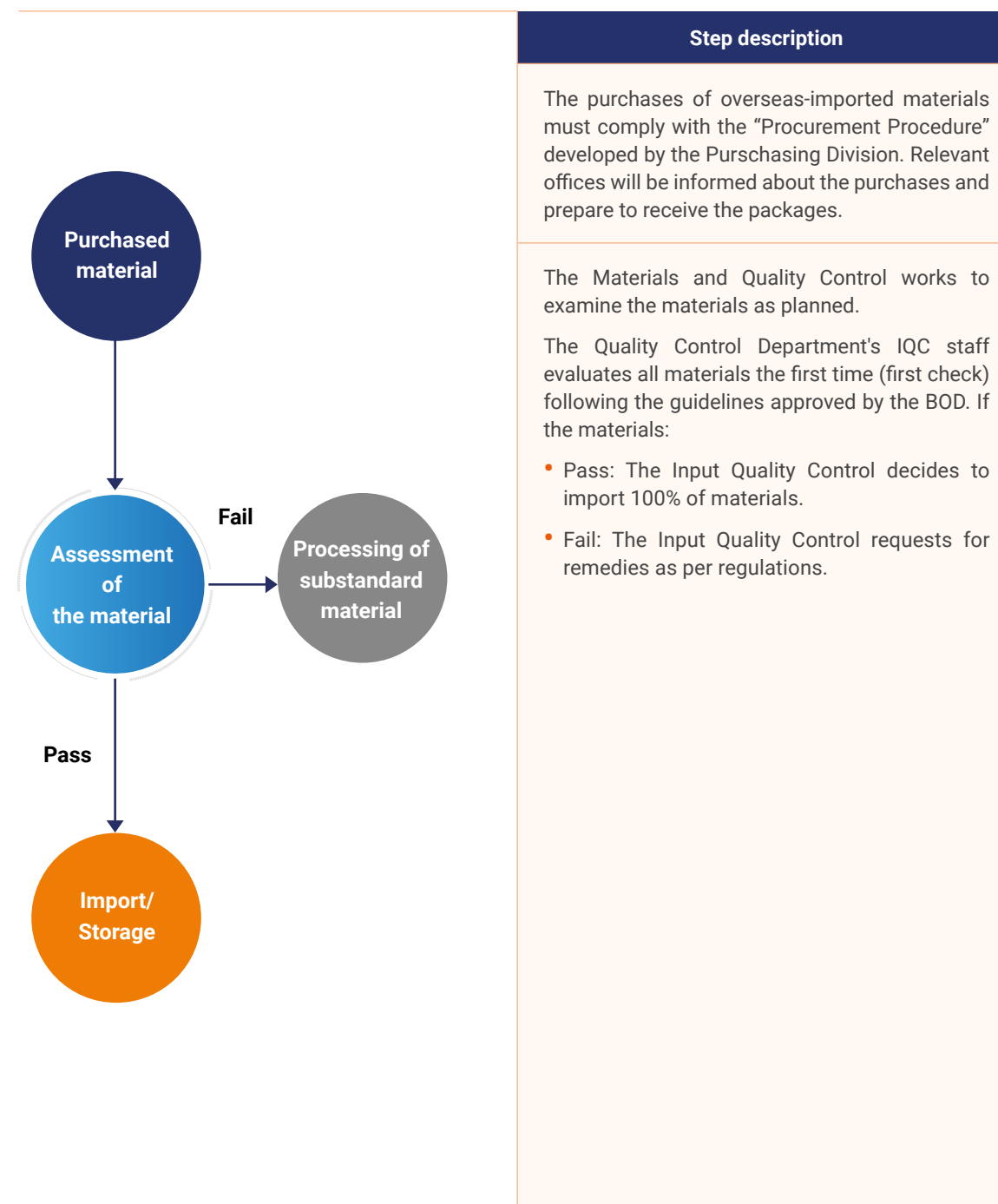
1 PRE-IMPORT	<ul style="list-style-type: none"> <li>A sample of material is tested in the lab and production before the importation;</li> <li>The supplier is examined regarding the production capabilities;</li> <li>The supplier is checked regarding the management competencies;</li> <li>The supplier is assessed regarding the ability to sustain and stabilize.</li> </ul>
2 BULK IMPORT	<ul style="list-style-type: none"> <li>Raw materials imported in bulk must meet quality standards following bulk testing on the production line;</li> <li>Vicostone may implement a field trip to inspect the supplier and production facilities before deciding whether the materials should be imported in bulk.</li> </ul>
3 PRE-STORAGE CHECK	<ul style="list-style-type: none"> <li>100% of material packages are checked before being stored in accordance with existing regulations and standards;</li> <li>If one package of materials is not qualified, it will be put aside and Vicostone will work with the supplier to fix the problem and prevent similar cases in the future. The package should not be used in the production to secure the quality standards;</li> <li>The Company studies all potential problems with the materials to address the risks and develops action plans to respond to similar cases in the future.</li> </ul>
4 STORING CONTROL	<ul style="list-style-type: none"> <li>All materials are secured in standardized storehouses. The Company regularly conducts check and assessment of the quality of both materials and storehouses to assure materials at the best conditions.</li> </ul>
5 IN-PRODUCTION SUPERVISION	<ul style="list-style-type: none"> <li>The materials are kept in standardized storehouses and assessed regularly by the Company's quality control staff. If there are doubts about the quality of the materials, the Quality Control Department and the R&amp;D Center examine the materials and deliver recommendations/warnings about the conditions of the materials;</li> <li>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.</li> </ul>
6 EVALUATION	<ul style="list-style-type: none"> <li>All products are assessed upon existing quality standards.</li> </ul>



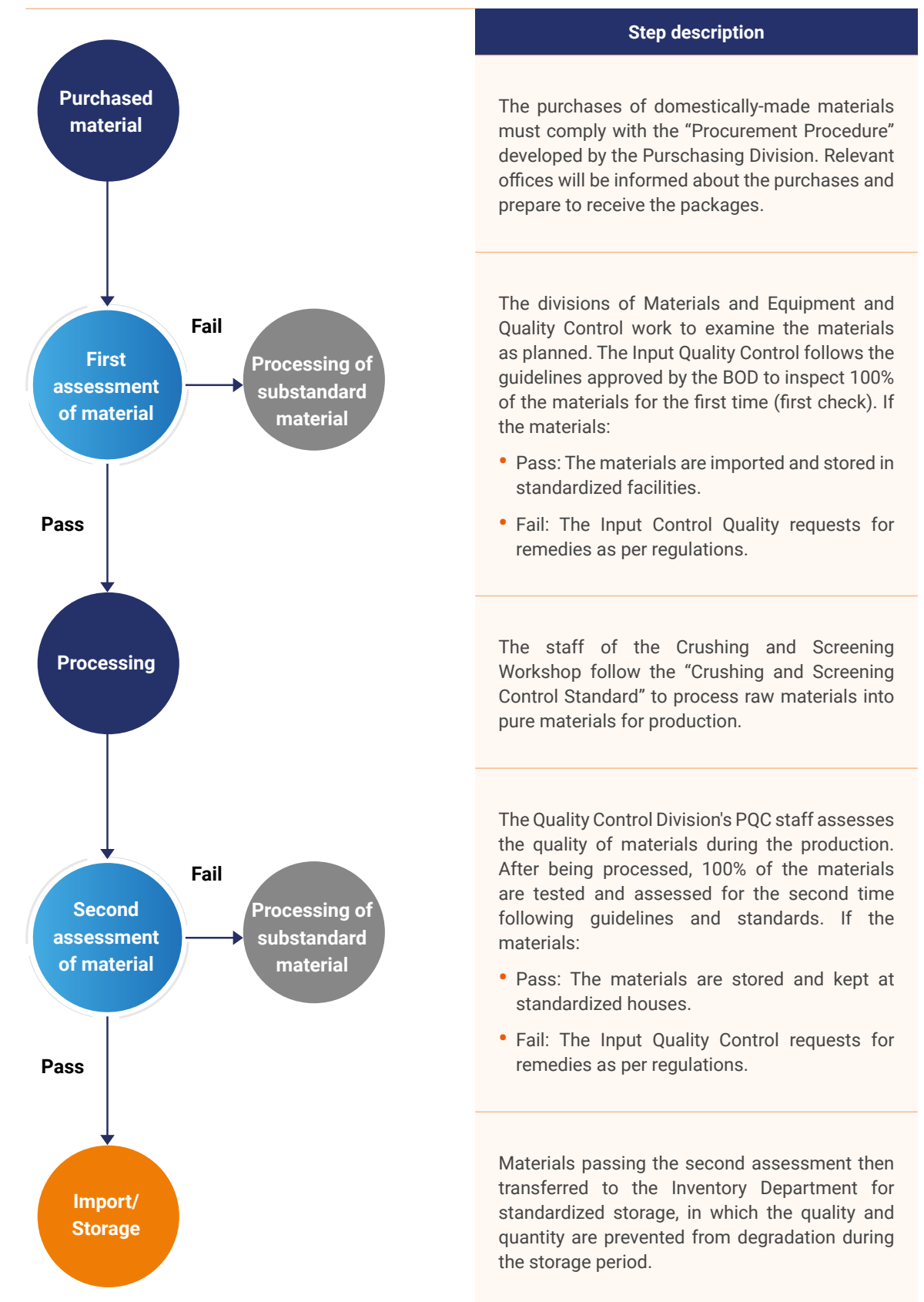
## Material control process

Prior to the storage, the materials are tested by the Input Quality Control team to make sure they match national/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 are maintained. Before being used for production, the materials are assessed the second time regarding their qualities and environmental safety measurements.

### Assessment of imported material



### Assessment of domestically-made material





Thanks to the application of the integrated system that incorporated human proactiveness and creativity in quality control, 100% of raw materials purchased by Vicostone are evaluated and ensured to be of top quality before entering production. The operation of Phenikaa Hue Factory to produce Cristobalite according to international standards since 2019 has become an important link that helped Vicostone stabilize the sources of input materials and reduce product costs. The mastery of raw materials brought considerable advantages to Vicostone in the quartz market, as well as helping Vietnam become one of the few countries to successfully produce Cristobalite, alongside developed countries such as the U.S. and Spain.

After materials are stored, authorized departments continued monitoring the production lines and made sure the production strongly comply 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:

Control	Guideline	Frequency	Short description
<b>1</b> Inspect quality of raw material samples in labs and conduct trial production of small batches	"Mass production process" QT-09	100% of suppliers' samples	Raw material samples are tested to assure 100% compliance with standard laboratory conditions and subject to small-scale production before mass purchase.
<b>2</b> <ul style="list-style-type: none"><li>Evaluate suppliers' production competency;</li><li>Evaluate suppliers' managerial competency;</li><li>Evaluate suppliers' sustainability and stability.</li></ul>	"Procurement process" QT-13 "Supplier evaluation process" QT-14	100% of suppliers of main raw materials comprising products	Prior to the official bulk import (frequent import) of raw materials, 100% of suppliers of raw materials that constitute the product are subject to inspection by the Company's team with respect to their current state at the site of production and exploitation.
<b>3</b> Check on input materials	"Input material control process" QT-30	100% of material package units	Purchased materials are tested before being stored.
<b>4</b> Production line control	"Product quality control process" QT-32	100% of working shifts	Each stage of production is examined by the Product Quality Control to match the Company's technical requirements.
<b>5</b> Product origin traceability	"Product origin traceability and recognition process" QT-07	100% of slabs	The Company equips the machinery and solutions for product identification, makes sure the production is monitored and regularly measured.



Control	Guideline	Frequency	Short description
<b>6</b> Product quality control	"Product quality control process" QT-32	100% of made package	Corresponding products are tested at least once against strict criteria to meet quality standards.
<b>7</b> Mechanic, physical and chemical test	"Product quality control process" QT-32	100% of made packages	All packages of product have to take the mechanical, physical and chemical test to meet consumers' requirements.
<b>8</b> Check of safety qualities	"New product development, manufacturing and sale process" QT-08	In accordance with the rules by certifying agencies	All features regarding user safety such as slip-resistance, flame-resistance... are checked regularly from the first stage of development.
<b>9</b> Environmental protection features	"New product development, manufacturing and sale process" QT-08	In accordance with the rules by certifying agencies	Each year, Vicostone sends product samples to GreenGuard to examine the characteristics regarding its environmental impact at UL Environment Lab in the U.S.
<b>10</b> Check of safety qualities	"New product development, manufacturing and sale process" QT-08	100% of all containers	Food safety information such as the percentage of heavy metals must be examined and confirmed by NSF International in the U.S.
<b>11</b> Packaging control	"Packaging process" QT-28	100% container	The Quality Control Department's KCS staff inspect 100% of container regarding the quality of packages and packaging before checking them out.



# INTELLECTUAL PROPERTY RIGHTS



## PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

Intellectual property (IP) is regarded as one of the most significant intangible assets of any company and serves as a measurement of the effectiveness and future development of businesses.

At Vicostone, the protection of IP rights has always been a key focus. In light of legal implications of the unlawful use of IPs, the Company has been increasingly promoting the synchronization, systemization, identification, and prediction of opportunities and challenges to protect the intellectual properties of the Vicostone brand as well as ensure the Company's competitiveness.

**Major solutions to protect IP rights include:**

### 1. Protection of intellectual property rights domestically and internationally

VICOSTONE® quartz products are the crystallization of technology, intellect, experience, know-how, and ceaseless creative efforts from product researchers and developers. Unfortunately, the imitation and modification of stone designs by competitors is a common occurrence, but to pursue a legal complaint, a company must spend large amounts of time and money as well as navigate a lengthy procedural process. Therefore, to avoid possible risks, Vicostone consistently prioritizes and actively protects its intellectual properties and brand.

With respect to the VICOSTONE® brand: The Company has registered its trademark in 66 countries, including in its major markets such as the U.S., Canada, Australia, New Zealand, and the E.U. (27 countries).

