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# Forward-looking statements

Vicostone's Annual Report 2022 ("the Report") is developed in accordance with Appendix IV of Circular 96/2020/TT-BTC dated November 16, 2020, by the Ministry of Finance guiding the disclosure of information on the securities market and references to corporate sustainability governance standards including GRI, CSI100...

The analyses and forecasts in the Report reflect the Company's current assessments and may differ from actual figures due to unexpected events, thus certain statements 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 assessment, views, or recommendations.

Vicostone's 2022 Annual Report contains the information and data obtained from construction-material and engineered-stone industry surveys, issued by third-party organizations comprising research data, assessments or concepts developed independently based on multiple sources, including manufacturers' financial statements; countries' statistical reports; press releases and industry magazines. 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 and local markets;
- The development of production technologies and material substitutes;
- The challenges and requirements from markets;
- The financial indicators forecasted for 2023.

Any optimistic or risk forecast of the market or of the Company's performance contained in the Report should not be considered as the Company's guarantee of its future business performance. Actual performance in 2023 may differ from the forecast due to the adverse impacts of risks and uncertainties the Company cannot foresee and control.

With the above disclaimer, Vicostone recommends investors consider the information and forecasts in the Report as a 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

02

## OPENING STATEMENT



- 02 Forward-looking Statement
- 06 Message from the Chairman of the Board of Directors
- 08 20 years journey of VICOSTONE® - Sail to open sea
- 16 Key Financial Indicators 2022
- 18 Awards
- 22 Development History

24

## VICOSTONE OVERVIEW



- 26 Vision - Mission - Core values - Comprehensive quality management excellence
- 30 General Information
- 32 Governance Structure - Labor Structure - Management Apparatus
- 42 Relevant Companies
- 48 Products - Technology - Markets

52

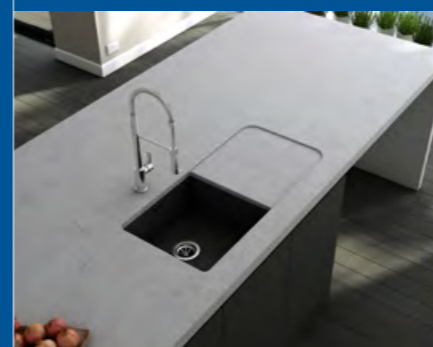
## REPORT OF THE BOARD OF MANAGEMENT



- 54 The Market in 2022 and Outlook for 2023
- 60 Material Risks in 2023
- 70 Overview of Business Performance in 2022
- 100 Results in all Markets
- 106 Branding and Marketing Activities
- 114 Implementation of Key Projects
- 116 Key Plans and Missions for 2023

118

## CORPORATE GOVERNANCE



- 120 Report of the Board of Directors
- 136 Report of the Audit Committee
- 142 Report of the Board of Investor Relations

152

## SUSTAINABLE DEVELOPMENT



- 154 Commitment to Sustainable Development
- 156 Code of Conduct with Stakeholders
- 166 Environmental Responsibilities
- 192 Corporate Social Responsibilities
- 212 Sustainable Human Resources Development

218

## CONSOLIDATED FINANCIAL STATEMENTS



- 220 General Information
- 222 Report of the Board of Management
- 224 Report of the Independent Auditor
- 226 Consolidated Balance Sheet
- 228 Consolidated Income Statement
- 229 Consolidated Cashflow Statement
- 231 Notes to Consolidated Financial Statement

# Message from the Chairman of the Board of Directors

*To Our valued Shareholders, Customers, and Partners,*

*Vicostone JSC would like to express our most sincere greetings and well wishes for health, happiness, and success.*

Over 20 years of building and developing (2002-2022), the proactiveness, adaptability, and relentlessness of our collective staff, in shared visions with the Board of Directors, have firmly established VICOSTONE® as an internationally-recognized brand that reaches beyond the border of Vietnam.

Our story began in 2002 with the predecessor of Vicostone JSC: the founding of Vinaconex Advanced Compound Stone Plant aimed at providing new materials for the construction industry in Vietnam. After two decades of highs, lows, and challenges, Vicostone has expanded beyond Vietnam and become the third largest- suppliers of engineered stone countertops to the global market, according to an independent ranking by Freedonia (U.S.). We have maintained our position as the top reputable building material company in Vietnam—in the category of tile and stone material— according to the Vietnam Report. Also, VICOSTONE® has continuously been honored with the title of Vietnam Value.

We take great pride in building a Vietnamese brand that embodies a unique identity, and vitality, which has then reached a distinguished international stature. VICOSTONE® integrates a conscious business culture that balances the interests and responsibilities between relevant stakeholders, society, and the country. Our products are currently available in over 50 countries across five continents, enhancing the quality of life, and providing spaces filled with positive energy, creative inspiration, and artistic flavor. This is a testament to our strengths in human resources, systems technology, our proactive and flexible business strategies, and our unique branding strategies. These are supported by significant investments in technology and R&D, as well as continuous innovation to create trend-leading products that meet the markets needs. Through these efforts, Vicostone has established its reputation and class, both domestically and internationally, with the mindset of a Vietnam enterprise sailing out to the open sea: always

pioneering, relentlessly striving, daring to think and act, and resolutely committing to strategic goals.

Today, Vicostone has built mutual tight-knit collaborations with over 10,000 distributors worldwide, creating jobs and stable incomes for thousands of employees, annually contributing hundreds of billions of VND to the State budget, and actively fulfilling social responsibilities.

The world is presently navigating a challenging and uncertain period with the aftermath of the COVID-19 pandemic and geo-political instability .

2023 is also projected to be a challenging year, marked by numerous domestic business uncertainties, as well as economic and political factors from the global market. Notwithstanding these challenges, Vicostone remains committed to its innovative path, intensifying its R&D activities to differentiate products towards sustainable, eco-friendly materials. to Our journey continues in pursuit of "The Art of Quartz" with a profound understanding of the market and customers. Vicostone shall maintain our brand position as the premier choice for experts and global consumers.

*With sincere gratitude,*

CHAIRMAN OF THE BOARD

Ho Xuan Nang

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ACQUA SERIES



20 years journey of  
VICOSTONE®

# SAIL TO OPEN SEA

Over the past 20 years, Vicostone has forged its own unique history, marked by the wisdom, foresight, and courage of a trailblazing enterprise. Rooted in a "Conscious Culture" value system that permeates every idea and action, Vicostone has successfully built a brand with a mission that resonates on a global scale.

Over the course of two decades since its inception, Vicostone has faced numerous challenges, yet consistently turned adversity into opportunity. This inspiring narrative captivates both Vicostone employees and those interested in the VICOSTONE® brand. With a robust foundation in personnel, systems, and technology, alongside unique business and brand strategies, and past successes from 15 years of growth, VICOSTONE® aspires to become the third largest global supplier of engineered stone countertops and the top supplier in Vietnam within the next five years (2018-2022).

In 2020, VICOSTONE® indeed achieved its goal, marking a significant milestone in its 20-year journey as a global brand. Reflecting on this success, it becomes clear that the "golden key" to the brand's accomplishments lies in its strategic development direction, which encompasses a unique and inspiring brand strategy, creative and engaging marketing initiatives that resonate with customers, and an adaptive and flexible distribution strategy grounded in market understanding and a commitment to sustainable growth.

*As one of the Top three- largest suppliers of engineered stone countertops to global market, VICOSTONE® is the first choice of experts and users.*





20 years of experience in quartz manufacturing helps Vicostone not only master the technology but also create its own technological know-how by constantly improving and innovating.

## The "Differentiation to become unique" strategy

The development of a distinctive, creative, and inspiring VICOSTONE® brand has been a key focus since the company's Board of Directors decided to export premium products. The accomplishments achieved in the international market and the various growth milestones serve as solid evidence of VICOSTONE®'s strategic vision of "Differentiation to become unique" – a brand that embodies the pride and courage of Vietnam.

In 2017, this strategy was formally unveiled through the unique and emotive brand story, "The Art of Quartz." Drawing inspiration from the moving love story of King Pygmalion and his transformation of an inanimate statue into the enchanting Galatea, Vicostone's artisans are driven by a desire to infuse life into quartz stones. Their goal is to recreate the beauty of nature, making it everlasting in each collection, while inspiring creativity and imparting positive energy to every living space.

Each VICOSTONE® product represents the fusion of cutting-edge technology, the know-how of VICOSTONE® and its parent company Phenikaa Group, and the boundless creativity of the Vicostone team. This harmonious blend also incorporates the limitless inspiration drawn from nature, a deep understanding of customer needs, and the wisdom of Vietnamese people, who are driven by a thirst for knowledge, exploration, and continuous innovation. Each year, VICOSTONE® introduces distinctive, innovative, and trendsetting products that lead the market. Some of the remarkable collections launched over the past five years include the Thunder Collection - Dance of Thunder, Sky Collection - Joyous Song of the Sky, Calacatta Collection - Immortalizing the Beauty of the "Stone Queen" Calacatta, and Pele Hawaii - Magical Inspiration from the Renowned Volcano. These collections are embodiments of the passion, care and pride of a Vietnamese brand

soaring to the third largest supplier in the global quartz stone field.

Driven by the desire to infuse vitality, creative inspiration, and positive energy into living spaces, and to uphold the brand's enduring creative aspirations, VICOSTONE® products are crafted with delicate and pure beauty. These trendsetting designs have become popular choices for interior spaces among customers across all five continents.



VICOSTONE® Pele Hawaii – A collection inspired by the flowing lava of Hawaii's volcanoes, creating a deep and liberal beauty for living space

## Touching customers' hearts with creative marketing strategies

Discussing the factors that have contributed to VICOSTONE® becoming one of the top three largest suppliers of engineered stone countertops in the global market, and the number one brand in Vietnam, it is essential to highlight their innovative and thoughtfully crafted marketing strategies. These strategies employ Integrated Marketing Communication (IMC) campaigns, which are distinct, adaptable, and extensively implemented on a worldwide scale.

In the Vietnamese market, VICOSTONE® aims to become the top quartz brand by quickly connecting with consumers. With strong support and investment from Phenikaa Group, Vicostone has intensified its communication efforts

and enhanced brand recognition through creative and memorable IMC campaigns across various media channels. These campaigns focus on television commercials (TVC) airing on TV channels, showcasing the emotional richness and positive community impact that are characteristic of VICOSTONE®. Complementing these efforts are radio channels, out-of-home advertising (OOH), PR, and digital marketing, which are implemented cohesively across online platforms and social networks such as Facebook, Google, YouTube, Instagram, and Pinterest. Furthermore, Vicostone collaborates with reputable magazines and key opinion leaders (KOLs) and organizes exhibitions, contests, and events targeting the public to further enhance the brand presence and reach.

In a seamless and harmonious manner, VICOSTONE® consistently partners with architects, designers, and others, providing support and encouragement as they express their design concepts and aesthetic visions. By understanding and applying the language and colors of materials, VICOSTONE® helps bring to life remarkable and praiseworthy constructions. VICOSTONE® actively

engages in renowned events within the construction materials industry and organizes dedicated programs for professionals to network, celebrate, and honor creative inspiration and human values. By doing so, we aim to inspire creators, architects, and designers to develop designs that leave a lasting personal impression.