With respect to the protection of industrial design of products and trademark registration of flagship products, since 2017, the Company has had exclusive industrial design certifications for 19 product designs (BQ8863, BQ8840, BQ8860, BQ8686, BQ8730...) in Vietnam.

### 2. Use of technical solutions

In addition to patent registration, the Company has enhanced the registration and protection of its brand on the internet to avoid disputes and takeovers of domain names and intellectual property theft. Specifically, the Company has used a domain name identical to its brand (<http://vicostone.com/>) and invested in website domains of the Company in more than 50 countries. Vicostone's major markets such as North America (U.S. - [vicostoneus.com](http://vicostoneus.com), Canada - [vicostone.ca](http://vicostone.ca)) and other markets such as Europe ([vicostone.co.uk](http://vicostone.co.uk); [vicostone.fr](http://vicostone.fr)) are provided with full information on the products, brand, and official sales location on the respective websites of the Company. Moreover, in 2021 the Company extended its domain name in 19 markets, including: [Vicostone.us](http://Vicostone.us), [Vicostone.com.au](http://Vicostone.com.au), [Vicostone.co.il](http://Vicostone.co.il), [Vicostone.de...](http://Vicostone.de...)

Domain name	Total number of domain names registered
Vicostone	53
Other domains	20

### 3. Anti-counterfeit tools

Vicostone is running a barcode system to manage all information of the products, known as 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 trademark 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. The print will remain endlessly consistent on the product;



Barcode is printed and labeled on Vicostone products

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.

### 4. Additional protective measures

In 2021, despite the continued complexity and uncertainties of the COVID-19 pandemic across the world and in Vietnam, the Company still managed to further implement IP protection measures which include:

- Application of technological measures in creating a database and managing IP rights;
- Establishment and application of IP strategies and IP management policies at the Company;
- Operation of a specialized department on IP management at the Company that included members of the Legal, Brand, and R&D departments;
- Development of a specialized and intensively trained team on IP to holistically, uniformly, and systematically implement IP activities at the Company;
- Additionally, Vicostone continued to further implement internal measures to strictly protect secrets in technologies, machineries, production lines, etc., at the Company;
- Prohibition of photography/filming of production areas related to technological know-how and elements subject to confidentiality; strict control of Company entry and exit of employees/partners/customers;
- Signature of commitment to confidentiality by all employees in which the undersigned pledged not to leak any information or documents throughout and after their term of employment at the Company;
- Requirement that partners committed to respect the Company's intellectual rights to its brands; in transactions with foreign partners and procurement contracts, customers must commit to refrain from brand property rights infringements, and be liable for compensation in accordance with applicable laws in cases where damages were caused;
- Vicostone provided full services to its customers, including measurement, design, price offer, installation, warranty, online warranty registration, etc., in the Vietnamese market, thus significantly reducing the risks of counterfeit products and those that mimic the VICOSTONE® quartz stones brand.



## ENVIRONMENTAL RESPONSIBILITIES

At Vicostone, economic development integral with environmental protection in pursuit of sustainable development has been the Company's guiding principle throughout its 19 years of development.

In 2021, despite serious impacts of the COVID-19 pandemic, Vicostone maintained the balance between economic, environmental and social aspects. The Company thoroughly pursued sustainable development goals with consistent, effective actions that were suitable with the features of the advanced quartz slab manufacturing sector.

In the past year, Vicostone maintained the implementation of available solutions and came up with new solutions to minimize impacts to the environment in terms of research and development of eco-friendly product lines, use of new technologies, conservation of energy, and raising awareness on environmental protection for employees.

### I ENVIRONMENTAL RISKS

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

In 2021, Vicostone proactively addressed key risks and opportunities relating to environmental protection, hence developing a specific action plan to maintain and pursue sustainable development goals at a higher level. Drastic concurrent administrative and communicating measures were exercised to improve awareness among all employees about environmental protection and minimize the impact of production on the environment and the brand of Company.



Engineers check on the water treatment system in which 100% of industrial wastewater circulates back in the production after being treated

Risk/Opportunity	Impact	Cause	Solutions
Partial and insufficient compliance to the rules on environmental protection among employees	<ul style="list-style-type: none"> <li>Negative impacts on the environment and physical conditions of employees, local residents and customers;</li> <li>Disruption and halt towards business operation to fix the problems;</li> <li>Damage on the brand of the Company.</li> </ul>	People	<ul style="list-style-type: none"> <li>Constantly follow, update environmental protection rules;</li> <li>Develop online training courses to educate employees about the rules, requirements of the State and Company on environmental protection;</li> <li>Enhance communication on environmental protection activities: Anti-plastic waste, efficient use of electricity and water...</li> </ul>
Inefficient use of resources	<ul style="list-style-type: none"> <li>Capital losses;</li> <li>Waste of natural resources.</li> </ul>	Technology	<ul style="list-style-type: none"> <li>Update process on use of materials;</li> <li>Apply eco-friendly materials in operation;</li> <li>Encourage the recycling and reuse of wastes to diminish waste disposals.</li> </ul>
Impact of the COVID-19 pandemic on personal health and working environment	<ul style="list-style-type: none"> <li>Outbreaks of the disease result in halted operations to resolve issues and surging costs.</li> </ul>	Disease	<ul style="list-style-type: none"> <li>Check body temperature on a daily basis, check physical conditions as scheduled;</li> <li>List out and quarantine individuals with virus infection and those exposed to the infected;</li> <li>Schedule for disinfection and cleaning at the office;</li> <li>Contract with competent partners to handle medical wastes.</li> </ul>
Improved working conditions	<ul style="list-style-type: none"> <li>Effects on the working environment and physical conditions of employees at areas with extreme dust concentration.</li> </ul>	Equipment	<ul style="list-style-type: none"> <li>Apply solutions to control dust disposal at manufacturing areas;</li> <li>Install air ventilators for employees at fixed positions, provide air-conditioned shirts for those moving around the factory;</li> <li>Provide specialized masks for employees in dealing with dusty tasks.</li> </ul>



## II

## ACTIVITIES AND SOLUTIONS OF ENVIRONMENTAL PROTECTION

Upon the operation of the Company, relevant regulations and demand of related parties, Vicostone has maintained current solutions and developed new methods to control and eliminate potential environmental risks as well as promoted the implementation of solutions to improve the quality of the environment.

The solutions are divided into five groups as follows:

- Effective use of resources;
- Decrease of waste disposal to the environment;
- Tighter management of the wastes;
- Use of eco-friendly materials;
- Continual renovation to improve the quality of the environment.

### 1. Effective use of resources

#### Electricity

The average electricity consumption per unit of product entered into storage in 2021 was more than 16.75 kWh, a 17.5% increase from 2020 as Vicostone operated the vibro-compression line No.2 (at Factory No. 1) for production of high-quality outputs. In 2021, measures were taken seriously to assure electricity was used efficiently for production and brought high economic values for the Company. Since 2018, Vicostone had been using solar energy to provide electricity for the two office buildings as well as hot water for the internal cafeteria, thereby the Company not only saved on operational costs but also pursued sustainable and renewable goals since solar energy was not harmful to the environment and there was no green-house gas emitted when solar energy panels were in operation.

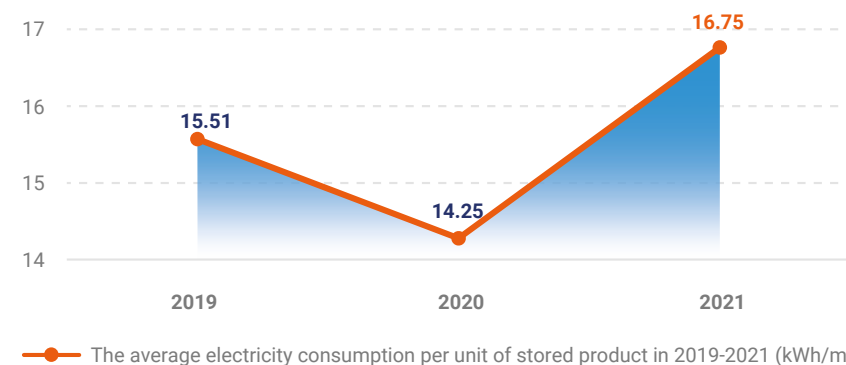


Chart displays the average amount of electricity consumed per unit of Vicostone product in the period 2019-2021

#### Clean Water

Vicostone uses 90% of the volume of clean water for domestic uses such as cooking and cleaning. Some 10% of the total is used to supplement the circular water systems for mixing antistaling agent at plants. In 2018 and 2019, the volume of used clean water jumped as Style Stone JSC (SSC) and Vicostone shared the clean water system. The figure increased strongly as a new production line was brought into operation and the number of employees rose.

In the third quarter of 2021, the City of Hanoi enacted social distancing measures to curb the spread of the COVID-19 pandemic. Under its “Comprehensive Initiatives for Stronger and Faster” guideline, Vicostone organized and implemented the “3 on-site” production model that ensured production and sales plans and employment for its employees. During this time, the employees lived and worked at the Company, thus clean running water used in these months was more than usual. Consequently, the average volume of clean water used per unit of product entered into storage in 2021 gained 12.9% on year.

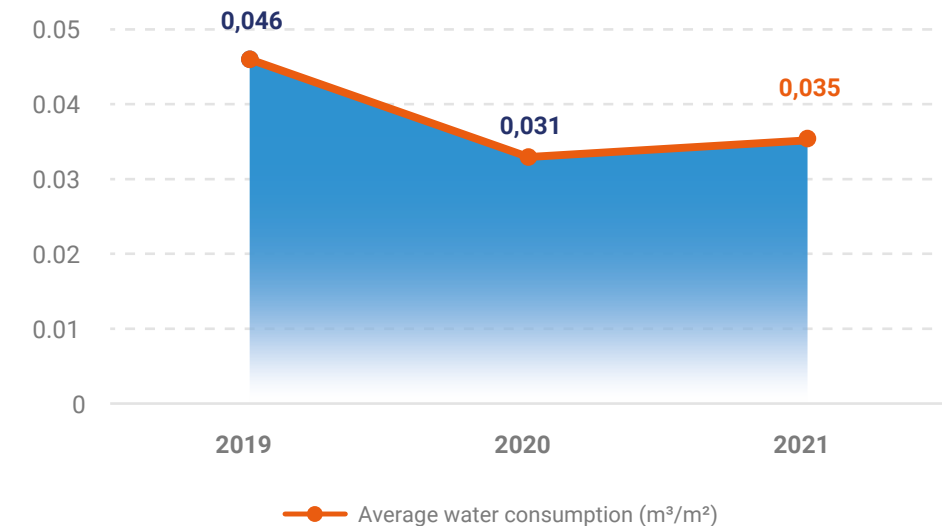


Chart displays the average volume of water consumed per unit of Vicostone product in the period from 2019-2021

#### Gas

The average level of gas consumed per unit of product entered into storage at Vicostone in 2021 increased by more than 26% from 2020 since Factory No. 1 trialed new gas furnace equipment and curing furnaces for two months before their official operation on October 1, 2021. Thereafter, the Company had to maintain the capacity of these devices at 50% to inspect, ensure safety and make adjustments as necessary.

Year	Gas consumed (kg)	Amount of stored products (m²)	Average gas consumption (kg/m²)
2019	248,520	1,016,991	0.24
2020	256,414	1,150,156	0.23
2021	313,112	1,108,000	0.28

Company's gas consumption in 2019-2021

#### Diesel

Diesel was mostly used for trucks, loaders, and forklifts in transporting, lifting, and landing production materials. In 2021, the average diesel consumed per unit of product entered storage was up 8.2% on an annual basis. The increase was considered a good effort of the Company amid the strong growth of fuel prices (oil and gasoline) thanks to effective solutions such as optimization of storage arrangement, regular inspection of vehicle technical performance, training to improve drivers' expertise and awareness, as well as using rotary equipment in the line of production to reduce frequency of forklift use.

Year	Diesel consumed (liters)	Amount of stored products (m²)	Average diesel consumption (liters/m²)
2019	120,215	1,016,991	0.118
2020	127,984	1,150,156	0.111
2021	133,460	1,108,000	0.120

Company's diesel consumption in 2019-2021

## 2. Promotion of disposal-reducing activities

### Using waste stone powder and grit to produce construction materials

In recent years, with technological and manpower support from Phenikaa Group, Vicostone has discovered the appropriate blends and technological processes and successfully trialled the unburnt brick production with the Geopolymer technology – a relatively new technology in the world as well as in Vietnam. In 2021, the Company mass produced unburnt bricks to supply for internal projects of Phenikaa Group, such as the project to renovate vibro-compression lines of production in Factory No. 1, the project to build Phenikaa office buildings, the project to build Phenikaa Hospital, etc.

The Intellectual Property Office of Vietnam granted this solution with certificate No. 2739 dated October 22, 2021.

### Improvements to production to cut emission

In 2021, Vicostone initiated several major projects on improving flagship equipment to reduce emission at source, including:

- Project on “Reduction of surface polishing thickness” by controlling the quality of semi-finished products (bent, abscessed, etc.) thus helping to reduce stone powder arising from grinding;
- Project on “Use of automated robots” in production areas to help replace employees, isolate areas that produce dust and smells to eliminate impacts to the environment;
- Project on “Improving and altering powder grains to enhance productivity and quality” helped reduce production costs and save the environment in producing engineered stones, by: Reducing production of stone swarf, reducing stone powders in the process of polishing product surface, reducing raw materials for production, reducing production workforce, etc.

### 100% of industrial water was reused

The process of grinding finished products required a large volume of water. With the wet grinding technology, the grinding water was infused with stone powder and grits. To reduce the use of clean water and costs of production, and more importantly, to limit impacts to the environment, the water was processed through a physio-mechanic settling system in a cyclone with supplementary substances to completely settle floating particles, thus creating sludge. The treated water was then fully reused in the line of production. The sludge was processed through a mud pressing machine and turned into dry powder slabs that can be used as unburnt raw materials or other usable, eco-friendly products or processed in accordance with relevant laws.

### Other activities

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

## 3. Management of wastes

### Wastewater

At Vicostone, the entire industrial wastewater is treated, then reused in the production line. Meanwhile, domestic wastewater can be disposed of after being treated to meet regulatory standards. Domestic wastewater is processed with a system using AAO and MBR technologies and the post-treatment wastewater meets the standards at Pillar A, National Standard 14:2008/ BTNMT – the highest standard for domestic wastewater treatment in Vietnam.

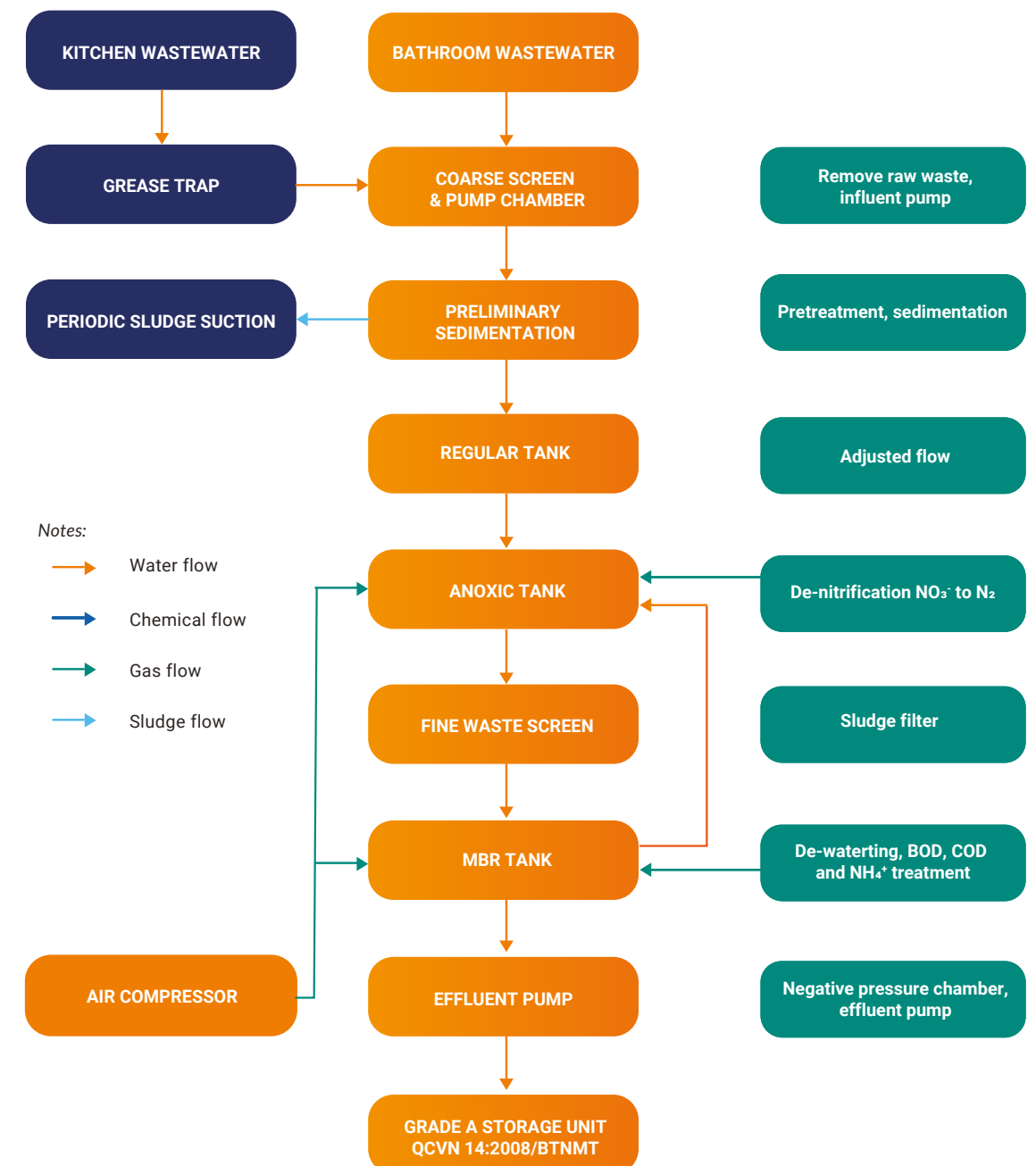


Diagram of domestic wastewater treatment process

The test on post-treatment domestic wastewater by the independent agency in 2021 showed that all indicators were in the limit and in line with Pillar A, National Standard QCVN 14:2008/BTNMT and Pillar B, Hanoi Standard QCTDHN 02:2014/BTNMT.

No.	Indicator	Unit	Q1 result	Q2 result	Q3 result	Q4 result	QCVN 14:2008 /BTNMT (Cmax,K=1)	QCTDHN 02:2014 /BTNMT (Cmax, Kf=1,2; Kq= 0,9)
							Column A	Column B
1	pH	-	7.2	6.83	7.7	7.4	5 ÷ 9	5.5 ÷ 9
2	Biochemical oxygen demand (BOD5)	mg/l	16.3	16.2	19.5	27.9	30	54
3	Chemical oxygen demand (COD)	mg/l	43.6	35.6	44.7	51.2	-	162
4	Total suspended solids (TSS)	mg/l	42.3	23.4	45.7	43.9	50	108
5	Total dissolved solids (TDS)	mg/l	290	220	320	260	500	-
6	Arsenic (As)	mg/l	<0.0005	<0.0005	<0.0005	<0.0005	-	0.108
7	Cadmium (Cd)	mg/l	<0.0004	<0.0004	<0.0004	<0.0004	-	0.108
8	Lead (Pb)	mg/l	<0.003	<0.003	<0.003	<0.003	-	0.54
9	Mercury (Hg)	mg/l	<0.0005	<0.0005	<0.0005	<0.0005	-	0.0108
10	Animal and vegetable fat and oil	mg/l	<0.3	0.41	0.5	0.5	10	-
11	Iron (Fe)	mg/l	<0.03	<0.03	<0.03	<0.03	-	5.4
12	Phosphate (PO <sub>4</sub> 3-)	mg/l	0.35	0.41	0.38	0.378	6	-
13	Sulfur (S <sub>2</sub> -)	mg/l	<0.064	<0.064	<0.064	<0.064	1	0.54
14	Ammonium (NH <sub>4</sub> +) – by Nitrogen	mg/l	2.36	3.14	2.25	3.52	5	10.8
15	Nitrate (NO <sub>3</sub> -)	mg/l	15.2	13.1	14.6	15.6	30	-
16	Total nitrogen	mg/l	23.5	21.5	24.9	24.8	-	43.2
17	Total phosphate	mg/l	0.66	0.46	0.727	0.483	-	6.48
18	Total surfactants	mg/l	<0.05	<0.05	<0.05	<0.05	5	-
19	Coliform	MPN/100ml	500	900	610	2100	3000	5000

Table shows test results on post-treatment domestic wastewater prior to disposal

## Emissions

Among key priorities that Vicostone targets is to curb the amount and impact of manufacturing emissions and dust to the environment and physical conditions of people and employees. A number of measures have been executed to manage the quality of emissions and atmosphere both inside and outside of the Company. In addition, Vicostone contracted with a competent independent agency to test the quality of post-treatment emissions with results showing that the concentration of emissions at factory areas is much lower than the current standards.

Table shows test results for the quality of post-treatment emissions at Factory No. 1

No.	Indicator	Unit	Q1 result	Q2 result	Q3 result	Q4 result	Hanoi Standard QCTDHN 01:2014/ BTNMT (Cmax)	National Standard QCVN 20:2009/ BTNMT Maximum concentration
-----	-----------	------	-----------	-----------	-----------	-----------	---	---

### The quality of emissions after dust treatment

1	Total suspended particles	mg/Nm <sup>3</sup>	34.03	26.27	35.40	31.50	180	-
2	CO	mg/Nm <sup>3</sup>	<1.14	<1.14	<1.14	<1.14	1000	-
3	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<2.62	<2.62	<2.62	<2.62	450	-
4	NO <sub>2</sub>	mg/Nm <sup>3</sup>	<0.188	<0.188	<0.188	<0.188	800	-

### The quality of emissions after smell treatment

1	Benzene	mg/Nm <sup>3</sup>	<0.003	<0.003	<0.003	<0.003	-	5
2	Styrene	mg/Nm <sup>3</sup>	6.73	7.16	7.13	8.16	-	100
3	Toluene	mg/Nm <sup>3</sup>	<0.003	<0.003	<0.003	<0.003	-	750

Table shows test results for the quality of post-treatment emissions at Factory No. 2

No.	Indicator	Unit	Q1 result	Q2 result	Q3 result	Q4 result	Hanoi Standard QCTDHN 01:2014/ BTNMT (Cmax)	National Standard QCVN 20:2009/ BTNMT Maximum concentration
-----	-----------	------	-----------	-----------	-----------	-----------	---	---

### The quality of emissions after dust treatment

1	Total suspended particles	mg/Nm <sup>3</sup>	37.30	25.10	35.50	28.40	162	-
2	CO	mg/Nm <sup>3</sup>	<1.14	<1.14	<1.14	<1.14	900	-
3	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<2.62	<2.62	<2.62	<2.62	405	-
4	NO <sub>2</sub>	mg/Nm <sup>3</sup>	<0.188	<0.188	<0.188	<0.188	765	-

### The quality of emissions after smell treatment

1	Benzene	mg/Nm <sup>3</sup>	<0.003	<0.003	<0.003	<0.003	-	5
2	Styrene	mg/Nm <sup>3</sup>	4.05	5.30	4.27	4.78	-	100
3	Toluene	mg/Nm <sup>3</sup>	<0.003	<0.003	<0.003	<0.003	-	750

Hanoi Standard QCTDHN 01:2014/BTNMT – Technical standard on industrial emissions and inorganic substances in the capital area

National Standard QCVN 20:2009/BTNMT – Technical standard on industrial emissions and organic substances





## Solid waste

In order to reduce solid wastes from production, Vicostone implemented communication and training programs among employees to raise awareness and improve skills in categorizing wastes at source, thus helping the Company to enhance management of solid wastes and create the premise for recycling solid wastes into eco-friendly raw materials. Vicostone employees had come up with various initiatives to help reduce the amount of stone powder and grit arising from production. In addition, the Company also conducted research and applied technological solutions to transform solid waste to eco-friendly materials such as applying Geopolymer technology to produce unburnt bricks to serve construction needs within Phenikaa Group (the parent company).

With regards to other groups of solid waste, especially hazardous solid wastes, Vicostone planned and built temporary storage that satisfies technical requirements, and signed contracts with partners to transport and treat said wastes in accordance with standards, regulations, and the law. In light of difficulties in treating wastes in the locality, Vicostone regularly conducted inspection and evaluation of waste transportation and treatment processes and selected trustworthy, capable partners to treat wastes in accordance with the law without impacting the environment.

## 4. Use of eco-friendly materials

To execute sustainable development strategy, Vicostone has studied, researched and applied various types of eco-friendly materials in the making of advanced, eco-friendly products, among those the biggest achievements is Bio-resin, a plant-based, environmentally-friendly resin, which is used to replace oil-based resin in the production of green, harmless products.

In addition, the Company utilizes recycled materials like glass and shell to develop unique alternative products and curb dependence on raw materials.

Type of material	2019	2020	2021
Volume of recycled materials (kg) (Glass + shell)	281,060	430,000	288,750

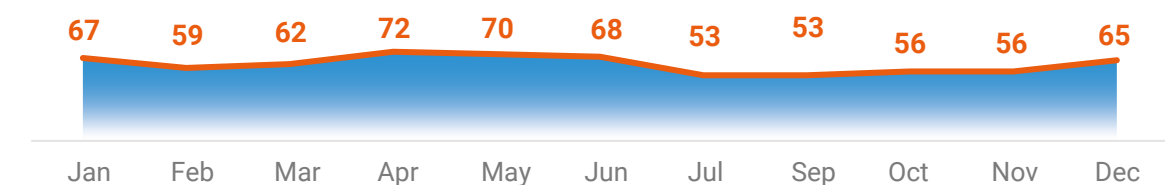
Table displays the consumption of recycled materials for production by Vicostone in 2019-2021



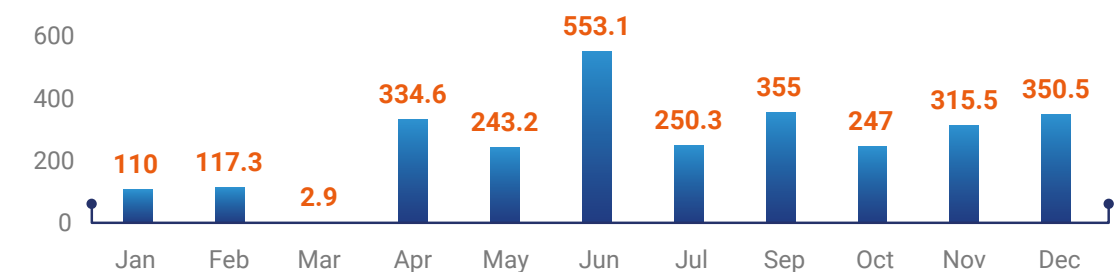
## 5. Activities to improve the environment

To pursue sustainable development, Vicostone applies the Kaizen-5S program to attract and encourage employees to think creatively and unceasingly improve their working environment, increase productivity and quality, reduce costs and wastes, establish the awareness of improvement for all in the workplace, create team spirit among colleagues, develop leadership roles for senior leaders and managers through practical activities, create bases to integrate technical improvements into the production, etc. Employees' initiatives are regularly consolidated by the Kaizen-5S Steering Committee on a weekly basis to provide objective and accurate assessments on the outcomes as well as level of work completions of the Company's departments and divisions.

In 2021, despite the effects of COVID-19 pandemic, Kaizen-5S activities at the Company were still lively, responded to positively by the majority of employees, and achieved outstanding results, not only bringing about economic interests for Vicostone but also ensured environmental protection, occupational safety and sanitary in production and sales.