The event series "The Magic of Nature," video clips like "The Perfect Balance," and contests such as "Imprint in the Interior Space," "SoS - Soul of Stone," and "The Journey of Quartz" have fostered a strong connection between talented architects, designers, and VICOSTONE®. This connection is built on a foundation of understanding and harmony, where human-centric design and nature appeal blend seamlessly with science, technology, and artistic creation, all while incorporating the cultural values of humanity. IMC activities for professionals not only strengthen and expand the network between VICOSTONE® and industry experts as well as distributors and agents nationwide but go beyond business cooperation as the connection to thrive together for a better life.

In key international markets like North America, VICOSTONE® consistently promotes its brand and products through prestigious and influential design and furniture magazines. The brand has been featured in publications such as *Aspire Design* and *Home* (Chicago Edition), *Sixtysix*, *Reno & Décor*, and *Azure* (Canada), as well as discussions on color usage in design at *Design Chicago 2021*. Vicostone also maintains a strong online presence through interactive activities such as surveys on product ideas to enhance the commercialization efficiency of new products.

Additionally, the company organizes events in online formats, like the "Design Contest" (in collaboration with George Brown College) and the series of "Give Away" events. These activities attract participation from customers and industry experts alike, bolstering VICOSTONE®'s reputation as a premium brand in the international market.

VICOSTONE® regularly attends major global countertop material exhibitions to stay updated on industry trends, network with partners, launch new products, and gain insights into market dynamics, technology, design trends, and competitors. This



information serves as a foundation for making informed production and business decisions. Over the past five years (2018 - 2022), VICOSTONE® has strategically focused on investing in Integrated Marketing Communication (IMC) activities.

This strategic focus on IMC has proven to be one of the most critical factors in enabling VICOSTONE® to win over

global customers. The brand's unique, sophisticated approach, inspirational stories, and exceptional experiences at every "touch point" throughout its journey have captured the hearts of customers worldwide.



VICOSTONE® reaches the hearts of global customers with unique, sophisticated, emotional marketing methods and inspirational brand stories.

"The Magic of Nature" - The series of unique and creative events imbued with VICOSTONE® has become an emotional mark and creative sublimation for professionals.



VICOSTONE® quartz products mark its presence across 5 continents, affirming its leading position in the global market.

## A unique path to distribution strategy

From its origins in the domestic market to its presence in over 50 countries across five continents, VICOSTONE®'s journey to global brand status has been marked by numerous remarkable accomplishments. These successes can be attributed to its distinct strategies in business models, product distribution, and agile adaptation to market shifts.

Fostering collaboration, sharing, and working together for mutual growth is essential in establishing a robust and sustainable distribution network. The trust and unity among partners are founded on the "fulfilling all commitments" philosophy embraced by Vicostone, and the broader Phenikaa Group as a whole. These commitments include offering unique products, ensuring product and service quality, and safeguarding the interests of stakeholders.

VICOSTONE® invests significantly in distribution efforts, focusing on growing existing markets and branching

out into new ones. Vicostone carries out systematic and professional market research in countries where VICOSTONE® is present, conducting periodic and ad-hoc analyses in response to market fluctuations. This research serves as a crucial foundation for evaluating potential opportunities and risks, enabling proactive and timely decision-making tailored to each market and period. To date, VICOSTONE® has established a robust and extensive distribution network with over 10,000 agents and professional partners in more than 50 countries worldwide. Confidently competing with well-established international brands, VICOSTONE® has become a favorite in these markets. From the first overseas direct sales headquarters opened in Texas (U.S.) in 2010, the company has rapidly expanded, with support from the Group, to 13 direct sales centers in North America. This region is one of the most important and demanding markets for the global engineered quartz stone industry. This success serves as a prime example of VICOSTONE®'s commitment to deep market penetration in key regions. In Vietnam, with a deep understanding of consumer culture, VICOSTONE® continuously develops its distribution network including representative

offices, product display systems, and agent systems to increase sales and interaction with industry experts and customers. VICOSTONE® also expands distribution channels to large and reputable enterprises, processors, and manufacturers to increase product coverage and reduce the pressure on the delivery duration for member units. Currently, VICOSTONE® operates three direct product distribution centers in Hanoi, Da Nang, and Ho Chi Minh City, along with over 1,000 agents and distributors throughout Vietnam. The company has also implemented various online sales and consulting initiatives, such as Prosite—a webpage tailored for experts; the 3D Visualizer tool for immersive space experiences; and VR tour—an online 3D showroom. These efforts, combined with attractive promotional campaigns, aim to increase the accessibility of Vicostone's products for users. In any market, Vicostone always determines that thoughtful and professional service, sincere care, and "credibility" are the way VICOSTONE® maintains good relationships with customers, partners, agents, and distributors.

## Persistence with the goal of sustainable development

Over its 20-year development, VICOSTONE® has consistently prioritized sustainable growth at both strategic and managerial levels, adhering to the philosophy of "Realizing all commitments." By integrating a comprehensive sustainable development strategy with flexibility in its direction and execution, VICOSTONE® has achieved significant milestones and distinguished itself from other brands in the industry.

As a global business enterprise, VICOSTONE® stands out as one of the few companies that fully embrace and align the United Nations Sustainable Development Goals with its own development objectives. Meeting customer needs, protecting the environment, and ensuring social security, occupational health, and safety serve as the foundational principles guiding VICOSTONE® towards its sustainable development goals.

Since the very first days of its establishment, VICOSTONE® has always upheld environmental responsibility. In addition to complying with applicable laws, and domestic and international standards on environmental protection, the Company has increased investment

## VICOSTONE® on a new journey

Over 20 years of growth, fueled by innovative thinking and relentless determination, VICOSTONE® has become one of Vietnam's 500 largest enterprises. The company has been honored with the Vietnam Value title and ranked among the Top 50 Best Listed Companies for two consecutive years (2021-2022) by Forbes Vietnam Magazine. Recognition from state agencies and esteemed domestic and international organizations through prominent awards and certifications serves as a driving force, solidifying VICOSTONE®'s position as the top Vietnamese quartz brand and the third largest suppliers of engineered stone countertops in the global market.



Customers choose VICOSTONE® for its commitment to society's sustainable development.

in R&D projects to reuse materials, energy, and water. Industrial wastewater from production is treated with a closed circular system without direct discharge to the environment. VICOSTONE® also researches and recycles industrial waste into building materials, and applies an automatic monitoring system for gas emissions and wastewater...

Every year, VICOSTONE® invests billions of Vietnamese Dongs in social initiatives, collaborates with the government on epidemic and disaster prevention efforts, carries out charitable programs, supports local communities, and

invests in the younger generation. Its steadfast commitment to sustainable development goals has fostered significant consumer trust and loyalty, with customers appreciating the company's dedication to corporate social responsibility.

VICOSTONE®'s 20-year journey as a global brand has been a continuous process of restructuring, based on long-term and sustainable strategies. Each restructuring phase has provided VICOSTONE® with opportunities to face and overcome adversity. Behind every challenge lies an opportunity for VICOSTONE® to tap into its endless internal strength, perseverance, and pioneering spirit to conquer obstacles and seize opportunities for further growth. The VICOSTONE® brand has made its mark across five continents, transforming living spaces filled with energy, creative inspiration, and art in over 50 countries. This success stems from a robust, long-term development strategy and the philosophy of "realizing all commitments" to best satisfy customer needs, which VICOSTONE® has consistently pursued over the years.

In line with its mission, VICOSTONE® will continue to uphold and strengthen its brand position in both Vietnam and the international market in the coming years. The trust and affection that shareholders, partners, customers, and the community have shown for VICOSTONE® over the past 20 years will remain the driving force behind its creative passion, enthusiasm, and commitment, propelling VICOSTONE® to reach new heights of success.



# Key financial indicators in 2022



## Net revenue

VND **5,660**

billion



## Profit before tax

VND **1,377**

billion



## Profit after tax

VND **1,149**

billion



## Total assets

VND **6,590**

billion



## Payable of State budget

VND **379**

billion

## Financial indicators 2018-2022

Item	Unit	2018	2019	2020	2021	2022
<b>1. Business performance</b>						
Net revenue	VND billion	4,521.60	5,562.76	5,659.59	7,070.13	5,660.27
Cost of goods sold	VND billion	3,025.95	3,650.65	3,695.77	4,607.62	3,917.29
<b>Gross profit</b>	<b>VND billion</b>	<b>1,495.64</b>	<b>1,912.11</b>	<b>1,963.83</b>	<b>2,462.50</b>	<b>1,742.97</b>
Finance income	VND billion	41.40	26.34	40.07	62.08	98.16
Finance expenses	VND billion	69.87	68.02	92.88	89.49	137.49
Profits or losses from associated and joint venture companies	VND billion	-	-	-	-	-
Selling expenses	VND billion	99.93	154.06	160.51	272.15	254.62
General and administrative expenses	VND billion	46.10	62.39	71.48	47.35	66.81
Other income	VND billion	1.51	1.45	1.55	4.43	3.53
Other expenses	VND billion	4.15	2.76	12.63	22.64	8.53
<b>Total profit before tax</b>	<b>VND billion</b>	<b>1,318.51</b>	<b>1,652.66</b>	<b>1,667.96</b>	<b>2,097.40</b>	<b>1,377.22</b>
Current and deferred corporate income tax expenses	VND billion	194.97	242.55	239.54	325.34	228.51
<b>Net profit after tax</b>	<b>VND billion</b>	<b>1,123.54</b>	<b>1,410.11</b>	<b>1,428.42</b>	<b>1,772.06</b>	<b>1,148.70</b>
Basic earnings per share	VND	6,548	8,114	8,251	9,890	6,425
Diluted earnings per share	VND	6,548	8,114	8,251	9,890	6,425
<b>2. Assets and resources</b>						
<b>Total assets</b>	<b>VND billion</b>	<b>4,404.33</b>	<b>5,583.76</b>	<b>6,055.33</b>	<b>6,892.91</b>	<b>6,589.90</b>
Current assets	VND billion	3,794.50	4,456.31	4,900.51	5,829.10	5,541.11
In which: Cash and cash equivalents	VND billion	427.35	469.92	790.35	1,045.42	1,101.68
Non-current assets	VND billion	609.83	1,127.45	1,154.82	1,063.81	1,048.79
<b>Total liabilities and owners' equity</b>	<b>VND billion</b>	<b>4,404.33</b>	<b>5,583.76</b>	<b>6,055.33</b>	<b>6,892.91</b>	<b>6,589.90</b>
Liabilities	VND billion	1,673.77	2,135.07	2,197.51	2,018.72	1,721.17
Owners' equity, minority interests	VND billion	2,730.55	3,448.69	3,857.82	4,874.20	4,868.74
<b>3. Other financial data</b>						
Capital construction investment	VND billion	151.73	50.65	88.40	41.20	60.93
Depreciation and amortization of fixed assets	VND billion	73.43	103.98	119.18	128.14	129.49
Adjusted EBITDA	VND billion	1,420.41	1,798.32	1,839.94	2,252.95	1,546.04
EBITDA Margin	%	31.41%	32.33%	32.51%	31.87%	27.31%