The number of Kaizen initiatives executed by month

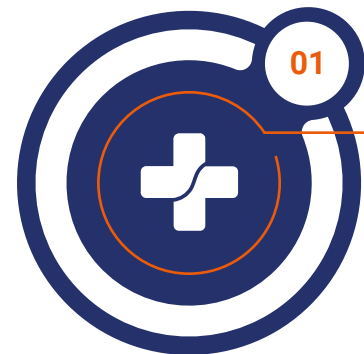


Realized values of Kaizen initiatives by month (unit: VND million)

## CORPORATE SOCIAL RESPONSIBILITIES

At Vicostone, the boards of Directors and Management are of the view that all activities within the Company's production and operation strategies must go hand in hand with corporate social responsibilities in the spirit of promoting humane values, giving more for people's livelihoods, and aiming for sustainable development in communities and society at large.

Vicostone's 2021 corporate social responsibility program aimed at three areas, namely:



01

### Healthcare

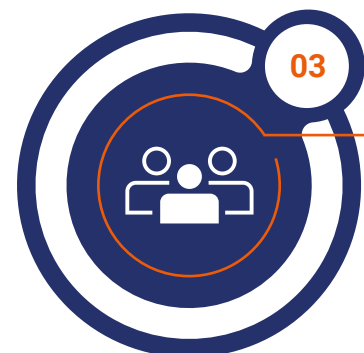
Assistance to the Government and State agencies in preventing and combating the COVID-19 pandemic; support for local healthcare departments in capacity building and quality of care for patients.



02

### Education

Programs to support schools and educational establishments in improving facilities and quality of education.



03

### Community development

Support programs for families in difficult circumstances, subjects of social policies (Vietnamese Heroic Mothers, war invalids, families of martyrs, etc.), the implementation of poverty alleviation programs, support for local governments in recovery from natural disasters, etc.

### Major activities in 2021

In 2021, the COVID-19 pandemic had greater adverse impacts on the country's socio-economic development compared to the previous year. The higher infection rates placed many provinces under prolonged travel restrictions and social distancing, causing disturbances in people's daily lives as well as the production and sales activities of the business community. Against the backdrop, Vicostone and Phenikaa Group (the parent company) and members of the Group implemented various social activities to contribute to creating a safer and happier life for communities. Some major activities included:



### DONATION OF MORE THAN VND 57 BILLION, ASSISTANCE TO THE GOVERNMENT IN ANTI-COVID-19 ACTIVITIES

In heeding the call of the Prime Minister, Vicostone, Phenikaa Group and other members of the Group donated human resources, materials, and cash worth more than VND 57 billion to the pandemic prevention activities of the Ministry of Health and local governments. Specifically, Vicostone and Phenikaa Group gave a direct donation of VND 21 billion to the Ministry of Health to purchase COVID-19 vaccines, support healthcare activities, and raise community awareness on disease prevention activities; a donation of VND 13 billion to the Hanoi Vaccine Fund and arrangement of vaccination for the Company's employees and their relatives. These contributions helped the government and people of Hanoi keep the pandemic situation under control, stabilize livelihood and business activities, as well as implement the dual targets of economic development and effective pandemic control. These actions also demonstrated the culture of Phenikaa Group and Vicostone – the Culture of Consciousness: Always striving to realize commitments for the benefits of stakeholders and bring about the best values to the people and communities.



Ms. Le Thi Minh Thao, Vice General Director of Phenikaa Group, presents the Ministry of Health with VND 20 billion to support COVID-19 prevention activities





*A smart disinfection robot dispatched to decontaminate local schools in Hanoi*

Additionally, Vicostone and Phenikaa Group donated VND 550 million to Y Yen District of Nam Dinh Province to support people in difficulties due to the pandemic; donated nearly VND 160 million to southern provinces through the Vietnam Construction Labor Union; dispatched volunteers, offered technological solutions and products (including the smart disinfection robot and droplet shields) to support and assist Bac Ninh and Bac Giang provinces in the fight to contain the spread of the pandemic and stabilize people's livelihoods.



*Mr. Nguyen Ngoc Vinh, Chairman of the Labor Union of Phenikaa Group, presents Thach That General Hospital with liquid oxygen tanks*

In Thach That District, Vicostone and Phenikaa Group presented Thach That General Hospital with liquid oxygen tanks worth more than VND 830 million to assist hospital employees and doctors in treating and caring for patients, especially those diagnosed with COVID-19 disease, and presented two new houses worth VND 200 million to people in difficult circumstances in the district.

At the Company, the boards of Directors and Management also initiated measures to prevent the spread of the virus, stabilize and maintain production and sales activities, as well as ensure livelihoods for the Company's employees. In 2021, the Company continued to tighten regulations

on disease prevention within the business, provided sanitization liquid for all employees and departments, installed body temperature monitors at the halls of offices and production areas, and disinfected working areas. As the pandemic reached its peak in the third quarter, Vicostone implemented the "3 on-site" production model to those involved in direct production, while indirect employees worked from home. The "3 on-site" production model helped Vicostone ensure stable incomes and livelihoods for employees and their families as well as occupational safety while their social lives were heavily impacted by the pandemic, maintain continuous production and sales activities, and sustain its leading position in the market.

## II INVESTMENT IN HUMAN RESOURCES DEVELOPMENT

By embracing human-focused philosophy, Vicostone and Phenikaa Group always place emphasis on training and education and regard them as the root for the growth of business as well as that of the community and society in general. It is for this reason that, aside from production and sales activities, the Company also focuses on education and training. In 2021, Vicostone and Phenikaa Group donated VND 2 billion to the Hanoi University of Science and Technology to build the Ta Quang Buu Library; donated more than VND 300 million to the construction of Sa Xeng 1 School in Sa Pa Commune, Sa Pa Town, Lao Cai Province; sponsored books worth nearly VND 20 million for the library of the Thach Hoa Junior Highschool in Thach That District and presented gifts to teachers on Vietnam's National Teachers' Day on November 20.



*Mr. Nguyen Ngoc Vinh, Chairman of the Labor Union of Phenikaa Group, presents bookshelves to the Thach Hoa Junior Highschool Library*

In addition to the above activities, in 2021 Vicostone and Phenikaa Group maintained other community activities such as providing care for Vietnamese Heroic Mothers in Thach That District; organizing the "Warm Springtime at the Frontier" to give presents to families under preferential treatment policies, students and fellow countrymen in difficult circumstances, as well as encouraging soldiers who carried out their sacred duties at the border; and donated more than VND 66 million towards the "For the Vietnamese seas and islands" Foundation to contribute to protecting the country's beloved seas and islands.

As a global business operating in more than 50 countries and territories, with a mission to realize all commitments for the benefits of stakeholders, Vicostone always attaches importance to community services to contribute to bringing about better lives for people and the common development of localities and the country. This is also one of the specific virtues of Phenikaa culture – the Culture of Consciousness and a deeply humane business philosophy.



# SUSTAINABLE HUMAN RESOURCES DEVELOPMENT

Vicostone currently employs a total of nearly 800 employees, among whom 95% are under 45 years old and 82% of employees hold degrees in primary and secondary vocational training or higher. The young, well-educated, experienced, and competent human resources are one of the Company's invaluable assets that play a very important role in building the Company's reputation, ensuring revenue and profit growth, and creating values for the Company. The boards of Directors and Management always attach great importance to the development of a sustainable, high-quality workforce with capacity, skills, and commitment to the Company to ensure the sustainable development of the business.

## I STAFF RECRUITMENT

After a year of responding to the impacts of the COVID-19 pandemic, Vicostone formulated recruitment plans for 2021. During the time when Hanoi was under social distancing regulations, the Company attracted high-quality hires by promoting posts on Facebook and online hiring sites, sending emails and maintaining contact as well as sharing job opportunities with potential candidates. This helped maintain the connection between the Company and candidates to sustain and develop potential candidates and make available a pool of staff when there were surges in the need for recruitment.

The COVID-19 pandemic impacted the Company's recruitment, limiting its ability to directly meet, interview, and comprehensively evaluate candidates. Vicostone was flexible in conducting interviews to ensure disease prevention by opting for online instead of in-person interviews, implementing measures to prevent infections before, during, and after the final round of in-person interviews, etc.

In 2021, Vicostone hired 115 new employees to address the production and sales needs of the Company. Regardless of the form in which

it was conducted, Vicostone's recruitment process upheld the principles of: Fairness and transparency; adequacy of professional capacity and working skills; compatibility with the environment and culture of the Company; and respect for creativity and difference of candidates.

## II CAREER DEVELOPMENT

### 1. Training and development

Multiple waves of the pandemic, especially the peak in August and September of 2021, significantly affected the Company's training programs as various courses had to alter plans. Vicostone enacted timely changes to its training programs to respond to the COVID-19 pandemic, namely:

- Organizing small-scale classes (maximum of 20 people per class), ensuring disease control and safe distance between trainees, requiring face-masks and sanitation when taking class (before the time of social distancing);
- Providing online training through meeting/training platforms such as Zoom, Google Meet and Class In so trainees could participate in class and interact with trainers during the time of social distancing and limited contact;
- Continuing the development and operation of the Phenikaa E-learning system with a diverse set of training materials and practical knowledge for each working position, an easy-to-use and user-friendly interface to help employees participate in learning and testing their capacities through E-learning tests that can be taken anywhere at any time, enhancing employees' capabilities and fostering a learning culture at Vicostone and Phenikaa Group in general;
- Organizing supplementary training for courses related to operations and craftsmanship when the pandemic situation was under control.



In 2021, Vicostone's training activities focused on the following areas:

- Orientation and integration training for new employees of the Company;
- Training on occupational sanitary, fire hazards, and mandatory courses in accordance with the laws;
- Specialized training, particularly internal courses on production technologies, operations, and systemic training (ISO, Kaizen-5S) to update knowledge and skills for production staff;
- Position-based skill training courses on sales and communications, search for information and identification of product trends, learning and development, etc.;
- Master of Business Administration courses in English (E-MBA) for members of the boards of Directors and Management, key managerial staff, and prospective executives to enhance the capacities of the next generation of leaders and make available human resources that were ready for strategic positions.

The total number of training courses conducted in 2021 was 32 with 2,372 trainees equating to 17,038 hours of training.

### 2. Planning and appointment

To help employees sharpen and promote their capacities in different areas of work, Vicostone created a program to maximize the potential of highly-skilled internal staff through rotating suitable positions, ensuring that leaders and managers possess adequate capacity, experience, and ability to adapt to different positions and tasks, and meet the requirements of key personnel.

In 2021, the Company reviewed its list of senior and mid-level staff to create plans to train, cultivate, and appoint in succession, particularly:

- Created a list of next-generation mid-level leaders and managers along with detailed information, evaluation results, and the ability to satisfy capacity requirements of the position;
- Created and implemented plans to train and develop personal capacities for next-generation staff in 2021-2025;
- Created and implemented plans for rotation and changing of positions so that next-generation staff would have access to different areas of work and the opportunity to explore and promote their individual strengths;
- Created personal development plans for candidates with lower levels of priority.



By the end of 2021, Vicostone had restructured its Import-Export Sales Division and Domestic Sales Division towards specialization and optimization of staff as well as creation of career development opportunities for potential next-generation staff.

### III FAIR COMPENSATION

#### 1. Salary and bonus policies

At Vicostone, salary policies were developed based on the principles of fairness, proportionality with the capacity and contribution of employees through the competitive 3P salary mechanism. In 2021, the Company also aimed for diversity and attractiveness in salaries and bonuses, applied salary and bonus policies that were flexible and suitable with the complex COVID-19 situation (salary and bonus policies for the “3 on-site” teams and individuals working from home).

Salary and bonus policies were attached to work performance and business effectiveness and included monthly bonuses for performance and business effectiveness, sales bonus, technical improvement innovation bonus, bonuses for high performance teams and individual employees (Outstanding Team, Outstanding Employee) that contributed to the Company. In addition, bonuses were offered for major holidays (New Year, Lunar New Year, Liberation Day of April 30, May Day, Independence Day of September 2, the Company's Foundation Anniversary, etc.)

2021 was a great challenge to the business community when the Vietnamese and global economies faced immense impacts from the COVID-19 pandemic. Therefore, Vicostone was vigilant in its disease prevention tasks as well as in ensuring the livelihoods of its employees. Despite suffering significant impacts from the pandemic, the Company did not downscale staff numbers and instead allowed office employees to work from home during social distancing and secured salary payment for employees throughout the duration of the pandemic. In addition, during Hanoi's social distancing, Vicostone spent VND 1.76 billion to ensure the livelihood of employees who were forced to suspend work due to quarantine or living in areas of the pandemic and those who were subject to the “3 on-site” and work-from-home policies.

Even though Hanoi enacted social distancing for more than two months to combat the COVID-19 pandemic, the income of employees still experienced growth compared to 2020. Specifically, in 2021, the average income of Vicostone employees was valued at VND 20,812,905, a 3% increase from that of 2020.



*Vicostone always improves salary and bonus policies to match the capacity and contribution of the employees and lure the attention in the labor market*

#### 2. Welfare policies

In 2021, in light of the COVID-19 pandemic and instructions from Hanoi authorities, in addition to normal working hours, Vicostone enacted the “3 on-site” and work-from-home policies to maintain the continuity of production and sales, avoid disruption in the supply chain and ensure employment and income for employees.

Aside from ensuring work and welfare during social distancing, the Company improved welfare for its employees and implemented diverse and beneficial welfare programs for them. Major welfare policies of Vicostone towards employees included:

- 01 Provision of health, social, and unemployment insurances in accordance with regulations.
- 02 Full salary for 100% of employees who were on leave due to the pandemic.
- 03 Provision of additional compensation aside from main salary and security of living conditions for employees under the “3 on-site” model.
- 04 Availability of health insurance, healthcare, 24/7 accident insurance, regular health checkups for employees to purchase.
- 05 Financial support for purchase of health insurance by relatives of employees.
- 06 Support in terms of finance, interest rates, and procedures for employees purchasing apartments.



# 05

## CONSOLIDATED FINANCIAL STATEMENTS

166	GENERAL INFORMATION
168	REPORT OF THE BOARD OF MANAGEMENT
170	REPORT OF THE INDEPENDENT AUDITOR
172	CONSOLIDATED BALANCE SHEET
174	CONSOLIDATED INCOME STATEMENT
175	CONSOLIDATED CASHFLOW STATEMENT
177	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## 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 18<sup>th</sup> 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 THE 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	

### III THE BOARD OF INTERNAL AUDIT (\*)

Member of the Board of Internal Audit from January 1, 2021 to May 7, 2021 are:

Ms. Nguyen Dieu Thuy Ngoc	Head of Board of Internal Audit	Resigned on May 7, 2021
Mr. Nguyen Van Toan	Member	Resigned on May 7, 2021

### IV THE AUDIT COMMITTEE (\*)

Member of the Audit Committee from May 7, 2021 to the date of this report are:

Mr. Nguyen Quang Hung	Head of Audit Committee	Appointed on May 7, 2021
Ms. Nguyen Dieu Thuy Ngoc	Member	Appointed on May 7, 2021

(\*) According to Resolution No.10/2021 NQ/VCS-HDQT dated May 7, 2021, the Board of Directors of the Company approved the dissolution of the Board of Internal Audit, established and issued the operation regulations of the Company's Audit Committee.

### V THE BOARD OF MANAGEMENT

Members of the Board of Management during the year and at the date of the 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	
Mr. Dong Quang Thuc	Vice General Director	Appointed on May 7, 2021
Ms. Pham Thi Bich Thuy	Vice General Director	Resigned on December 1, 2021

### VI 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 ended December 31, 2021 in accordance with the Letter of Authorization No. 171/2017/UQ-Vicostone dated April 25, 2017.

### VII AUDITOR

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



## REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Vicostone Joint Stock Company ("the Company") is pleased to present this report and the consolidated financial statements of the Company and its subsidiary (collectively referred to as "the Company and its subsidiary") for the year ended December 31, 2021.

### 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 cashflows for the year. In preparing those consolidated financial statements, the Board of Management is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the 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 statement.

### II STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company and its subsidiary as at December 31, 2021 and of the consolidated results of its operations and its consolidated cashflows 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:



**PHẠM ANH TUẤN**  
General Director  
March 22, 2022





## REPORT OF THE INDEPENDENT AUDITOR

Reference: 60999244/22576198



### 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 22, 2022 and set out on page 170 to 209 which comprise the consolidated balance sheet as at December 31, 2021, the consolidated income statement and the consolidated cashflow 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 of Management determines is necessary to enable the preparation and presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the 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's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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, 2021, and of the consolidated results of its operations and its consolidated cashflows 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



**TRAN PHU SON**

*Deputy General Director*

*Audit Practising Registration*

*Certificate No. 6037-2018-004-1*

*Hanoi, Vietnam*

*March 25, 2022*

**DO DUC HIEU**

*Auditor*

*Audit Practising Registration*

*Certificate No. 4663-2018-004-1*





# CONSOLIDATED BALANCE SHEET

as at December 31, 2021

Currency: VND

Code	Asset	Note	Ending balance	Beginning balance
<b>100</b>	<b>A. CURRENT ASSETS</b>		<b>5,829,100,412,476</b>	<b>4,900,512,297,699</b>
<b>110</b>	<b>I. Cash and cash equivalents</b>	<b>4</b>	<b>1,045,421,628,805</b>	<b>790,349,857,796</b>
111	1. Cash		426,821,628,805	245,349,857,796
112	2. Cash equivalents		618,600,000,000	545,000,000,000
<b>120</b>	<b>II. Short-term investments</b>	<b>5</b>	<b>60,000,000,000</b>	<b>-</b>
123	1. Held- to-maturity investments		60,000,000,000	-
<b>130</b>	<b>III. Current accounts receivable</b>		<b>2,448,451,558,208</b>	<b>1,953,209,393,596</b>
131	1. Short-term trade receivables	6	2,406,105,347,822	1,921,424,011,443
132	2. Short-term advances to suppliers		42,468,184,250	29,685,255,365
135	3. Short-term loan receivables		50,129,329	50,129,329
136	4. Other short-term receivables		4,180,386,693	2,955,306,231
137	5. Provision for doubtful short-term receivables	6	(4,352,489,886)	(905,308,772)
<b>140</b>	<b>IV. Inventories</b>	<b>7</b>	<b>1,990,065,772,716</b>	<b>2,014,961,208,129</b>
141	1. Inventories		1,997,243,301,566	2,019,743,286,507
149	2. Provision for obsolete inventories		(7,177,528,850)	(4,782,078,378)
<b>150</b>	<b>V. Other current assets</b>		<b>285,161,452,747</b>	<b>141,991,838,178</b>
151	1. Short-term prepaid expenses	11	4,814,144,072	4,954,918,909
152	2. Value-added tax deductible	13	280,347,308,675	137,026,125,044
153	3. Tax and other receivables from the State		-	10,794,225
<b>200</b>	<b>B. NON-CURRENT ASSETS</b>		<b>1,063,813,155,887</b>	<b>1,154,822,046,234</b>
<b>210</b>	<b>I. Long-term receivables</b>		<b>30,000,000</b>	<b>30,000,000</b>
216	1. Other long-term receivables		30,000,000	30,000,000
<b>220</b>	<b>II. Fixed assets</b>		<b>1,036,694,489,298</b>	<b>1,018,159,912,711</b>
221	1. Tangible fixed assets	8	1,031,256,223,077	1,011,002,371,819
222	Cost		2,101,547,816,858	1,955,563,118,814
223	Accumulated depreciation		(1,070,291,593,781)	(944,560,746,995)
227	2. Intangible fixed assets	9	5,438,266,221	7,157,540,892
228	Cost		28,212,923,497	27,590,423,497
229	Accumulated amortization		(22,774,657,276)	(20,432,882,605)
<b>240</b>	<b>III. Long-term assets in progress</b>		<b>9,670,832,872</b>	<b>118,194,912,231</b>
242	1. Construction in progress	10	9,670,832,872	118,194,912,231
<b>260</b>	<b>IV. Other long-term assets</b>		<b>17,417,833,717</b>	<b>18,437,221,292</b>
261	1. Long-term prepaid expenses	11	15,010,120,004	15,848,749,126
262	2. Deferred tax assets	24.3	2,407,713,713	2,588,472,166
<b>270</b>	<b>TOTAL ASSETS</b>		<b>6,892,913,568,363</b>	<b>6,055,334,343,933</b>

Currency: VND

Code	Resource	Note	Ending balance	Beginning balance
<b>300</b>	<b>C. LIABILITIES</b>		<b>2,018,716,551,655</b>	<b>2,197,513,273,144</b>
<b>310</b>	<b>I. Current liabilities</b>		<b>1,872,419,253,793</b>	<b>1,997,920,622,226</b>
311	1. Short-term trade payables	12	252,312,590,220	311,170,550,880
312	2. Short-term advances from customers		7,259,225,012	18,368,908,078
313	3. Statutory obligations	13	75,379,723,591	75,355,904,643
314	4. Payables to employees		8,195,199,636	7,617,347,538
315	5. Short-term accrued expenses		453,613,290	588,745,909
319	6. Other short-term payables	14	5,079,698,238	6,671,654,464
320	7. Short-term loans	15	1,479,310,860,822	1,533,227,187,070
322	8. Bonus and welfare fund	16	44,428,342,984	44,920,323,644
<b>330</b>	<b>II. Non-current liabilities</b>		<b>146,297,297,862</b>	<b>199,592,650,918</b>
338	1. Long-term loans	15	146,297,297,862	199,496,315,266
343	2. Scientific and technological development fund		-	96,335,652
<b>400</b>	<b>D. OWNERS' EQUITY</b>		<b>4,874,197,016,708</b>	<b>3,857,821,070,789</b>
<b>410</b>	<b>I. Capital</b>	<b>17</b>	<b>4,874,197,016,708</b>	<b>3,857,821,070,789</b>
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		290,584,886	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		3,166,397,061,162	2,443,513,523,900
421a	- Undistributed earnings by the end of prior year		2,034,337,197,107	1,325,493,760,189
421b	- Undistributed earnings of current year		1,132,059,864,055	1,118,019,763,711
<b>440</b>	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>6,892,913,568,363</b>	<b>6,055,334,343,933</b>

NGUYEN PHUONG ANH  
Preparer  
March 22, 2022

NGUYEN THI NGA  
Chief Accountant

PHAM ANH TUAN  
General Director



## CONSOLIDATED INCOME STATEMENT

for the year ended December 31, 2021

Currency: VND

Code	Item	Note	Current year	Previous year
01	1. Revenue from sale of goods	19.1	7,108,211,833,610	5,674,600,425,338
02	2. Deductions	19.1	38,082,854,613	15,005,906,672
10	3. Net revenue from sale of goods (10 = 01 - 02)	19.1	7,070,128,978,997	5,659,594,518,666
11	4. Cost of goods sold	20	4,607,624,494,397	3,695,766,493,820
20	5. Gross profit from sale of goods (20 = 10 - 11)		2,462,504,484,600	1,963,828,024,846
21	6. Financial incomes	19.2	62,082,451,372	40,073,177,690
22	7. Financial expenses	21	89,487,688,687	92,877,592,099
23	<i>In which: Interest expense</i>		56,876,350,423	76,985,258,575
25	8. Selling expenses	22	272,145,112,014	160,513,261,846
26	9. General and administrative expenses	22	47,348,871,942	71,482,375,291
30	10. Operating profit {30 = 20 + (21 - 22) - (25 + 26)}		2,115,605,263,329	1,679,027,973,300
31	11. Other incomes		4,433,747,988	1,552,175,940
32	12. Other expenses		22,637,976,339	12,625,030,979
40	13. Other loss (40 = 31 - 32)		(18,204,228,351)	(11,072,855,039)
50	14. Profit before tax (50 = 30 + 40)		2,097,401,034,978	1,667,955,118,261
51	15. Current corporate income tax expenses	24.1	325,160,412,470	242,123,826,716
52	16. Deferred tax expense/(income)	24.3	180,758,453	(2,588,472,166)
60	17. Net profit after tax (60 = 50 - 51 - 52)		1,772,059,864,055	1,428,419,763,711
70	18. Basic earnings per share	27	9,890	8,225
71	19. Diluted earnings per share	27	9,890	8,225

**NGUYEN PHUONG ANH**  
Preparer  
March 22, 2022

**NGUYEN THI NGA**  
Chief Accountant

**PHAM ANH TUAN**  
General Director

## CONSOLIDATED CASHFLOW STATEMENT

for the year ended December 31, 2021

Currency: VND

Code	Item	Note	Current year	Previous year
	<b>I. CASHFLOWS FROM OPERATING ACTIVITIES</b>			
01	Profit before tax		2,097,401,034,978	1,667,955,118,261
	Adjustments for:			
02	Depreciation of tangible fixed assets and amortization of intangible fixed assets		128,047,268,748	119,067,378,765
03	Provisions		5,842,631,586	-
04	Foreign exchange losses/(gains) arisen from revaluation of monetary accounts denominated in foreign currency		10,856,954,333	(3,505,066,527)
05	Profits from investing activities		(14,038,583,398)	(5,642,720,046)
06	Interest expenses	21	56,876,350,423	76,985,258,575
08	Operating profit before changes in working capital		2,284,985,656,670	1,854,859,969,028
09	Increase in receivables		(648,791,983,076)	(20,016,029,440)
10	Decrease/(increase) in inventories		22,499,984,941	(101,215,961,716)
11	Decrease in payables		(66,633,231,842)	(105,376,842,984)
12	Decrease in prepaid expenses		979,403,959	5,862,640,365
14	Interest paid		(56,884,970,781)	(81,061,138,974)
15	Corporate income tax paid	13	(324,841,945,403)	(198,162,331,778)
17	Other cash outflows for operating activities		(116,703,598,796)	(94,437,099,499)
20	Net cashflows from operating activities		1,094,609,315,672	1,260,453,205,002
	<b>II. CASHFLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchase and construction of fixed assets and other long-term assets		(41,195,138,027)	(88,395,274,034)
22	Proceeds from liquidation and sale of fixed assets and other long-term assets		98,000,000	-
23	Loans to other entities and payments for purchase of debt instruments of other entities		(60,000,000,000)	-
27	Interest received		14,464,239,826	5,642,720,046
30	Net cashflows used in investing activities		(86,632,898,201)	(82,752,553,988)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at December 31, 2021 and for the year then ended

Code	Item	Note	Current year	Previous year
	<b>III. CASHFLOWS FROM FINANCING ACTIVITIES</b>			
31	Capital contribution and issuance of shares		527,700,000	-
32	Capital redemption		-	(293,331,372,873)
33	Drawdown of borrowings		2,826,063,241,011	2,668,622,825,548
34	Repayment of borrowings		(2,935,029,359,337)	(2,605,681,700,628)
36	Dividends paid to shareholders		(642,014,742,700)	(627,149,566,575)
40	Net cashflows used in financing activities		(750,453,161,026)	(857,539,814,528)
50	Net increase in cash for the year		257,523,256,445	320,160,836,486
60	Cash and cash equivalents at the beginning of the year		790,349,857,796	469,919,515,100
61	Impact of exchange rate fluctuation		(2,451,485,436)	269,506,210
70	Cash and cash equivalents at the end of the year	4	1,045,421,628,805	790,349,857,796

**NGUYEN PHUONG ANH**  
Preparer  
March 22, 2022

**NGUYEN THI NGA**  
Chief Accountant

**PHAM ANH TUAN**  
General Director

### 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 18<sup>th</sup> 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, 2021 is 980 (December 31, 2020: 902).

#### Corporate structure

As at December 31, 2021, the Company has a subsidiary which is Phenikaa Hue Mineral Processing and Investment One Member Company Limited ("Phenikaa Hue").