(Source: VICOSTONE's audited consolidated financial statements)



## Awards from the State

# AWARDS



**First-class Labor Order**  
(2012 - 2016)

• \_\_\_\_\_  
**Second-class Labor Order**

• \_\_\_\_\_  
**Third-class Labor Order**



**Vietnam Value**  
(2018, 2020, 2022)

• \_\_\_\_\_  
**Government's Leading Emulation Flag**  
(2013, 2014)

• \_\_\_\_\_  
**Government's Excellent Emulation Flag**  
(2008, 2010, 2015)

# AWARDS (continued)

## Awards from private institutions



### 7 consecutive years in Top 100 Sustainable Businesses in Vietnam

By VCCI in coordination with the Ministry of Natural Resources and Environment (MONRE), the Ministry of Labor, Invalids and Social Affairs (MOLISA) and the Vietnam General Confederation of Labor (VGCL) (From 2016 to 2022)



### 8 consecutive years in Top 50 Vietnam's Listed Companies

By Forbes Vietnam (From 2015 to 2022)



### 8 consecutive years in Top 50 Vietnamese Companies

By Nhip Cau Dau Tu Magazine in tandem with Thien Viet Securities (From 2015 to 2022)



### 6 consecutive years in Top 10 Most Reputable Building Material Companies

By Vietnam Report and Vietnamnet (From 2017 to 2022)



### 8 consecutive years in Top 500 Biggest Enterprises in Vietnam (VNR500)

(From 2015 to 2022)



*Vicostone Vice General Director received the Top 100 Sustainable Businesses in 2022*



### 12 consecutive years in 500 Fastest Growing Enterprises in Vietnam (FAST500)

(From 2011 to 2022)



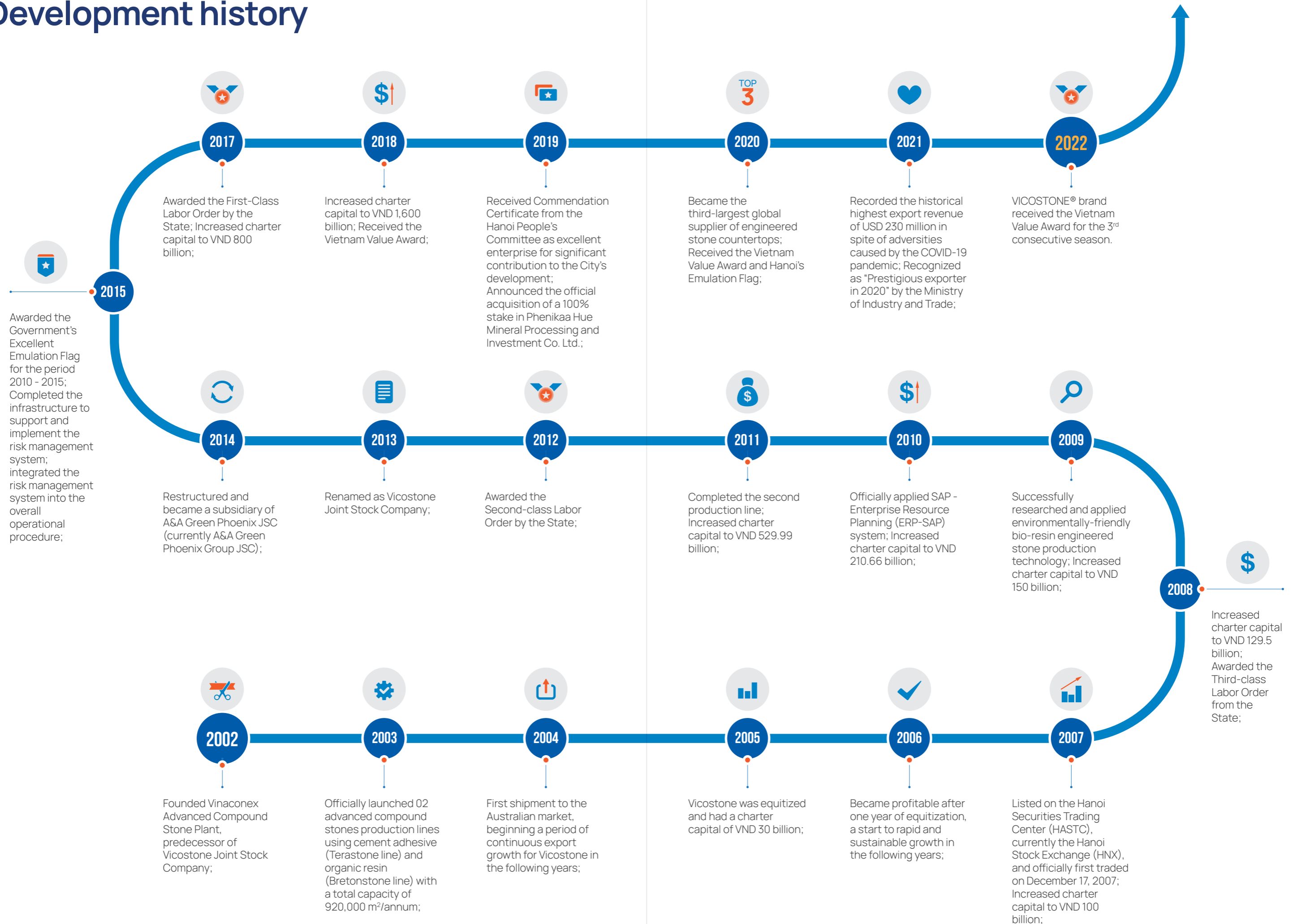
### 14 consecutive years in Top 10/Top 30 Best Annual Reports

(From 2009 to 2022)



Along with various honorable titles and awards from the State and other prestigious organizations

# Development history



## VICOSTONE OVERVIEW

26	Vision – Mission – Core values - Comprehensive quality management excellence
30	General Information
32	Governance Structure, Labor Structure And Management Apparatus
42	Relevant Companies
48	Products, Technology and Markets

# SKY SERIES

COLLECTION

Clouds have always been an endless inspiration for their admirers. The clouds floating through an airplane's windows can evoke sentimental feelings; through them we see purity, imagination, sometimes fierceness, and sometimes the mystery of the dark blue sky. All of their beauty is fully portrayed in our Sky Series.



## 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, and 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 the following:

- High-quality human resource equipped with the knowledge, talent, responsibility, passion, creativity and can-do attitude;
- Satisfaction and trust of each employee, customer, and shareholder as Vicostone’s ultimate goals;
- 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

- The quality of our products is aligned with customers’ expectations. Our customers purchase products and services which meet their needs and expectations at costs appropriate to usage;
- Comprehensive quality excellence can be best achieved through risk prevention rather than repair;
- Products and services are delivered through employees’ efficiency. Each employee is another employee’s “customer”; each step is the “customer” of the previous step. All of these will affect customer satisfaction; Each employee is responsible for helping others improve their job quality;
- Comprehensive quality excellence requires continuous improvement in every process. Every employee is encouraged to evaluate their current performance and to find ways to improve;
- Employees deliver insights and necessary actions to make continuous improvements;
- Optimal enterprise resource planning and modern technology-based enterprise governance are critical to sustainable development and professionalism.

Overview of the Vicostone factory



# Overview of Vicostone



Vicostone is the third-largest supplier of engineered stone countertops to the global market. The Company has set up a broad network across 50 countries, with more than 10,000 agencies and partners 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 19<sup>th</sup> amendment on August 25, 2022.



Charter capital:

**VND 1,600,000,000,000**

*(One trillion six hundred billion Vietnamese dong)*

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

Tel: +84 3368 5826

Fax: +84 3368 6652

Email: [quanhecodong@vicostone.com](mailto:quanhecodong@vicostone.com)

Website: <https://vicostone.com>

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 since 2023:

Mr. Pham Tri Dung

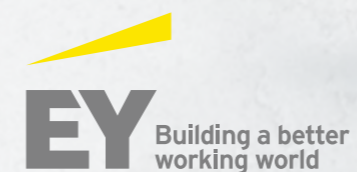
Title: General Director of Vicostone Joint Stock Company

Tel: +84 24 3368 5826

Fax: +84 24 3368 6652

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

The BOD of Vicostone announces that it has appointed Mr. Pham Tri Dung as a new General Director, effective from February 27, 2023.



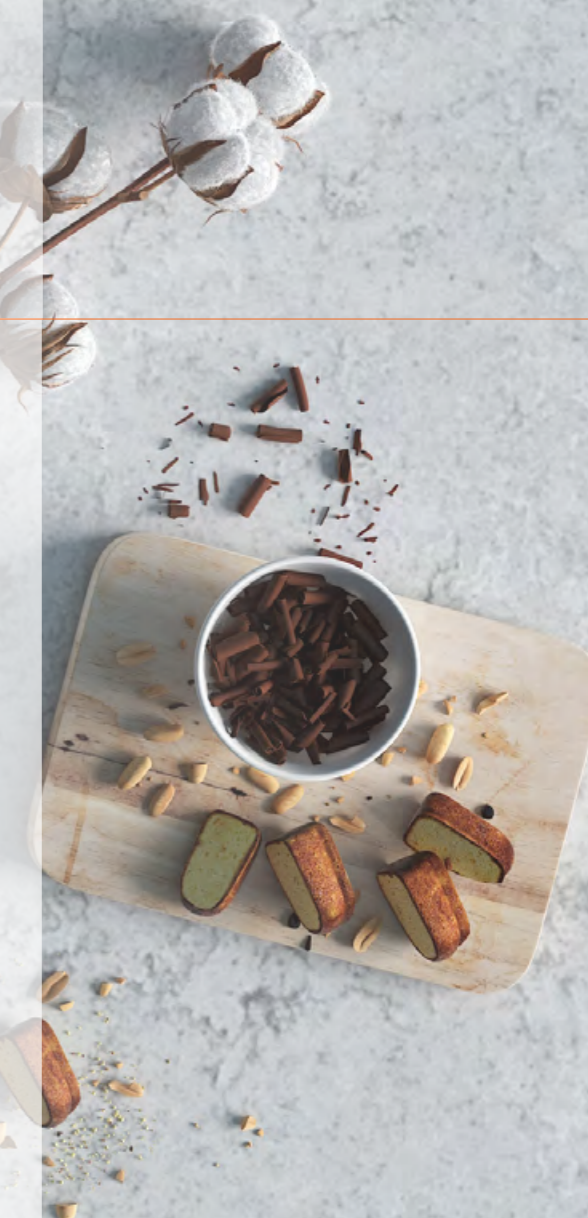
Independent auditing unit:

**Ernst & Young Vietnam Ltd. Co.**

Tel: +84 24 3831 5100

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

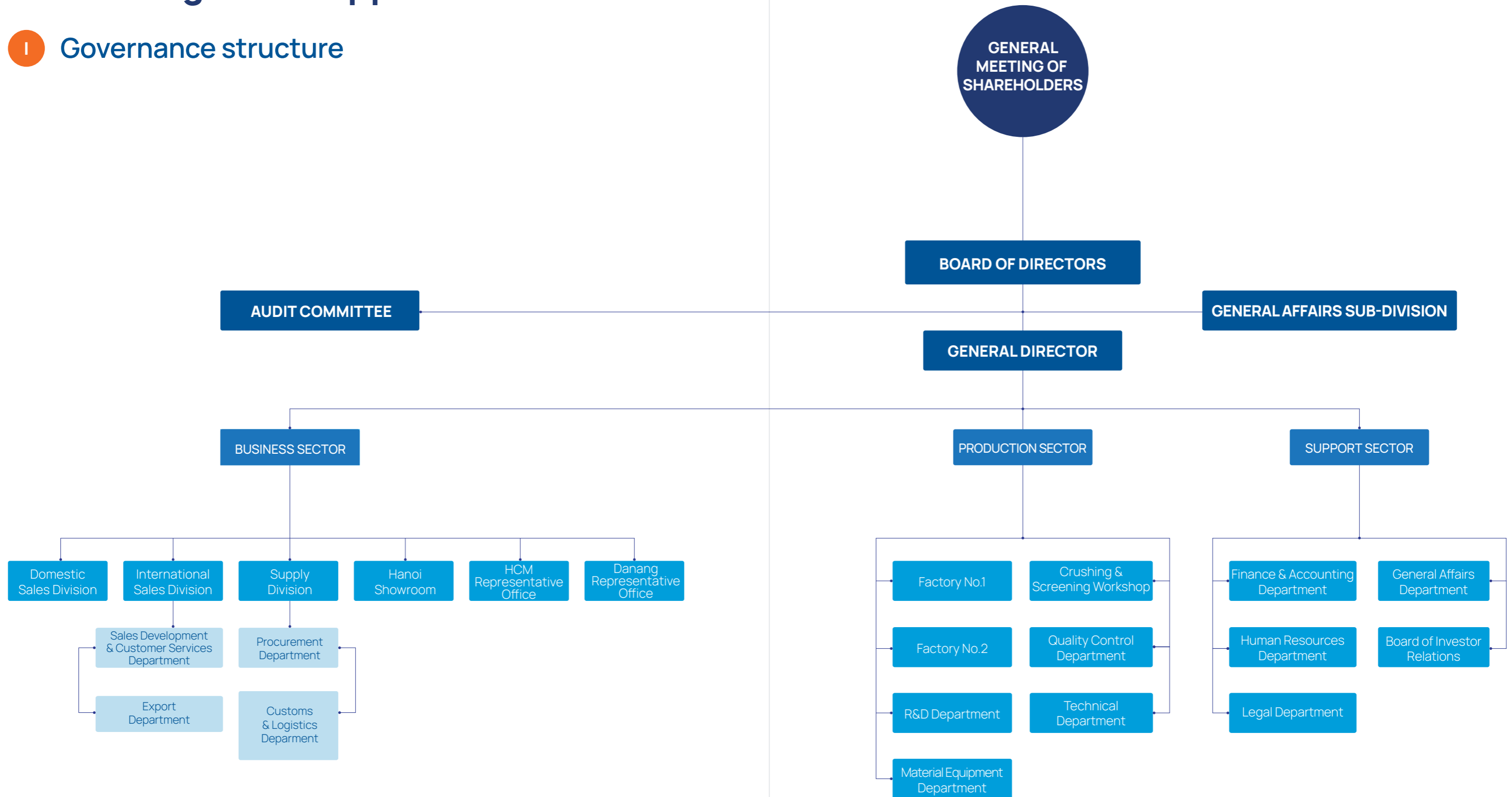
Audited VICOSTONE's separated financial statements and consolidated financial statements for 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022.





# Governance structure, Labor structure and management apparatus

## I Governance structure





## II Labor structure

As of December 31, 2022, Vicostone had a total of 779 employees. The number of young ones (under 35 years old) account for 46.3% of the workforce, with the leverage of dynamism, enthusiasm, and creativity. The employees assigned at direct production lines reach approximately

61% of the total, an appropriate figure for an industrial manufacturer. Of the total number of employees, some 85.8% were male; 82.9% were qualified from vocational training.

With 25.8% of all employees having undergraduate degrees and 57.1%

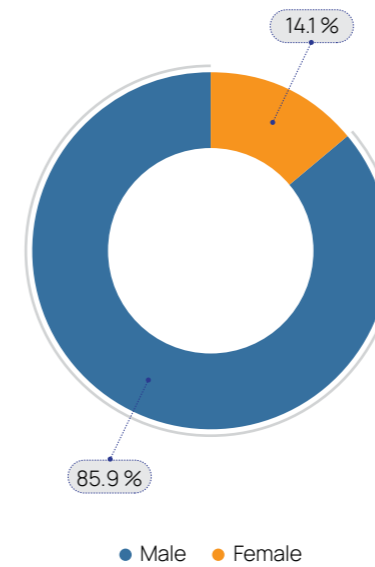
possessing engineering qualifications, the quality of labor at Vicostone was considerably high and suitable with the Company's plans on employment training, assignment to meet the requirements, and strategic targets.

### 1 Labor structure by academic qualification

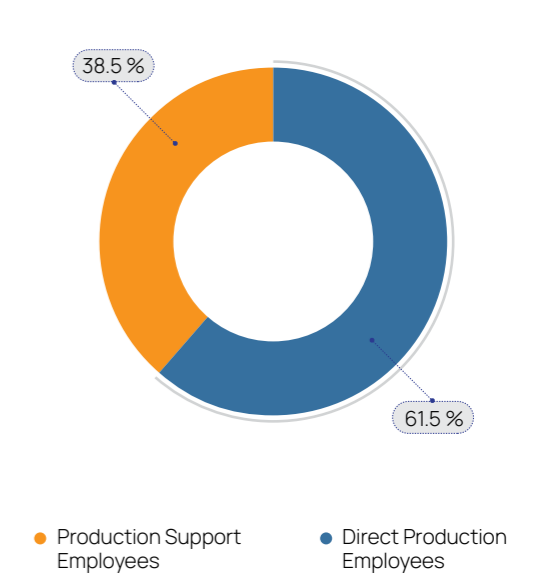
No.	Qualification	2020		2021		2022	
		Number (People)	Ratio (%)	Number (People)	Ratio (%)	Number (People)	Ratio (%)
1	Graduate Degree	12	1.66	9	1.13	8	1.03
2	Undergraduate Degree	190	26.24	191	23.93	193	24.78
3	Associate Degree	98	13.54	109	13.66	108	13.86
4	Primary and secondary vocational training	344	47.51	349	43.73	337	43.26
5	High School	80	11.05	140	17.54	133	17.07
<b>TOTAL</b>		<b>724</b>	<b>100</b>	<b>798</b>	<b>100</b>	<b>779</b>	<b>100</b>

Follow up data from separate report of Vicostone

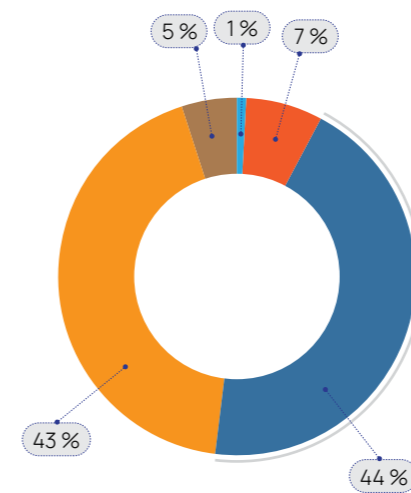
### 2 Employment structure by gender



### 3 Employment structure by job description

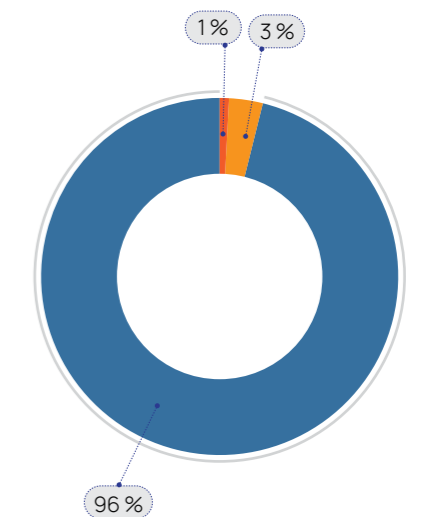


### 4 Employment structure by age



● 19-24 years old ● 25-34 years old ● 35-44 years old  
● 45-55 years old ● Over 55 years old

### 5 Employment structure by position level



● Board of Directors ● Managers ● Employees

# III Management apparatus

(As of 31 December, 2022)

## 1 Board of Directors



**Mr. Ho Xuan Nang**

**CHAIRMAN OF THE BOARD OF DIRECTORS**

Year of birth: 1964

*(Non-executive member)*



**Mr. Pham Anh Tuan**

**MEMBER OF THE BOARD OF DIRECTORS**

Year of birth: 1981



**Ms. Tran Lan Phuong**

**MEMBER OF THE BOARD OF DIRECTORS**

Year of birth: 1988

*(Non-executive member)*



**Ms. Nguyen Dieu Thuy Ngoc**

**MEMBER OF THE BOARD OF DIRECTORS**

Year of birth: 1972

*(Non-executive member)*



**Mr. Nguyen Quang Hung**

**MEMBER OF THE BOARD OF DIRECTORS**

Year of birth: 1970

*(BOD Independent member)*

### 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 Board of Directors of Phenikaa-X JSC;
- Chairman of the Board of Directors of AQP Research and Control Pharmaceuticals JSC;
- Chairman of the Board of Directors of Vinh Thien Medical JSC;
- Chairman of the Council of Phenikaa University;

### Professional experience:

- From June 12, 2014 – present: Chairman of the Board of Directors of Vicostone JSC;
- From April 18, 2013 – June 12, 2014: Vice Chairman of the Board of Directors 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 Factory;
- 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 – 1993: Researcher and lecturer of Hanoi University of Science and Technology.

### Professional qualifications:

- Doctorate of Polymer and Composite Materials
- Master of Business Administration

### 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 Board of Directors of Phenikaa Technology Transfer and Trading JSC;
- Chief Executive Officer of Phenikaa Education Investment JSC;

### 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 Plant 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.

### Professional qualifications:

- Master of Business Administration
- Bachelor of Economic Law

### Titles at other companies:

- Vice General Director of A&A Green Phoenix Group JSC;
- Member of the Council – Phenikaa University;
- Chairman of the Board of Directors of Phenikaa Education Investment and Development JSC;
- Member of the Board of Phenikaa MaaS Technology JSC;
- Member of the Board of Nam Hung JSC.