Phenikaa Hue 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 5<sup>th</sup> amendment dated January 13, 2020 as the latest. The head office of Phenikaa Hue 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 are to invest and process minerals.

As at December 31, 2021, the Company holds a 100% equity interest in this subsidiary.

### II BASES 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/QĐ-BTC dated December 31, 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 1);
- Decision No. 165/2002/QĐ-BTC dated December 31, 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- Decision No. 234/2003/QĐ-BTC dated December 30, 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);





- Decision No. 12/2005/QĐ-BTC dated February 15, 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4); and
- Decision No. 100/2005/QĐ-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 cashflows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

## 2. Fiscal year

The Company and its subsidiary's fiscal year applicable for the preparation of its consolidated financial statements 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 of the financial statements of the Company and its subsidiary for the year ended December 31, 2021.

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

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

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

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

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



# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## 1. Cash and cash equivalents

Cash and cash equivalents comprise of 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 less the estimated costs to complete and the estimated costs necessary to make the sale.

The perpetual method is used to record inventories, which are valued as follows:

Raw materials and merchandise goods	Cost of purchase on a weighted average basis.
Finished goods and work-in process	Cost of direct materials and labor 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 the 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.

## 4. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset comprises of its purchase price and any directly attributable costs of bringing the tangible fixed asset to working condition for its intended use.

Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the consolidated income statement as incurred.

When tangible fixed assets are sold or retired, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the consolidated income statement.

## 5. Leased assets

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the 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 financial 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.

#### If the Company is the lessee

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

### 6. Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortization.

The cost of an intangible fixed asset comprises of its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use.

Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the consolidated income statement as incurred.

When intangible fixed assets are sold or retired, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the consolidated income statement.

### 7. Depreciation and 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:

<b>Buildings and structures</b>	4 - 25 years
<b>Machinery and equipment</b>	3 - 20 years
<b>Means of transportation</b>	4 - 10 years
<b>Office equipment</b>	3 - 8 years
<b>Other fixed assets</b>	5 - 10 years
<b>Computer software</b>	3 - 12 years
<b>Other intangible fixed assets</b>	5 years

### 8. Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds of the Company and its subsidiary. Borrowing costs are recorded as 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 takes a substantial period of time to get ready for its intended use or sale are capitalized as parts of the cost of the respective asset.

### 9. Prepaid expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses on the consolidated balance sheet and 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 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 a long-term prepaid expense for allocation to the consolidated income statement over the remaining period of the lease contract, according to Circular No. 45/2013/TT-BTC dated April 25, 2013.

### 10. Business combinations and goodwill

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

### 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 amounts. Any impairment loss incurred is recognized as expense in the consolidated financial statements and deducted against the value of such investments.

### 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:

- Transaction resulting in receivables are recorded at the buying exchange rates of the commercial banks where the Company and its subsidiary designated for collection;
- Transactions resulting in payables are recorded at the selling exchange rates of the commercial banks where the Company and its subsidiary designated for payment; and
- Transactions for purchasing assets or expenses which are immediately settled (not recorded via liabilities) are recorded at the buying exchange rates of the commercial banks destined for payments.

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

- Monetary items which are classified as assets are re-translated at buying exchange rate of the commercial bank where the Company and its subsidiary conduct regular transactions; and
- Monetary items which are classified as liabilities are re-translated at selling exchange rate 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 to the consolidated income statement.

### 14. Treasury shares

Owners' 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, issue or cancellation of the Company's owner equity instruments.

### 15. Appropriation of net profits

Net profit after tax is available for appropriation to shareholders after approval in the Annual General Meeting of Shareholders, 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 and its subsidiary's net profits as proposed by the Board of Directors and subject to approval by shareholders at the Annual General Meeting of Shareholders.

#### Investment and development fund

This fund is set aside for use in the Company's expansion of its operations 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 and experiment of new materials and chemicals for production 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 the revenue is recognized:

#### Sale of goods

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

#### Interest

Revenue is 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 its current tax assets and liabilities on a net basis.

#### Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiary and associate, and interests in joint ventures where timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed 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 against which is deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilized, except:

- Where the deferred tax asset in respect of deductible temporary difference which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporarily differences associated with investments in subsidiary, associate, and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 assets are realized or the liabilities are settled based on the 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 and its subsidiary 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 amounts are calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Company and its subsidiary (after adjusting for the bonus and welfare fund) by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit after tax attributable to ordinary equity holders of the Company and its subsidiary (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

## 19. Segment information

A segment is a component determined separately by the Company which is engaged in providing products or related services (business segment) or providing products or services in a particular economic environment (geographical segment), that is subject to risks and returns that are different from those of other segments.

The Company's business segment is derived mainly from manufacturing and distributing quartz-based compound stone related products. The Board of Management defines the Company's geographical segments based on the locations where the Company sells its products.

## 20. Related parties

The parties are considered 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 or individuals, including close members of their families of any such individuals.

## IV CASH AND CASH EQUIVALENTS

Currency: VND

	Ending balance	Beginning balance
Cash on hand	6,142,218,798	2,354,406,747
Cash at banks	420,679,410,007	242,995,451,049
Cash equivalents (*)	618,600,000,000	545,000,000,000
<b>TOTAL</b>	<b>1,045,421,628,805</b>	<b>790,349,857,796</b>

(\*) Cash equivalents as at December 31, 2021 include deposits in VND at commercial banks, with one-month term and interest rates ranging from 3.1% - 4.0% per annum (December 31, 2020: 2.5% - 3.9% per annum).

## V HELD-TO-MATURITY INVESTMENTS

Currency: VND

	Ending balance	Beginning balance
Term deposits	60,000,000,000	-
<b>TOTAL</b>	<b>60,000,000,000</b>	<b>-</b>

As at December 31, 2021, held-to-maturity investments represent bank deposits in VND at joint stock commercial banks with terms of six months and interest rates ranging from 3.8% to 3.9% per annum.





## VI SHORT-TERM TRADE RECEIVABLES

Currency: VND

	Ending balance	Beginning balance
<b>Trade receivables from customers</b>	<b>816,931,054,815</b>	<b>615,981,193,440</b>
• Pental Granite & Marble Company	240,233,271,154	198,346,616,481
• Vicostone Canada Company	322,285,842,062	172,966,803,235
<b>Other customers</b>	<b>254,411,941,599</b>	<b>244,667,773,724</b>
Trade receivables from related parties (Note XXVI)	1,589,174,293,007	1,305,442,818,003
<b>TOTAL</b>	<b>2,406,105,347,822</b>	<b>1,921,424,011,443</b>
<b>Provision for doubtful short-term trade receivables</b>	<b>(4,352,489,886)</b>	<b>(905,308,772)</b>

## VII INVENTORIES

Currency: VND

	Ending balance		Beginning balance	
	Cost	Provision	Cost	Provision
Goods in transit	55,128,619,661	-	49,053,962,104	-
Raw materials	218,885,783,716	-	154,669,799,424	-
Tools and supplies	98,503,048,680	-	97,742,007,186	-
Work in process	30,552,469,465	-	16,827,197,992	-
Finished goods	432,112,447,918	(1,498,144,616)	357,786,106,978	(4,782,078,378)
Merchandise goods	1,162,060,932,126	(5,679,384,234)	1,343,664,212,823	-
<b>TOTAL</b>	<b>1,997,243,301,566</b>	<b>(7,177,528,850)</b>	<b>2,019,743,286,507</b>	<b>(4,782,078,378)</b>

Details of movements of provision for obsolete inventories:

Currency: VND

	Current year	Previous year
Beginning balance	(4,782,078,378)	(4,782,078,378)
Add: Provision created during the year	(5,712,370,791)	-
Less: Utilization and reversal of provision during the year	3,316,920,319	-
Ending balance (*)	(7,177,528,850)	(4,782,078,378)

(\*) This represents the provision made for certain quartz-based stone products and Terastone products. According to the evaluation of the Company, these inventories have an estimated selling price lower than the cost of inventories at the end of the year.







## TANGIBLE FIXED ASSETS

Currency: VND

	Buildings and structures	Machinery and equipment	Means of transportation	Office equipment	Other fixed assets	Total
<b>Cost:</b>						
<b>Beginning balance</b>	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
New purchase for the year	-	4,106,504,080	1,010,000,000	229,303,664	-	5,345,807,744
Transfer from construction in progress	6,984,047,271	134,240,573,309	-	-	-	141,224,620,580
Disposal	-	(585,730,280)	-	-	-	(585,730,280)
<b>Ending balance</b>	294,905,530,229	1,742,923,433,766	43,946,460,450	18,779,246,305	993,146,108	2,101,547,816,858
In which:						
Fully depreciated	59,865,802,928	327,879,599,967	25,770,059,161	14,247,520,619	-	427,762,982,675
<b>Accumulated depreciation:</b>						
<b>Beginning balance</b>	134,581,480,881	765,006,248,946	29,171,120,695	15,574,300,489	227,595,984	944,560,746,995
Depreciation for the year	16,134,543,808	105,444,126,157	3,073,709,666	1,025,306,834	124,143,264	125,801,829,729
Disposal	-	(70,982,943)	-	-	-	(70,982,943)
<b>Ending balance</b>	150,716,024,689	870,379,392,160	32,244,830,361	16,599,607,323	351,739,248	1,070,291,593,781
<b>Net carrying amount:</b>						
<b>Beginning balance</b>	153,340,002,077	840,155,837,711	13,765,339,755	2,975,642,152	765,550,124	1,011,002,371,819
<b>Ending balance</b>	144,189,505,540	872,544,041,606	11,701,630,089	2,179,638,982	641,406,860	1,031,256,223,077



## INTANGIBLE FIXED ASSETS

Currency: VND

	Computer software	Others	Total
<b>Cost:</b>			
<b>Beginning balance</b>	27,552,423,497	38,000,000	27,590,423,497
New purchase for the year	622,500,000	-	622,500,000
<b>Ending balance</b>	28,174,923,497	38,000,000	28,212,923,497
In which, fully amortized	1,863,350,635	38,000,000	1,901,350,635
<b>Accumulated amortization:</b>			
<b>Beginning balance</b>	20,394,882,605	38,000,000	20,432,882,605
Amortization for the year	2,341,774,671	-	2,341,774,671
<b>Ending balance</b>	22,736,657,276	38,000,000	22,774,657,276
<b>Net carrying amount:</b>			
<b>Beginning balance</b>	7,157,540,892	-	7,157,540,892
<b>Ending balance</b>	5,438,266,221	-	5,438,266,221

Phenikaa Hue has mortgaged all machinery, equipment and buildings and structures under the investment project "Cristobalite material factory" located at Lot CN15 Block B, Phong Dien Industrial Park, Phong Hoa Commune, Phong Dien District, Thua Thien - Hue Province, Vietnam which is owned by this company, with a net carrying amount of VND 503 billion as at December 31, 2021 (December 31, 2020: VND 512.5 billion) for long-term bank loans as presented in Note XV.



## CONSTRUCTION IN PROGRESS

Currency: VND

	Ending balance	Beginning balance
Purchase	8,968,654,332	107,393,956,559
Construction in progress	584,681,084	10,800,955,672
Overhaul cost of fixed assets	117,497,456	-
<b>TOTAL</b>	<b>9,670,832,872</b>	<b>118,194,912,231</b>





## XI PREPAID EXPENSES

Currency: VND

	Ending balance	Beginning balance
<b>Short-term</b>		
Tools and supplies	3,367,670,016	2,182,092,690
Other short-term prepaid expenses	1,446,474,056	2,772,826,219
<b>TOTAL</b>	<b>4,814,144,072</b>	<b>4,954,918,909</b>
<b>Long-term</b>		
Prepaid land rental	5,838,063,523	6,112,795,924
Tools and supplies	7,553,039,702	6,608,974,694
Overhaul cost of fixed assets	786,891,555	1,016,091,911
Other long-term prepaid expenses	832,125,224	2,110,886,597
<b>TOTAL</b>	<b>15,010,120,004</b>	<b>15,848,749,126</b>

## XII 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
Eternal Materials Co., Ltd.	-	-	27,753,792,000	27,753,792,000
Payables to other suppliers	214,673,481,660	214,673,481,660	159,676,721,012	159,676,721,012
Trade payables to related parties (Note XXVI)	37,639,108,560	37,639,108,560	33,180,768,868	33,180,768,868
<b>TOTAL</b>	<b>252,312,590,220</b>	<b>252,312,590,220</b>	<b>311,170,550,880</b>	<b>311,170,550,880</b>

## XIII STATUTORY OBLIGATIONS

Currency: VND

	Beginning balance	Increase in the year	Decrease in the year	Ending balance
<b>Receivables</b>				
Value-added tax deductible	137,026,125,044	355,184,502,780	(211,863,319,149)	280,347,308,675
PIT deductible	10,794,225	-	(10,794,225)	-
<b>TOTAL</b>	<b>137,036,919,269</b>	<b>355,184,502,780</b>	<b>(211,874,113,374)</b>	<b>280,347,308,675</b>

	Beginning balance	Payable for the year	Payment made in the year	Ending balance
<b>Payables</b>				
Value-added tax of imported goods	-	104,516,142,946	(104,516,142,946)	-
Corporate income tax	73,747,951,395	325,160,412,470	(324,841,945,403)	74,066,418,462
Import, export duties	543,039,743	7,199,942,594	(7,618,323,012)	124,659,325
Personal income tax	1,064,913,505	10,848,352,659	(10,724,620,360)	1,188,645,804
Other taxes	-	703,330,422	(703,330,422)	-
<b>TOTAL</b>	<b>75,355,904,643</b>	<b>448,428,181,091</b>	<b>(448,404,362,143)</b>	<b>75,379,723,591</b>

## XIV OTHER SHORT-TERM PAYABLES

Currency: VND

	Ending balance	Beginning balance
Dividend payable	4,008,128,050	6,022,870,750
Other payables	1,071,570,188	648,783,714
<b>TOTAL</b>	<b>5,079,698,238</b>	<b>6,671,654,464</b>