### 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).

### 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.

### 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.

## 2 The Audit Committee



**Mr. Nguyen Quang Hung**  
HEAD OF AUDIT COMMITTEE  
Year of Birth: 1970



**Ms. Nguyen Dieu Thuy Ngoc**  
MEMBER OF AUDIT COMMITTEE  
Year of Birth: 1972

## 3 Board of Management, Chief Accountant



**Mr. Pham Anh Tuan**  
GENERAL DIRECTOR  
Year of Birth: 1981



**Mr. Luu Cong An**  
VICE GENERAL DIRECTOR  
Year of Birth: 1965



**Mr. Pham Tri Dung**  
VICE GENERAL DIRECTOR  
Year of birth: 1971

(See Members of the Board of Directors)

(See Members of the Board of Directors)

(See Members of the Board of Directors)

### Professional qualifications:

- Dynamics Engineer

### Titles at other companies:

- Chairman the Board of Directors of Vietnam Stone Work-top Fabrication JSC;
- Chairman of the Board of Directors of Tran Long Industry JSC;
- 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 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 Design Department of Song Cong Diesel Company.

### Professional qualifications:

- Master of Science
- Master of Business Administration

### 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 Phenikaa Hue Mineral Processing & Investment One Member Co.Ltd.;
- Member of the Board of Directors of Bao Toan A Corporation.

### 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;
- 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.

### 3 Board of Management, Chief Accountant (continued)



**Mr. Nguyen Chi Cong**  
VICE GENERAL DIRECTOR  
Year of birth: 1981



**Mr. Dong Quang Thuc**  
VICE GENERAL DIRECTOR  
Year of birth: 1985



**Ms. Nguyen Phuong Anh**  
CHIEF ACCOUNTANT  
Year of birth: 1986

#### 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.;
- Chairman of the Board of Directors of Bao Toan A Corporation

#### Professional experience:

- From August 2017 – present: Vice General Director of Vicostone JSC;
- From January 2013 – July 2017: Director of Style Stone JSC;
- From June 2011 – December 2012: Director of Production Department 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.

#### Professional qualifications:

- Master of Chemical Sciences
- Master of Business Administration

#### 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.

#### Professional qualifications:

- Bachelor of Accountancy

#### Titles at other companies:

- N/A

#### Professional experience:

- From August 2022 – present: Chief Accountant of Vicostone JSC;
- From August 2015 – August 2022: Vice Manager of Finance and Accounting Department of Vicostone JSC;
- From August 2010 – August 2015: Accountant of Vicostone JSC.

### 4 Changes in the composition of the Board of Directors, Audit Committee, Board of Management and Chief Accountant

#### Board of Directors:

In 2022, there was no change in the composition of the Board of Directors.

#### Audit Committee:

In 2022, there was no change in the composition of the Audit Committee.

#### Board of Management:

In 2022, there was no change in the composition of the Board of Management.

As of the publish date of this report, the Board of Directors has promoted Mr. Pham Tri Dung as General Director in the term of 2023 - 2026,

in replacement of Mr. Pham Anh Tuan.

#### Chief Accountant:

On August 30, 2022, the Board of Directors promoted Ms. Nguyen Phuong Anh as Chief Accountant, in replacement of Ms. Nguyen Thi Nga.



BQ8628  
STATUARIO

# Relevant companies

## I Parent company

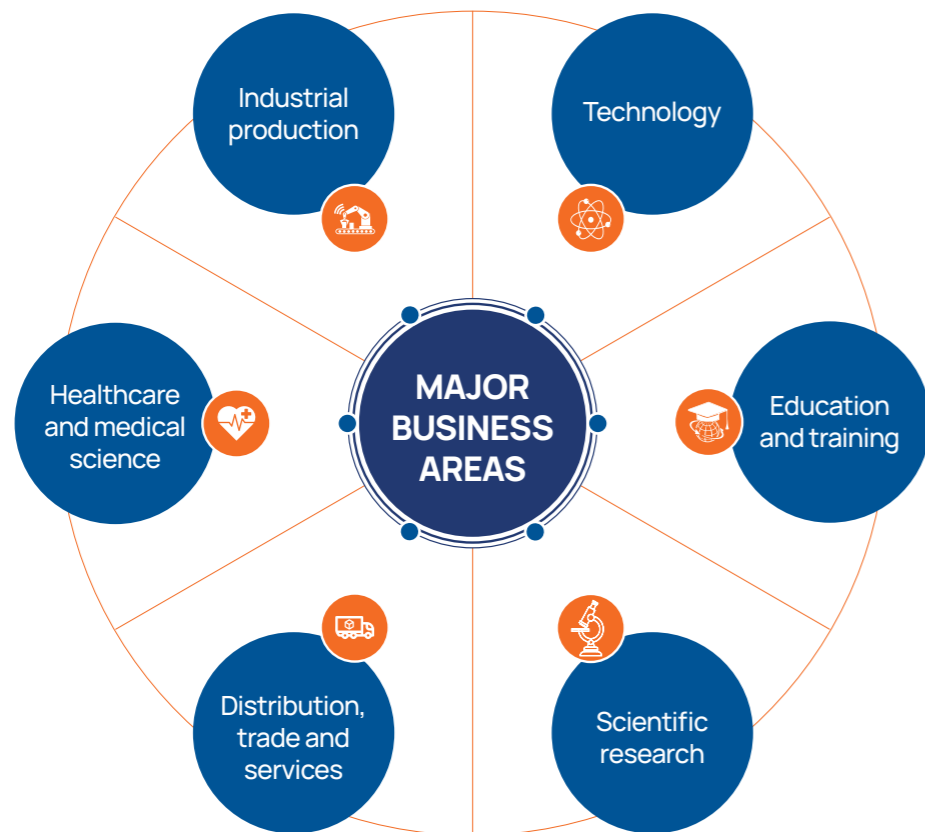


### A&A GREEN PHOENIX GROUP JSC

International name: A&A GREEN PHOENIX GROUP JOINT STOCK COMPANY  
 Abbreviated name: Phenikaa  
 Chartered capital: VND 3,000,000,000,000 (Three trillion Vietnamese dong)

- Address: No. 167, Hoang Ngan Street, Trung Hoa Ward, Cau Giay District, Hanoi, Vietnam
- Email: support@phenikaa.com
- Website: www.phenikaa.com
- Tel: +84 24 3368 5980
- Fax: +84 24 3368 7095

## 1 Major business areas



## 2 Members of Phenikaa Group



### Industrial production

Vicostone JSC  
 Style Stone JSC  
 Vietnam Stone Work-top Fabrication JSC  
 Phenikaa Chemical Co. Ltd.  
 Bao Toan A JSC



### Technology

Phenikaa Electronics JSC  
 Phenikaa MaaS Technology JSC  
 Phenikaa Technology Transfer and Trading JSC  
 Phenikaa Lighting Technologies and Solutions JSC



### Scientific research

Phenikaa Research and Technology Institute



### Education and training

Phenikaa University  
 Phenikaa Elementary School  
 Phenikaa Secondary and High School;  
 Phenikaa Education Investment JSC  
 Yersin Vietnam JSC



### Design and building consultant

VPM - Hanoi Project Management Consultancy JSC



### Healthcare and medical science

Vinh Thien Medical JSC  
 AQP Research and Control Pharmaceuticals JSC



### Trade and services

Sec G3 Center JSC  
 Nam Hung JSC  
 Stylenquaza LLC. DBA (Vicostone U.S.)

*Vicostone U.S. was founded in November 2010, and operates outside of Vietnam with its headquarter located at 11620 Goodnight Lane, Suite 100, Dallas, Texas, U.S., providing direct distribution of VICOSTONE® products in North America.*

## II Subsidiaries and dependents

### 1 Subsidiaries

#### PHENIKAA HUE MINERAL PROCESSING AND INVESTMENT ONE-MEMBER CO. LTD.

- International name: Phenikaa Hue Mineral Processing & Investment One Member Company Limited
- Abbreviated name: Phenikaa Hue
- Chartered capital: VND 50,000,000,000 (Fifty billion Vietnamese 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 manufacturing by Phenikaa Group and its members as well as other material businesses
- 100% equity owned by Vicostone

### 2 Dependents

#### REPRESENTATIVE OFFICE OF VICOSTONE JOINT STOCK COMPANY

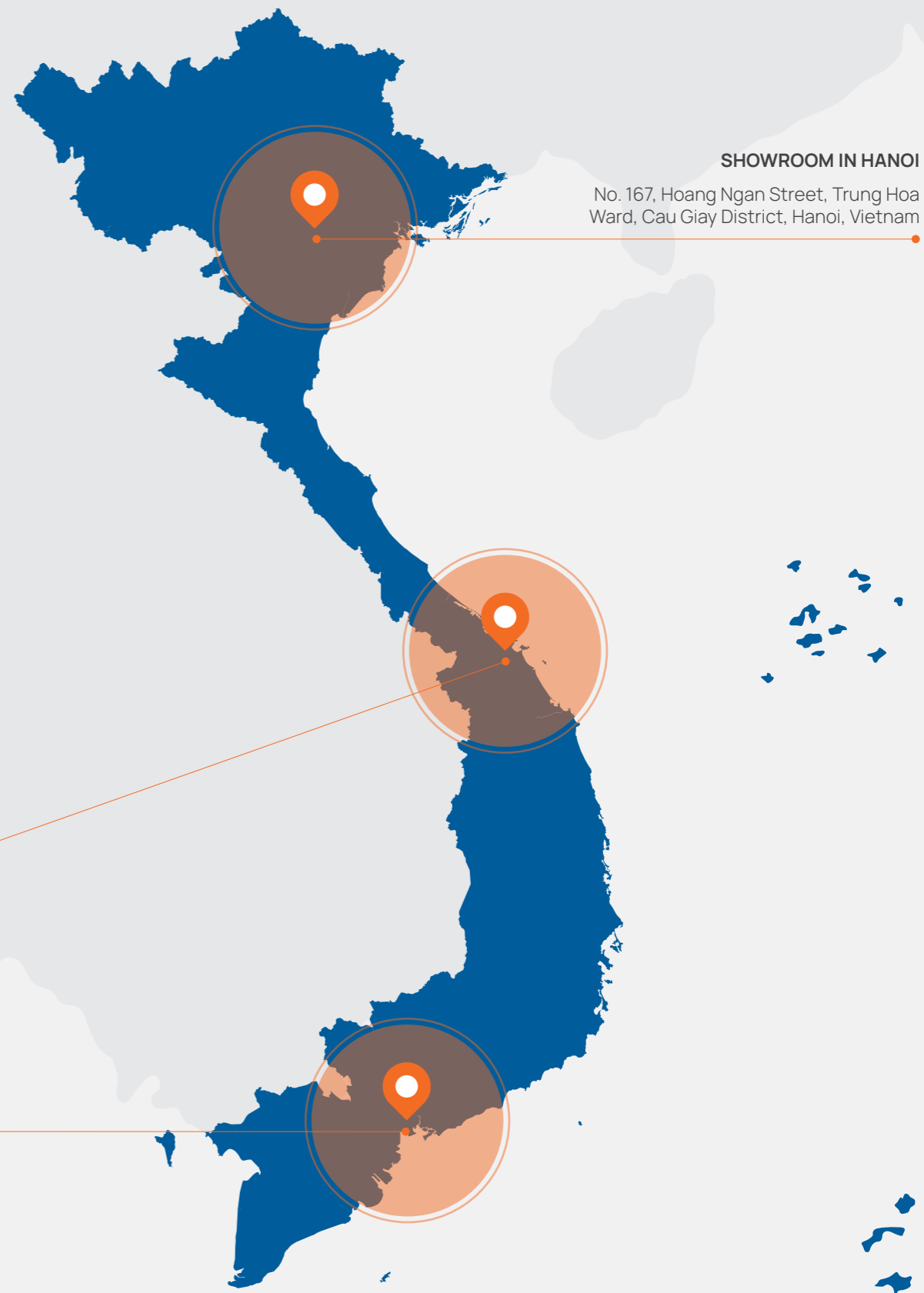
##### IN DA NANG:

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

#### REPRESENTATIVE OFFICE OF VICOSTONE JOINT STOCK COMPANY

##### IN HO CHI MINH CITY:

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



#### SHOWROOM IN HANOI

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

# SKY SERIES BQ8884





## Products, Technology and Markets



### I Products

After two decades, VICOSTONE® takes pride as a Vietnamese brand present in more than 50 countries, maintaining its position as the third largest supplier of engineered stone countertops in the global market and number one in Vietnam. One of the keys for Vicostone to maintain its position is its innovative, distinctive, and inspiring branding strategy that shapes the world's engineered stone market trend.

Vicostone followed the strategy of **"differentiation to become unique"** with steadfast investment in technology, research, and development to position Vietnamese engineered stone on the world map. VICOSTONE® wins customers' hearts 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, 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.

The first product that marked the milestone success of Vicostone's competitiveness-via-uniqueness strategy was VICOSTONE® Quasar Light BQ100, which is super white, super smooth and outperforms all quartz-based engineered stones on the market in 2010. This product led to impressive growth in the Company's export revenue, attracting great attention from the international engineered stone market at that time. It remains popular and regarded as the "whitest" quartz stone in the world.

Just one year after the launch of BQ100, at the world's biggest stone trade fair in Marmomac (Italy), Vicostone continued to resonate globally for the introduction of a quartz-based engineered stone model that faithfully reproduces the elegant beauty of Calacatta - the queen of natural stone. Rare and difficult to exploit in nature, Calacatta was the quest for many engineered stone manufacturers worldwide to try manufacturing but failed to achieve. The launch of the VICOSTONE® Calacatta BQ8270 product is considered a revolution, marking the pioneering era of VICOSTONE®, paving the way for the development trend of engineered Calacatta quartz stone manufacturing worldwide to this day.

Not only satisfied with timeless products, every year Vicostone continues to launch different and unique products that are welcomed by the market. Concrete proof of this

important step is the introduction of signature product lines such as: The first wood grain reminiscent product on quartz-based stone VICOSTONE® Eramosa BQ9602; or Ice Lake Statuario BQ8628; Dance of Thunder Nero Marquina BQ8740, and others.

In 2022, VICOSTONE® continued its inspiring journey of "The Art of Quartz" through the launch of VICOSTONE® Aqua Series, applying the technique of interwoven multi-layers and stacked grain and colors to create the depth for product surface. As this is a difficult and relatively new technique in the market, VICOSTONE® Aqua Series received customers' attention and appreciation right after the launch.

With a solid foundation in technology, know-how and R&D, along with 20 years of experience in the quartz stone industry, Vicostone is one of the few companies in the world and the only one in Vietnam that successfully

simulates all 5 major designs of surface materials, including: natural stone; wood; cement; metal and terrazzo.

Vicostone's 20-year journey marked our footprints across 5 continents, contributing to the creation of energetic, creative and artistic living spaces in more than 50 countries. This is the result of a conscious business development strategy with the philosophy of "Realizing all commitments"; best satisfying customers' needs and contributing to the overall development of VICOSTONE®'s customer communities.

## II Technology

From the first day of its establishment, Vicostone has invested in machinery transferred from Breton Technology S.p.A (Italy) - the leading stone technology in the world. With the support from the parent company - Phenikaa Group, Vicostone has completed the localization strategy and taken control of the supply chain, owning more than 95% of input materials. In which, Cristobalite is produced at Phenikaa Hue Factory, the world's second largest Cristobalite factory using modern technology from Japan and Europe in combination with Vicostone's technological know-how. Scientific and technological research is also a key strategy contributing to establishing a pioneering position, proactive and sustainable development throughout Vicostone's development journey.

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

- **Insert input materials:** The materials are inspected and measured automatically in compliance with a pre-existing formula before being imported into the mixer.
- **Mix materials:** Materials to be blended thoroughly in the pre-programmed mixer then moved into the mold.
- **Molding:** After being blended, the materials are extracted into the standard-sized molds. The largest mold is 3,340mm long and 1,650mm wide.
- **Vibro-compress:** Next, the slab is automatically weighed, and moved into the vibro-compression machine, in which the slab is vibrated and compressed under a pressure of 100 tons to make an ultimately dense,

hard slab.

- **Curing:** The vibrated, compressed slab is then cured and settled to make sure chemical reactions are fully completed.
- **Grinding:** 24 hours after the curing and settlement, the slab is grinded to form the expected perfect output.
- **Quality control and branding:** Before the production ends, the slab is checked, classified and labeled to make sure it is always at the highest quality upon delivery

With an advanced technology platform, a high degree of automation and breakthrough innovations, pure materials, and absolute safety for the environment and users, VICOSTONE® products have outstanding strengths that are not available in the natural or engineered stone products with other technologies.

## III Market

Along 20 years of development, VICOSTONE® from a Vietnamese local brand had become the Top 3 largest suppliers of engineered stone countertops to the global market (according to an independent research from Freedomia, U.S.). The Company exported and sold products in more than 50 countries, spanning over five continents with more than 10,000 local sellers/partners.

After 2 years under severe impact of the COVID pandemic, 2022 continued to be a difficult year for the world economy. With the main source of revenue from export, Vicostone's business results in 2022 were greatly influenced by global macroeconomic factors. The war between Russia and Ukraine along with rising inflation has taken a toll on all economic sectors, leading to an increase in transportation and material costs. Meanwhile, the demand for stone products decreased since they are not in the group of essential goods.

stone, porcelain in medium to high-end civilian applications in most markets, especially in Australia, Canada, U.S.. Therefore, the company's orders and revenue decreased in most markets, especially the key markets including North America and Europe.

In Vietnam, 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 and countless high-end hotels and residences as well as several of Vietnam's symbolic constructions, such as Landmark 81, Hong Ngoc - Phuc Truong Minh medical system, Golden Gates restaurants, Winmart retail chains, and others.

Facing the common difficulties of the global economy along with

materials localizing strategy to minimize the risk of dependence on imports and the risk of exchange rate fluctuations. This has helped Vicostone optimize most of the costs and build a competitive advantage. In the coming year, the Company will strive to continue reducing costs and increasing its competitive advantage as several other businesses have been now facing difficulties due to the disruption in the global supply chain.

With the mission to realize all commitments, Vicostone has always been a creative pioneer in manufacturing products of unique artistic values with top quality during our 20 years of establishment. Although the domestic and global economic situation in 2022 remains tough with challenges, Vicostone still maintains its business operations, continues to affirm its position with the right business strategy, sensible adaptation and efficient transformation.



Vicostone's engineers examine and monitor the production line on a frequent basis to ensure the system's safety and stability



A Vicostone staff introduces products to customers at the Vietbuild exhibition

At the same time, rising interest rates also cause difficulties for the real estate sector, as real estate businesses and home buyers often use bank loans. Vicostone also faces many challenges in competing with other industry rivals of the middle-class segment with more affordable prices. Besides, engineered stone products also have to compete with natural stone, ceramic and sintered

fierce competition from its rivals, Vicostone has proactively deployed many flexible solutions to minimize risks in production and business. Accordingly, the Company continues to invest in R&D to develop several new products; and reviews its system to respond to possible anti-dumping and countervailing duty investigations when exporting to the U.S. Furthermore, the Company continues to implement

Vicostone products are present in

more than  
**50**  
countries

**5**  
continents

and more than  
**10,000**  
agencies  
worldwide



# PELE HAWAII COLLECTION

The famous volcanoes in the Hawaiian park are said to be the sacred home of the goddess Pele - representing strength and passion. Inspired by various states of the flow on the majestic volcanoes of Hawaii, the collection mirrors the constant movement of a lava river. They could be boiling and raging, settle down to the deep and be still and gentle, or erupt with flame and fire.

# 3

## REPORT OF THE BOARD OF MANAGEMENT

<b>54</b>	The Market for 2022 and Outlook for 2023
<b>60</b>	Risk Management in 2023
<b>70</b>	Overview of Business Performance in 2022
<b>100</b>	Results in all Markets
<b>106</b>	Branding and Marketing Activities
<b>114</b>	Implementation of Key Projects
<b>116</b>	Key Plans and Missions for 2023

# The Market in 2022 and Outlook for 2023

## I The Market in 2022

### 1 Political and economic situation in 2022

Against previous forecasts of a post-COVID-19 recovery, the world economy in 2022 suffered from geopolitical conflicts, peak inflation and climate-related disasters, all the components of a “poly-crisis” year, according to historian Adam Tooze<sup>1</sup>.

The “2022 energy crisis” was primarily caused by geopolitical conflicts rather than supply shortages. Due to the Russia-Ukraine conflict in late February, Western countries imposed sanctions on Russia’s energy sector (the main export sector of this country), prompting a rapid escalation in oil and gas prices. The U.S. has jumped into the energy market and is forecast to become a net exporter of liquefied natural gas (LNG) by 2023. In 2022 alone, the US supplied more than 50% of LNG imports into the EU<sup>2</sup>.

Inflation was another notable issue in 2022. High energy prices led to a surge in inflation rates globally, which have reached a multi-decade peak in several world’s leading markets. In the U.S., this figure was 9.1% in June. In the UK it was 11.1% in October. In Germany, the inflation rate reached 10.4% while it stayed at generally 11.1% (November) in the EU. In response to inflation, central banks were forced to raise interest rates, led by the U.S. Federal Reserve System. In

the U.S., by December 2022, the basic interest rate was in the range of 4.25 - 4.5%, the highest in 15 years since the 2007-2008 financial crisis. The European Central Bank (ECB) has also ended a 15-year period of negative or zero interest rates to foster the economy after the 2007 crisis and raised interest rates to 2.5%.

The International Monetary Fund (IMF) estimated that world GDP would grow by 3.2% in 2022, higher than the 2.6% figure of 2019, before the COVID-19 pandemic. Despite many chain crises in 2022, generally, countries still show resilience and incredible recovery.