## XV LOANS

Currency: VND

	Beginning balance		Movement during the year		Ending balance
	Amount and amount payable		Other increase	Decrease	Amount and amount payable
Short-term loans					
Loans from banks (Note XV.1)	1,480,028,169,666		2,827,914,015,685	(2,881,830,341,933)	1,426,111,843,418
Current portion of long-term loans (Note XV.2)	53,199,017,404		53,199,017,404	(53,199,017,404)	53,199,017,404
	1,533,227,187,070		2,881,113,033,089	(2,935,029,359,337)	1,479,310,860,822
Long-term loans					
Loans from banks (Note XV.2)	199,496,315,266		-	(53,199,017,404)	146,297,297,862
	199,496,315,266		-	(53,199,017,404)	146,297,297,862
TOTAL	1,732,723,502,336		2,881,113,033,089	(2,988,228,376,741)	1,625,608,158,684

### 1. Short-term loans from banks

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

Bank	Ending balance (VND)	Original amount (USD)
Indovina Bank Ltd. – Thien Long Branch	287,338,284,096	12,602,556
Asia Commercial Joint Stock Bank – Ha Thanh Branch	177,690,386,080	7,769,584
HSBC Bank Ltd. – Hanoi Branch	151,561,523,942	6,624,192
Vietnam Joint Stock Commercial Bank for Industry and Trade – Hanoi Branch	151,471,947,946	6,578,586
BNP Paribas Bank - Hanoi Branch	150,114,206,259	6,540,924
Military Commercial Joint Stock Bank – Hoang Quoc Viet Branch	103,132,386,596	4,494,765
Joint Stock Commercial Bank for Foreign Trade of Vietnam – Thanh Cong Branch	100,058,500,660	4,365,554
Joint Stock Commercial Bank for Investment and Development of Vietnam – Van Phuc Branch	88,641,212,800	3,860,680
Vietnam International Commercial Joint Stock Bank – Hanoi Branch	84,065,850,000	3,663,000
United Oversea Bank Ltd. – Hanoi Branch	78,461,103,323	3,421,766
Maybank Vietnam – Hanoi Branch	44,378,951,536	1,936,254
Joint Stock Commercial Bank for Foreign Trade of Vietnam – Thanh Cong Branch	4,992,533,692	216,831
Vietnam Joint Stock Commercial Bank for Industry and Trade – Nam Thua Thien Hue Branch	4,204,956,488	185,674
<b>TOTAL</b>	<b>1,426,111,843,418</b>	<b>62,260,368</b>

Short-term loans at December 31, 2021 are short-term unsecured loans with interest rates ranging from 1.75% to 2.8% per annum for USD loans.



## 2. Long-term loans from banks

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

Bank	Ending balance (VND)	Principal and interest repayment term	Interest rate
Joint Stock Commercial Bank for Foreign Trade of Vietnam – Thanh Cong Branch	199,496,315,266	Interest is paid monthly. Principal is payable from December 2019 to September 2025.	8.275%
<b>TOTAL</b>	<b>199,496,315,266</b>		
In which:			
• Current portion of long-term loans	53,199,017,404		
• Long-term loans	146,297,297,862		

This long-term loan is secured by the entire buildings and structures on the land and machinery and equipment under the investment project "Cristobalite material factory" located at Lot CN15 Block B, Phong Dien Industrial Park, Phong Hoa Commune, Phong Dien District, Thua Thien - Hue Province.

## XVI BONUS AND WELFARE FUNDS

Currency: VND

	Current year	Previous year
Beginning balance	44,920,323,644	43,804,108,581
Appropriated during the year (Note XVII.1)	116,211,618,136	95,553,314,562
Utilized during the year	(116,703,598,796)	(94,437,099,499)
Ending balance	44,428,342,984	44,920,323,644





**XVII OWNERS' EQUITY**
**1. Increase and decrease in owners' equity**

Currency: VND

	Issued share capital	Share premium	Treasury shares		Investment and development fund	Other funds belonging to owners' equity	Undistributed earnings	Total
<b>Previous year</b>								
<b>Beginning balance</b>	<b>1,600,000,000,000</b>	<b>129,549,102</b>	<b>-</b>		<b>88,958,137,122</b>	<b>18,551,233,538</b>	<b>1,741,047,074,751</b>	<b>3,448,685,994,513</b>
• Purchased treasury shares	-	-	(293,331,372,873)		-	-	-	(293,331,372,873)
• Bonus and welfare funds appropriation	-	-	-		-	-	(95,553,314,562)	(95,553,314,562)
• Dividend advanced for the year 2019	-	-	-		-	-	(320,000,000,000)	(320,000,000,000)
• Dividend advanced for the year 2020	-	-	-		-	-	(310,400,000,000)	(310,400,000,000)
• Net profit for the year	-	-	-		-	-	1,428,419,763,711	1,428,419,763,711
<b>Ending balance</b>	<b>1,600,000,000,000</b>	<b>129,549,102</b>	<b>(293,331,372,873)</b>		<b>88,958,137,122</b>	<b>18,551,233,538</b>	<b>2,443,513,523,900</b>	<b>3,857,821,070,789</b>
<b>Current year</b>								
<b>Beginning balance</b>	<b>1,600,000,000,000</b>	<b>129,549,102</b>	<b>(293,331,372,873)</b>		<b>88,958,137,122</b>	<b>18,551,233,538</b>	<b>2,443,513,523,900</b>	<b>3,857,821,070,789</b>
• Treasury shares dividend (*)	-	161,035,784	293,331,372,873		-	-	(292,964,708,657)	527,700,000
• Bonus and welfare funds appropriation (**)	-	-	-		-	-	(116,211,618,136)	(116,211,618,136)
• Dividend advanced (***)	-	-	-		-	-	(640,000,000,000)	(640,000,000,000)
• Net profit for the year	-	-	-		-	-	1,772,059,864,055	1,772,059,864,055
<b>Ending balance</b>	<b>1,600,000,000,000</b>	<b>290,584,886</b>	<b>-</b>		<b>88,958,137,122</b>	<b>18,551,233,538</b>	<b>3,166,397,061,162</b>	<b>4,874,197,016,708</b>

(\*) According to the Resolution No. 02/2021/NQ/VCS-HDQT dated January 13, 2021 by the Boards of Directors, the Company distributed the bonus shares to existing shareholders from treasury shares. According to Resolution No. 04/2021/NQ/VCS-HDQT dated February 3, 2021 by the Board of Directors, the Company sold the odd shares and shares, which had remained from the distribution of treasury shares to current shareholders, to the Company's Labor Union.

(\*\*) During the year, the Company appropriated the bonus and welfare funds from the profit after tax of the year 2020 according to the Resolution No. 01/2021/NQ/VCS-DHDCD dated April 16, 2021 of the 2021 Annual General Meeting of Shareholders. The Company's subsidiary also appropriated bonus and welfare funds from profit after tax in 2019 and 2020 according to the Resolution No. 1901A/2021/NQ-HDTV and the Resolution No. 1901B/2021/NQ-HDTV dated January 19, 2021.

(\*\*\*) During the year, the Company also paid the first cash dividend of the year 2021 with the total amount of VND 320 billion according to the Resolution No.11/2021 NQ/VCS-HDQT dated June 3, 2021 by the Board of Directors and the second cash dividend of the year 2021 with the total amount of VND 320 billion according to the Resolution No.15/2021/NQ/VCS-HDQT dated November 30, 2021 by the Board of Directors.



## 2. Share capital

Currency: VND

	Ending balance		Beginning balance	
	Amount (VND)	No. of ordinary shares	Amount (VND)	No. of ordinary 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	1,346,470,820,000	134,647,082	1,306,111,980,000	130,611,198
• Contributed by other shareholders	253,529,180,000	25,352,918	293,888,020,000	29,388,802
Share premium	290,584,886	-	129,549,102	-
Treasury shares	-	-	(293,331,372,873)	(4,800,000)
<b>TOTAL</b>	<b>1,600,290,584,886</b>	<b>160,000,000</b>	<b>1,306,798,176,229</b>	<b>155,200,000</b>

## 3. Capital transactions with owners

Currency: VND

	Current year	Previous year
<b>Capital contributed by owner</b>		
Beginning balance	1,600,000,000,000	1,600,000,000,000
Ending balance	1,600,000,000,000	1,600,000,000,000

## 4. Dividends

Currency: VND

	Current year	Previous year
<b>Dividends declared during the year</b>	<b>933,331,372,873</b>	<b>630,400,000,000</b>
Dividends on ordinary shares	933,331,372,873	630,400,000,000
First advance cash dividends for 2021 (VND 2,000 per share)	320,000,000,000	-
Second advance cash dividends for 2021 (VND 2,000 per share)	320,000,000,000	-
Treasury shares dividends (issuance rate 3.09:100)	293,331,372,873	-
Third advance cash dividends for 2019 (VND 2,000 per share)	-	320,000,000,000
First advance cash dividends for 2020 (VND 2,000 per share)	-	310,400,000,000
<b>Dividends paid during the year</b>	<b>642,014,742,700</b>	<b>627,149,566,575</b>
<b>Dividends declared after closing date of financial year and not yet recognized as liability at December 31, 2021</b>	<b>-</b>	
Dividends on ordinary shares	-	293,331,372,873

## 5. Shares

	Quantity	
	Ending balance	Beginning balance
<b>Authorized shares</b>	<b>160,000,000</b>	<b>160,000,000</b>
<b>Issued shares</b>	<b>160,000,000</b>	<b>160,000,000</b>
Ordinary shares	160,000,000	160,000,000
Preference shares	-	-
<b>Treasury shares</b>	<b>-</b>	<b>(4,800,000)</b>
Ordinary shares	-	(4,800,000)
Preference shares	-	-
<b>Outstanding shares</b>	<b>160,000,000</b>	<b>155,200,000</b>
Ordinary shares	160,000,000	155,200,000
Preference shares	-	-

Par value of outstanding shares: VND 10,000 per share (December 31, 2020: VND 10,000 per share)



## OFF CONSOLIDATED BALANCE SHEET ITEMS

	Ending balance	Beginning balance
Foreign currencies		
• United States Dollar (USD)	12,387,750	6,621,413
• Euro (EUR)	715,780	590,085
• Canadian Dollar (CAD)	5,415,710	1,258



**XIX REVENUES**
**1. Revenue from sale of goods**

Currency: VND

	Current year	Previous year
<b>Gross revenue</b>	<b>7,108,211,833,610</b>	<b>5,674,600,425,338</b>
Sale of goods and merchandises	7,108,211,833,610	5,674,600,425,338
<b>Sales deductions</b>	<b>38,082,854,613</b>	<b>15,005,906,672</b>
Trade discount	37,784,414,793	12,994,336,053
Sale return	298,439,820	1,958,557,990
Sale allowances	-	53,012,629
<b>Net revenue</b>	<b>7,070,128,978,997</b>	<b>5,659,594,518,666</b>
<i>In which:</i>		
Sale to related parties (Note XXVI)	3,060,381,353,408	2,763,222,104,786
Sale to other parties	4,009,747,625,589	2,896,372,413,880

**2. Financial income**

Currency: VND

	Current year	Previous year
Foreign exchange gain	47,618,211,546	33,753,761,597
Interest income from bank deposits and loan receivables	14,464,239,826	5,642,720,046
Other	-	676,696,047
<b>TOTAL</b>	<b>62,082,451,372</b>	<b>40,073,177,690</b>

**XX COST OF GOODS SOLD**

Currency: VND

	Current year	Previous year
Cost of goods sold and merchandises	4,605,229,043,925	3,695,766,493,820
Provision for devaluation of inventories	2,395,450,472	-
<b>TOTAL</b>	<b>4,607,624,494,397</b>	<b>3,695,766,493,820</b>

**XXI FINANCIAL EXPENSES**

Currency: VND

	Current year	Previous year
Loan interest	56,876,350,423	76,985,258,575
Foreign exchange losses	32,611,338,264	15,892,333,524
<b>TOTAL</b>	<b>89,487,688,687</b>	<b>92,877,592,099</b>

**XXII SELLING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES**

Currency: VND

	Current year	Previous year
<b>Selling expenses</b>		
Loading and delivery costs	186,340,561,653	94,995,791,159
Packaging costs	25,619,243,869	17,448,905,127
Labor costs	5,429,284,656	8,179,327,903
Others	54,756,021,836	39,889,237,657
<b>TOTAL</b>	<b>272,145,112,014</b>	<b>160,513,261,846</b>
<b>General and administrative expenses</b>		
Labor costs	10,888,642,586	21,637,017,863
Depreciation	7,580,001,312	8,984,972,304
Others	28,880,228,044	40,860,385,124
<b>TOTAL</b>	<b>47,348,871,942</b>	<b>71,482,375,291</b>







## PRODUCTION AND OPERATING COSTS

Currency: VND

	Current year	Previous year
Raw materials and merchandises	4,363,117,389,624	3,370,839,298,655
Labor costs	103,834,947,326	89,198,887,825
Depreciation and amortization of fixed assets	128,047,268,748	119,067,378,765
Expenses for external services	385,620,921,198	289,605,746,499
Other expenses	34,868,127,047	29,996,404,097
<b>TOTAL</b>	<b>5,015,488,653,943</b>	<b>3,898,707,715,841</b>



## 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 this activity in the 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 No. 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 four years commencing from the first year of earning taxable profits and a 50% CIT reduction in the following nine 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 nine years (from 2018 to 2026). Accordingly, CIT rate applied for income of this activity during the current year is 10% of taxable profit.

#### For trading activities:

CIT rate applicable for income earned from this activity is 20% of taxable profit.

### Phenikaa Hue, subsidiary

CIT rate applied for Phenikaa Hue is 17% of taxable profit in 10 years commencing from the first year in which the company has revenue from its investment project. Phenikaa Hue is entitled to an exemption from CIT for two years from the first year of earning taxable income (2019 to 2020) and 50% CIT reduction in the following four years (from 2021 to 2024). Accordingly, the CIT applicable to Phenikaa Hue during the current year is 8.5% of taxable profit.

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 tax amounts reported in the consolidated financial statements could change at a later date upon final determination of the tax authorities.

## 1. CIT expenses

Currency: VND

	Current year	Previous year
Current CIT expenses	323,882,680,785	245,128,021,663
Adjustment for under/(over) accruals of CIT in prior years	1,277,731,685	(3,004,194,947)
Deferred tax expense/(income)	180,758,453	(2,588,472,166)
<b>TOTAL</b>	<b>325,341,170,923</b>	<b>239,535,354,550</b>

## 2. Current CIT expense

The current CIT payable is based on the estimated taxable profit for the current year. The taxable profit of the Company and its subsidiary for the year differs from the profit as reported in the consolidated income statement because it excludes items of incomes or expenses 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 corporate income tax is calculated upon the tax rates that have been enacted as at the consolidated balance sheet date.

Reconciliation between CIT expense and the accounting profit multiplied by CIT rate is presented below:

Currency: VND

	Current year	Previous year
<b>Accounting profit before tax</b>	<b>2,097,401,034,978</b>	<b>1,667,955,118,261</b>
At CIT rate of 20%	415,781,361,472	333,591,023,652
<i>Adjustment:</i>		
Penalty for late payment	463,523,564	110,747,135
Adjustment for under/(over) accrual of tax from prior year	1,277,731,685	(3,004,194,947)
Unrealized foreign exchange gain/(loss) in the current year	1,799,651,696	(606,984,249)
Reversal of unrealized foreign exchange of previous year realized in the current year	606,856,157	(57,573,359)
Provision for devaluation of inventories and doubtful receivables during the year	1,900,344,259	-
Non-deductible expenses	1,336,460,139	3,670,618,261
Reversal of the previous year provision for devaluation of inventories in previous year realized in the current year	(650,953,152)	-
Adjustment for business consolidation	180,758,453	(3,010,044,731)
Tax exemption, reduction	(97,354,563,350)	(91,158,237,212)
<b>CIT expense</b>	<b>325,341,170,923</b>	<b>239,535,354,550</b>



### 3. Deferred tax

Currency: VND

	Consolidated balance sheet		Consolidated income statement	
	Ending balance	Beginning balance	Current year	Previous year
<b>Deferred tax assets</b>				
Deferred income tax assets are recognized for unrealized profit	2,407,713,713	2,588,472,166	180,758,453	(2,588,472,166)
	2,407,713,713	2,588,472,166		
<b>Net deferred tax charge/(credit) to consolidated income statement</b>			<b>180,758,453</b>	<b>(2,588,472,166)</b>

### XXV SEGMENT INFORMATION

The primary segment reporting format is determined to be geographical segments as the Company and its subsidiary's risks and rates of return are affected predominantly by differences in the locations where the Company and its subsidiary 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 the information of revenues, expenditures and certain assets regarding geographical segments of the Company and its subsidiary:

Currency: VND

	Domestic activities	Export activities	Total
<b>As at December 31, 2021 and for the year then ended</b>			
<b>Revenue</b>			
Sales to external customers	1,854,085,033,098	5,216,043,945,899	7,070,128,978,997
Inter-segment sales	-	-	-
Total revenue	1,854,085,033,098	5,216,043,945,899	7,070,128,978,997
<b>Results</b>			
Segment gross profit	449,657,079,970	2,018,442,001,490	2,468,099,081,460
Unallocated costs of sale	-	-	(5,594,596,860)
Gross profit	-	-	2,462,504,484,600
Unallocated incomes, expenses	-	-	(365,103,449,622)
Net profit before corporate income tax	-	-	2,097,401,034,978
Corporate income tax expense	-	-	(325,341,170,923)
Net profit for the year	-	-	1,772,059,864,055
<b>Assets and liabilities</b>			
Segment assets	1,253,394,225,026	1,148,358,632,910	2,401,752,857,936
Unallocated assets	-	-	4,491,160,710,427
Total assets	-	-	6,892,913,568,363
Unallocated liabilities	-	-	2,018,716,551,655
Total liabilities	-	-	2,018,716,551,655
<b>Others segment information</b>			
Capital expenditure of fixed assets	-	-	147,192,928,324
Depreciation & amortization	-	-	128,143,604,400



Currency: VND

	Domestic activities	Export activities	Total
<b>As at December 31, 2020 and for the year then ended</b>			
<b>Revenue</b>			
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
<b>Results</b>			
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
<b>Assets and liabilities</b>			
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
<b>Others segment information</b>			
Capital expenditure of fixed assets	-	-	79,113,313,819
Depreciation & amortization	-	-	119,184,581,565

Incomes and expenses except for costs of goods sold, assets except for trade receivables and provision for those trade receivables, and payables, are not allocated into geographical segments as they are not clearly identified for each segment.



## TRANSACTIONS WITH RELATED PARTIES

Significant transactions of the Company and its subsidiary with related parties during the year were as follows:

Currency: VND

Related party	Relationship	Transactions	Current year	Previous year
A&A Green Phoenix Group JSC	Parent company	Sales of materials, consumables	921,573,077,090	377,756,576,528
		Purchase of merchandises and services	1,390,035,537,074	818,183,338,471
		Dividend payables	538,588,328,000	522,444,792,000
		Deposit for guarantee to the Company	-	50,000,000,000
		Offsetting deposits and payment made to the Company for trade receivables	-	153,929,568,384
Style Stone JSC	Fellow subsidiary	Purchase of merchandises	767,436,614,219	686,525,327,113
		Sales of materials, consumables, finished goods	166,437,326,472	223,733,193,134
		Payment made to the Company for trade receivables	-	142,468,505,626
Stylenquaza LLC.	Associate of the parent company	Sales of finished stone products, consumables	1,492,500,202,132	1,109,269,057,711
Vietnam Stone Work - Top Fabrication JSC	Fellow subsidiary	Sales of finished stone products, consumables	418,849,195,835	582,269,455,934
		Purchase of merchandises, services	376,185,811,541	719,392,282,011
Tran Long Industry JSC	Fellow subsidiary	Sales of finished stone products, consumables	51,214,022,260	160,708,741,137
		Purchase of merchandises, services	92,575,487,552	119,132,387,332
Sec G3 Center JSC	Fellow subsidiary	Purchase of stationery, merchandises, food	12,560,900,015	10,047,392,625
		Land rental fee, utilities, other service charges	2,061,138,561	2,128,768,676



Significant transactions with related parties during the year are as follows (continued):

Currency: VND

Related party	Relationship	Transactions	Current year	Previous year
Phenikaa University	Fellow subsidiary	Sales of finished stone products	5,376,393,864	196,828,404,658
Le Quy Don - Tay Do Junior High School	Fellow subsidiary	Sales of finished stone products	4,431,135,755	112,656,675,684

#### Terms and conditions of transactions with related parties

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

Receivables and payables due from/to related parties as at the balance sheet date are unsecured, interest-free and to be settled in cash or offset with receivable and payable accounts. Receivables from related parties as disclosed in Note V have the payment terms from 3-12 months. For the year ended December 31, 2021, the Company and its subsidiary have not made any provisions for doubtful debts relating to amounts owed by related parties.

At the balance sheet date, amounts due to and due from related parties are as follows:

Currency: VND

Related parties	Relationship	Transactions	Ending balance	Beginning balance
Short-term trade receivables (Note VI)				
Stylenquaza Co., LLC,	Associate of parent company	Receivables from sales of finished stone products	410,321,188,109	308,214,999,183
Vietnam Stone Work - Top Fabrication JSC (*)	Fellow subsidiary	Receivables from sales of consumables, finished goods	561,534,340,366	405,968,286,627
Tran Long Industry JSC (*)	Fellow subsidiary	Receivables from sales of consumables, finished goods	204,598,408,729	215,496,020,572
Phenikaa University (*)	Fellow subsidiary	Receivables from sales of consumables, finished goods	257,755,201,619	251,841,168,369
Le Quy Don - Tay Do Junior High School (*)	Fellow subsidiary	Receivables from sales of consumables, finished goods	128,796,592,583	123,922,343,252
A&A Green Phoenix Group JSC	Parent company	Receivables from sales of materials	15,846,015,961	-
Style Stone JSC	Fellow subsidiary	Receivables from sales of materials	10,322,545,640	-
<b>TOTAL</b>			<b>1,589,174,293,007</b>	<b>1,305,442,818,003</b>

(\*) Up to the issuance date of the consolidated financial statements, the balances of these short-term trade receivables as at December 31, 2021 of the above related parties have been paid/offset with a total amount of VND 593 billion.

As at the consolidated balance sheet date, amounts due to and due from related parties are as follows (continued):

Currency: VND

Related parties	Relationship	Transactions	Ending balance	Beginning balance
Shot-term trade payables (Note XII)				
A&A Green Phoenix Group JSC	Parent company	Purchases of finished stone products	6,702,744,138	6,669,519,336
Sec G3 Center JSC	Fellow subsidiary	Purchases of finished stone products	3,610,332,314	1,575,522,008
Style Stone JSC	Fellow subsidiary	Purchases of finished stone products	27,290,232,234	24,935,727,524
Vietnam Stone Work - Top Fabrication JSC	Fellow subsidiary	Purchases of finished stone products	35,799,874	-
<b>TOTAL</b>			<b>37,639,108,560</b>	<b>33,180,768,868</b>

#### Transactions with other related parties

Remunerations to members of the boards of Directors and Management:

Currency: VND

Name	Position	Remuneration	
		Current year	Previous year
Mr. Ho Xuan Nang	Chairman	4,147,931,558	3,503,621,674
Mr. Pham Anh Tuan	Member, General Director	2,921,022,428	2,761,643,540
Ms. Nguyen Dieu Thuy Ngoc	Member	110,000,000	60,000,000
Ms. Tran Lan Phuong	Member	60,000,000	60,000,000
Mr. Nguyen Quang Hung	Member	167,500,000	35,000,000
Ms. Nghiem Thi Ngoc Diep (*)	Member	-	25,000,000
Mr. Pham Tri Dung	Vice General Director	2,883,220,200	2,602,437,540
Mr. Luu Cong An	Vice General Director	2,799,787,800	2,746,581,994
Mr. Nguyen Chi Cong	Vice General Director	2,564,403,036	2,343,207,377
Mr. Dong Quang Thuc (**)	Vice General Director	771,273,885	-
Ms. Pham Thi Bich Thuy (***)	Vice General Director	86,247,018	39,203,190
<b>TOTAL</b>		<b>16,511,385,925</b>	<b>14,176,695,315</b>

(\*) Resigned on May 30, 2020

(\*\*) Appointed on May 7, 2021

(\*\*\*) Resigned on December 1, 2021



## XXVII EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Company (after adjusting for the bonus and welfare fund) by the weighted average number of ordinary shares outstanding in the year.

Diluted earnings per share amounts are calculated by dividing the net profit after tax attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding in 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 uses the following information to compute basic and diluted earnings per share.

Currency: VND

	Current year	Previous year (restated)
Net profit after tax	1,772,059,864,055	1,428,419,763,711
Estimated/actual appropriation in bonus and welfare funds	(189,720,541,595)	(112,490,186,620)
<b>Net profit attributable to ordinary equity holders adjusted for the effect of dilution</b>	<b>1,582,339,322,460</b>	<b>1,315,929,577,091</b>
<b>Weighted average number of ordinary shares adjusted for basic earnings per share</b>	<b>160,000,000</b>	<b>160,000,000</b>
<b>Earnings per share</b>		
• Basic earnings per share	9,890	8,225
• Diluted earnings per share	9,890	8,225

Earnings per share for the year ended December 31, 2020 have been adjusted to the appropriation of bonus and welfare fund from undistributed profits of the parent company based on the Resolution No. 01/2021/NQ/VCS-DHDCD of the Annual General Meeting of Shareholders dated April 16, 2021 and the appropriation of bonus and welfare funds from undistributed profits in 2020 of the subsidiary based on the Resolution No. 1901B/2021/NQ-HDTV dated January 19, 2021 by the Board of Members.

Profit used to calculate earnings per share for the financial year ended December 31, 2021 has been adjusted to reduce the temporary appropriation of bonus and welfare fund for the year ended December 31, 2021 in accordance with Resolution No. 01/2021/NQ/VCS-DHDCD of the Annual General Meeting of Shareholders on April 16, 2021.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the consolidated financial statements.

## XXVIII COMMITMENTS AND CONTINGENCIES

### 1. Operating lease commitments

The Company and its subsidiary lease land under operating lease arrangements. As at December 31, 2021, payables for rental fees in the future under the operating lease agreements are as follows:

Currency: VND

	Ending balance	Beginning balance
Less than 1 year	937,335,450	797,320,575
From 1-5 years	3,749,341,800	4,460,466,300
More than 5 years	22,820,352,000	23,009,218,880
<b>TOTAL</b>	<b>27,507,029,250</b>	<b>28,267,005,755</b>

Additionally, the Company also leases 27,451m<sup>2</sup> 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/m<sup>2</sup> per annum and management service charge is VND 3,500/m<sup>2</sup> per annum. The land rental price for the remaining year (from 2043 until the end of the lease term) 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 its subsidiary lease land under an operating lease. According to the signed land lease contracts, the Company and its subsidiary are obliged to remove all construction works, architectural objects, equipment, materials on the leased lands and restore the site to their original conditions as at the time of receiving the lands at the end of the lease terms. The Board of Management believes that the effect of the obligation on the current year's financial statements is not significant. Accordingly, no provision for site restoration has been made in the financial statements.

## XXIX EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since the consolidated balance sheet date that requires adjustment or disclosure in the consolidated financial statements of the Company and its subsidiary.



**NGUYEN PHUONG ANH**  
Preparer  
March 22, 2022



**NGUYEN THI NGA**  
Chief Accountant



**PHAM ANH TUAN**  
General Director









## VICOSTONE JOINT STOCK COMPANY

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

☎ **Tel:** 024 3368 5826 - 📠 **Fax:** 024 3368 6652

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