Vietnam’s economy witness a strong recovery in 2022. Macroeconomy remained stable, inflation was under control, and large balances were guaranteed. In particular, GDP in 2022 was estimated to increase by 8.02%, reaching the highest growth rate since 2011 along with economic recovery<sup>3</sup>. According to the General Statistics Office of the Ministry of Planning and Investment, the GDP at current prices in 2022 was estimated at VND 9,513 trillion, equivalent to USD 409 billion. Thus, the size of Vietnam’s economy has increased more than 10 times compared to 2000. With such a scope, GDP per capita in 2022 at current prices is estimated at VND 95.6 million/person, equivalent to USD 4,110, an increase of USD 393 compared to 2021. Thus, GDP per capita in Vietnam has increased significantly in 20 years, boosting

Vietnam’s ranking in the region as well as global trade and investment<sup>4</sup>.

Although in 2022 many large economies still suffered from double-digit inflation, Vietnam still successfully controlled inflation. In the context of rapid, complicated, and unpredictable international changes, Vietnam’s total import-export turnover in 2022 still achieved a record of over USD 732.5 billion and trade surplus reached 11.2 billion USD<sup>5</sup>. Thus, due to many drastic solutions and efforts of the whole political system, Vietnam’s economy has firmly overcome difficulties and become the silver lightning of the regional economy.

### 2 Real estate market in 2022

During the past two years, the global construction industry has been in a state of paralysis and stagnation due to restrictions related to the COVID-19 pandemic<sup>6</sup>. In 2022, the global construction industry encountered other serious dilemmas. The Russia-Ukraine conflict rattled the global economy, potentially disrupting supply chains and placing pressure on energy prices, consequently increasing the price of raw materials. Currently, there is no guarantee that the price of materials for the construction industry will not grow in the future. If this happens, the global construction industry will continue to face risks<sup>7</sup>.

After the COVID-19 pandemic, Vietnam’s real estate market is left with ample opportunities to recover and develop in 2022. According to statistics of the Vietnam Association

of Real Estate Brokers (VAREB), right from the beginning of the first quarter, the domestic economy began to maintain the recovery momentum; boosting production activities; and clearing obstructions in supply chains and business activities. However, from the second quarter of 2022, the real estate market began to record signs of depression. A series of credit and corporate bond tightening policies and the arrest of some business leaders caused general bearish sentiment in the market, delays in all transactions, and ongoing projects had to be halted. This situation did not last a month or two but throughout the second half of 2022 and as time went by, the “health” of the real estate market showed more signs of deterioration.<sup>8</sup>

Although the government made various moves to support and

remove difficulties for the real estate market, domestic construction and material enterprises faced a series of challenges from the sharply increased price of goods and input materials and interrupted supply chains to the stagnated output market, increased prices while the demand for consumption decreased. According to a survey by Vietnam Report Joint Stock Company, 78.8% of enterprises recorded an increase in raw material costs, with 19.7% of these enterprises reporting a significant rate. Nearly 50% of enterprises forecast this situation to continue until the end of 2023, and 38% of enterprises think this situation will remain even after 2023.<sup>9</sup>

<sup>1</sup> <https://www.vietnamplus.vn/nen-kinh-te-the-gioi-trong-vong-xoay-da-khung-hoang-cua-nam-2022/838783.vnp>

<sup>2</sup> <https://vtv.vn/kinh-te/dien-bien-noi-bat-cua-kinh-te-the-gioi-nam-2022-2022123110113216.htm>

<sup>3</sup> <https://vneconomy.vn/toan-can-h-buc-tranh-kinh-te-viet-nam-nam-2022.htm>

<sup>4</sup> <https://www.qdnd.vn/kinh-te/tin-tuc/nam-2022-quy-mo-nen-kinh-te-viet-nam-tang-hon-10-lan-len-muc-409-ty-usd-715446>

<sup>5</sup> <https://vtv.vn/kinh-te/kinh-te-viet-nam-khep-lai-nam-2022-voi-nhieu-con-so-an-tuong-20221231095526904.htm>

<sup>6</sup> <https://cafeland.vn/tin-tuc/thi-truong-xay-dung-toan-cau-huong-loi-nho-xu-huong-dau-tu-vao-linh-vuc-nha-dat-111817.html>

<sup>7</sup> <https://www.imarcgroup.com/real-estate-market>

<sup>8</sup> <https://dangcongsan.vn/kinh-te/nhin-lai-thang-tram-cua-thi-truong-bat-dong-san-2022-628460.html>

<sup>9</sup> <https://kinhtedothi.vn/doanh-nghiep-nganh-xay-dung-va-vat-lieu-tim-kiem-co-hoi-trong-thach-thuc.html>





## II Market outlook for 2023

### 1 Economic outlook for 2023

2023 is considered a difficult year for most global economies and financial markets. According to the International Monetary Fund (IMF), most economists agree that economic growth will slow down almost everywhere around the globe, from 3.2% in 2022 to 2.7% in 2023<sup>10</sup>. The IMF predicts more than a third of the global economy will contract this or next year, with stagnating economic activities in major economies including the United States, China, and the European Union. The eurozone has been hit hard by a cut in gas supplies from Russia. China suffered pandemic-related disruptions and a deepening downturn in its property market,

while the U.S. economy's growth momentum is also slowing down<sup>11</sup>.

In Vietnam, the economic recovery in 2022 is the "driving force" for the economy to continue to recover in 2023. The resilience of the economy is considerable at the present time, thereby creating momentum for socio-economic recovery and development in 2023 and the whole planned period of 2021-2025. According to Resolution No. 68/2022/QH15 on the 2023 socio-economic development plan, approved by the National Assembly, the target of growth for Gross Domestic Product (GDP) is about 6.5%, lower than the expected growth rate estimated in

2022 (about 8%) and lower than the growth requirement in the remaining years according to the target of the 5-year plan (2021-2025). However, in the context of current domestic and international difficulties, this growth target shows caution and feasibility<sup>12</sup>.

<sup>10</sup> <https://baochinhphu.vn/nam-2023-nam-gap-ghenh-doi-voi-kinh-te-the-gioi-102221227104645185.htm>

<sup>11</sup> <https://www.qdnd.vn/quoc-te/binh-luan/trien-vong-khong-lac-quan-cua-kinh-te-toan-cau-nam-2023-713153>

<sup>12</sup> <https://kinhthevadubao.vn/thay-gi-tu-mot-so-chi-tieu-chu-yeu-trong-ke-hoach-phat-trien-kinh-te-xa-hoi-nam-2023-24624.html>

### 2 Construction market in 2023

The GlobalData Plc report has laid out some key scenarios on the outlook of the global construction market. In the event of an end to the Russia-Ukraine conflict, the escalating price situation is likely to slow down in 2023, especially if Russia achieves its specific goals. Simultaneously, the Russian economy can reopen and begin the recovery process. On the contrary, if Russia continues to strengthen military measures against Ukraine, the country will continue to be subject to additional sanctions next year. Based on these scenarios, GlobalData found that global construction output could increase by 4% in 2022 before reaching an average of 3.8% over the period 2023-2026.

In the U.S. market, the challenging economic situation has led to the decline of the real estate and construction market. The number of

houses for sale in 2023 is forecast to decrease by 8% while the total number of houses sold on the market may decrease by 14%. The contribution of the housing sector to the GDP of the U.S. will continue to decline by an additional 9.2%. The reason for the housing market to decline in 2023 is explained by the sustained increase in interest rates, causing housing prices to remain elevated, and there will be no signs of easing. In terms of the number of new houses built, Morningstar's 2023 forecast<sup>13</sup> shows that the number of new homes built in 2023 in the United States will decrease by 10% to 1.435 million units. Non-civil and public construction will continue to be the silver lining for the construction industry as it is forecast to grow at 5.4% and 6.1% in 2022 and 2023 respectively according to the American Institute of Architects (AIA).<sup>14</sup>

VNDirectSecuritiesCompany predicted that in Vietnam public investment will boost the construction industry and construction materials sector in the coming year, partially offsetting the slowdown in the housing real estate sector in 2023<sup>15</sup>. The construction and real estate market in 2023 will focus on low-income, social housing, and housing for workers. In addition, unfinished urban housing projects will be restarted and industrial works, and public investment projects will bring significant opportunities to construction enterprises. Construction activities in the tourism real estate industry are likely to be halted in 2023 because of excess supply from the previous two years of the pandemic. This will create a significant challenge for high-end products such as those of Vicostone<sup>16</sup>.

<sup>13</sup> <https://www.morningstar.com/articles/1098911/we-now-see-a-sharper-housing-starts-decline-in-2023-24>

<sup>14</sup> <https://www.cbre.com/insights/books/2022-us-construction-cost-trends/02-construction-activity>

<sup>15</sup> <https://vietnambiz.vn/dau-tu-cong-diem-sang-cua-nganh-xay-dung-va-vat-lieu-xay-dung-nam-2023-202212894936451.htm>

<sup>16</sup> <https://kinhtedothi.vn/phat-trien-nganh-xay-dung-trong-nam-2023lay-dau-tu-cong-lam-trong-tam.html>

### 3 Forecast of the global engineered quartz stone market in 2023

According to the latest report of the U.S. market research company Freedonia in 2019, before the Covid pandemic, the global engineered quartz market was forecast to grow at 4.8% per year on average in the period of 2019-2024, increasing from 53.9 million m<sup>2</sup> in 2019 to 75.2 million m<sup>2</sup> in 2024<sup>17</sup>. This figure is significantly lower than the average growth figure of 11.8% in the period of 2014-2019, showing that engineered quartz products have entered the maturity stage in the product life cycle.

In the U.S., according to Freedonia's report, in the period of 2021-2026, the engineered stone will grow by an average of 9.6% per year, increasing from 23.7 million m<sup>2</sup> in 2021 to 37.5 million m<sup>2</sup> in 2026. In 2021, engineered stone surpassed laminate for the first time to become the most popular material in the countertop industry, and was forecast to capture 36% of the countertop industry market share by

2026. According to this forecast, in 2023, the market demand for quartz materials will reach 28.5 million m<sup>2</sup>.

However, these forecasts are considered quite positive before the COVID pandemic took place and do not consider the negative effects of the "poly-crisis" economy in the period 2022-2023. In fact, the economic situation as well as the construction market has not shown signs of recovery, and economic recession in the US is forecast by economists to be "more and more difficult". The year 2023 is predicted to be particularly challenging, not only for Vicostone but for most companies in the construction and materials sector in general.

<sup>17</sup> <https://www.marketwatch.com/press-release/engineered-quartz-stone-eqs-market-2022-top-countries-data-with-cagr-status-segmentation-gross-margins-business-strategy-and-key-players-analysis-and-regional-forecast-2028-latest-118-pages-report-2022-07-28>



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# MATERIAL RISKS IN 2023



## 1 Risk of global economic recession

In 2022, the world experienced waves of significant economic shocks in the aftermath of the pandemic. As we enter 2023, numerous international organizations have forecasted that the global economy will continue to confront mounting challenges, with pessimism fueled by the ongoing war in Ukraine, as well as energy and food crises. Furthermore, concerns about high inflation and persistently elevated interest rates compound the situation. As a result, the projected growth rate of the global economy is expected to decelerate and possibly even enter into a recessionary period in 2023.

The World Economic Outlook report, published by the International Monetary Fund (IMF) in January 2023, forecasts that the global economy will achieve a growth rate of 3.4% in 2022, but is projected to be declined to 2.9% in 2023. This anticipated growth rate falls below the average annual growth rate of the period from 2000 to 2019 with 3.8%.

A study conducted by the World Bank (WB) in January 2023 indicated that global growth is likely to decrease to 1.7% in 2023, primarily as a result of the countries central bank tight monetary policies aimed at mitigating inflation, ongoing geopolitical tensions such as the Russia-Ukraine war, and other related factors. Against the backdrop of a weakening global economy, additional adverse shocks such as higher inflation, tighter monetary policies, financial turmoil, and increased political instability could further exacerbate the situation, potentially leading to a recessionary phase in 2023.

Following the Federal Reserve's (Fed) announcement to keep the maximum interest rate at 5.1% in 2023, credit rating agency Fitch

Ratings revised its projection for U.S. economic growth in 2023 from 0.5% to 0.2%. This downward revision reflects apprehensions of a potential recession, particularly in light of ClearBridge's recent announcement that 8 out of 12 fundamental indicators are signaling elevated risks of an economic downturn in the United States.

In the event of an economic recession, Vicostone may face a significant barrier in expanding its market and achieving sales targets as outlined in its business plan. From the onset of 2023, Vicostone has taken a proactive approach and devised strategies to mitigate the potential impact of a recession. In such a market scenario, Vicostone's priority will be to reduce inventory levels, negotiate favorable terms with suppliers, and implement customer-centric policies. Additionally, with robust financial resources at its disposal, Vicostone intends to focus on research and development initiatives and invest in upgrading its equipment and production lines, thereby positioning itself for future growth when market conditions become more favorable.

## II Risk of increased competition pressure

### 1 Competition from rival companies within the industry

Based on Breton's published data, there are 56 million square meters of engineered stone produced annually by 119 Breton technology production lines, which include notable companies such as Cosentino, Caesarstone, Vicostone, Cambria Quartz, and Dupont. There was a further increase in the number of Breton production lines invested in during 2022, with Coante investing in the installation of two additional production lines, bringing their total to four, and Quantra Quartz (Pokanar) completing the installation of one more production lines.

Moreover, the utilization of Chinese technology in production lines is proliferating at an accelerated pace, particularly in the Asia-Pacific region, outgrowing burgeoning economies such as India, China, Vietnam, Malaysia, and Thailand. Consequently, the global competition among manufacturers of quartz stone is intensifying, particularly in the area of pricing. Notably, Chinese technology-based stone manufacturers are poised to gain a competitive edge due to their lower investment costs and cheap raw materials.

Furthermore, it is worth highlighting that the U.S. government is

contemplating the relaxation of certain trade tariffs imposed on Chinese products during the Trump administration as a countermeasure against inflation. If this proposal comes into effect, the anticipated quantity of quartz stone exports from China to the US would likely escalate.

In Vietnam, aside from Vicostone, there exist 13 additional enterprises that manufacture synthetic quartz stone through 27 imported production lines from China, emphasizing churning out low-cost products. Forecasts suggest a continuing rise in the number of enterprises and production lines utilizing Chinese technology in the upcoming years.

Consequently, the competition among quartz stone manufacturers will mount in intensity, notably amidst the worldwide economic recession anticipated in 2023, where pricing shall emerge as a pivotal determinant for consumers, presenting Vicostone with significant challenges as it currently operates in the premium product category.

### 2 Competition from alternative products

Over the years, engineered stone has perpetually encountered competition from natural stone in several markets, particularly in Australia, Canada, and the U.S. However, in recent times, they also faced increasing competition from other products such as ceramics, porcelain, sintered stone (exemplified by Dekton), porcelain tiles (in the consumer market), laminates, and solid surfaces (in the non-consumer market).

It is noteworthy that porcelain materials are witnessing robust growth. As per a report by market research company Freedonia, the global countertop market value in 2020 stood at \$117 billion (equivalent to 217.4 million m<sup>2</sup>), out of which porcelain constituted 1% of the market, amounting to roughly \$1.17 billion. Despite having a relatively low market share in the countertop industry, Freedonia's projections indicate that porcelain materials are experiencing the most vigorous

growth rate, increasing by 10% during the forecast period, thereby reaching a market value of \$2 billion in 2025.

To further sustain the dominant position as a leading enterprise, Vicostone has been ceaselessly developing and executing a comprehensive and proactive strategy to augment its competitiveness and reinforce its distinctive identity in the global quartz stone market. In pursuance of this strategy, the company has made significant investments in research and development to explore new materials and products that are safe, eco-friendly, unique, and difficult to replicate, providing unparalleled advantages to steer the trajectory of the global quartz stone market.

## III Risk of being investigated and subjected to trade remedy measures by the United States

### 1 Risk of being investigated for applying anti-evasion measures.

As per data provided by the U.S. International Trade Commission (U.S. ITC), the total quantity of quartz stone imported from Vietnam to the U.S. in 2022 was 3.22 million square meters, equating to USD 319.26 million, thereby retaining its position as the third-largest importer of quartz stone to the U.S., in terms of both volume and value. This represents a 5.06% increase in volume and a 0.6% increase in value as compared to the previous year. The average price per square meter was 99.02 USD/m<sup>2</sup>, which denotes a 4.24% reduction in comparison to the average price in 2021, securing the fifth rank

Following the imposition of anti-dumping and countervailing duties on Chinese quartz stone manufacturers in May 2019, they have adopted diverse strategies to circumvent these levies. These tactics include relocating their production lines to third countries, particularly neighboring countries with comparable production conditions such as Vietnam, Malaysia, and Thailand; providing equipment and raw materials directly to these production lines to reduce production expenses; or exporting stone slabs to these countries for processing, and subsequently exporting to the U.S. under a non-China origin label.

In the near future, there is a high likelihood that the company will be investigated for employing anti-evasion measures in Vietnam, due to the following reasons:

- Recently, the United States Department of Commerce (DOC) has expressed a deep concern regarding the issue of tax evasion pertaining to quartz products of Chinese origin. On October 21, 2022, the DOC issued an official Scope Ruling for an anti-evasion investigation of Quartz slab products originating from Malaysia. This ruling was made following the discovery that a majority of the imported quartz surface products in the U.S. either contained input materials originating from China, or were products imported from China via Malaysia and then exported to the U.S.. Furthermore, a quartz manufacturer located in Thailand is currently under investigation for altering the origin of their product to circumvent anti-dumping and countervailing duties imposed on

among the top 10 countries exporting quartz stone to the U.S., both in terms of value and volume in 2022.

Chinese quartz products exported to the U.S.

- The number of Chinese technology-based manufacturers in Vietnam is growing quickly. Specifically, as of September 2022, 13 companies in Vietnam own 27 production lines for quartz slabs, which are based on Chinese technology.
- Starting from November 2022, Vietnam has become the leading country in terms of both import value and volume to the United States, while the average export price to the U.S. has been on a declining trend.
- In recent years, the risk of lawsuits has been exacerbated by the growing number of U.S. legal cases against Vietnamese exporters. The Vietnamese Trade Office in the U.S. reported that the U.S. Customs and Border Protection (CBP) is currently investigating a company accused of allegedly evading anti-dumping/countervailing duties imposed by the U.S. on Chinese products by rerouting them through Vietnam.







## 2 Risk of being investigated by the U.S. for anti-dumping and anti-subsidy measures

In recent years, the export volume of quartz stone from Vietnam to the U.S. has consistently ranked among the highest, albeit with a downward trend in average selling prices, as Chinese manufacturers shifted their production lines to Vietnam. Consequently, Vietnam has emerged as the next country, following China, India, and Turkey, to potentially face legal action from the U.S.

Vicostone stands out as a pioneer in implementing modern enterprise management systems (SAP-ERP), ensuring precise, prompt, and transparent management and control of the company's operations. To mitigate the potential risk of anti-dumping and anti-subsidy investigations by the U.S. authorities, Vicostone proactively reviews, enhances, and updates its internal management system to guarantee the efficiency of its product origin management and traceability.

Additionally, the company adheres strictly to regulations on origin certification; avoids abetting any fraudulent activities on origin and trade defense measures.

Furthermore, the company has taken a proactive approach by conducting a thorough study of the U.S. legal regulations on anti-dumping, anti-subsidy, and tax avoidance. It has also actively collaborated with reputable international law firms to receive advice and guidance on the development of procedures and provision of necessary data to ensure compliance with the requirements of the U.S. Department of Commerce (DOC) for documentation and timely submission upon request.

## IV Risk of persisting high inflation and interest rates

Reflecting on 2022, the global economy experienced a historic surge in inflation rates, reaching levels unseen in over four decades, attributable to the steep increase in the prices of essential commodities such as food, gasoline, and transportation services. Although inflation rates have shown some indications of moderating as we move into 2023, they are still anticipated to remain elevated, and may potentially have more deleterious effects. This projection is due to the unrelenting war in Ukraine, the progressively more restrictive economic sanctions imposed by the U.S. and E.U. against Russia, as well as the intensification of energy and input scarcities in production. Moreover, China's official abandonment of its "Zero-COVID" policy since January 2023 has added to the severity of these issues.

In this context, UBS Bank of Switzerland and Bank of America have predicted that oil prices may soar to \$100/barrel and \$110/barrel in 2023, respectively. Prices of fundamental commodities could surge in conjunction with oil prices, exacerbating the inflationary pressure and contributing to the persistence of high inflation.

Another challenge that the global economy must confront is the possibility that central banks will maintain a tight monetary policy: a commonly used tool to combat inflation by raising interest rates. During the interest rate hike in December 2022, both the Federal Reserve (Fed), the European Central Bank (ECB), and the Bank of England (BoE) indicated that they would continue to raise interest rates in 2023 to control inflation. It is anticipated that the pace of interest rate increases by central banks will decelerate and reach its zenith in the second half of 2023 when the inflationary situation is substantially under control.

Vietnam is not immune to the common risks of the global economy and is expected to face significant pressure from inflation and interest rates in 2023. As an open economy, Vietnam has been vulnerable to the pressure of imported inflation in recent years. Moreover, domestic factors have also contributed to the overarching inflation concerns, including the pressure to disburse a public investment stimulus



package worth over VND 700 trillion in 2023, wage increases, and the government's postponed pressure to increase energy prices such as electricity, coal, and petroleum. Some government support measures, such as reducing value-added tax, reducing fees and charges, and implementing labor support policies, will come to an end.

With regards to interest rates issue, despite the government's directive for banks to reduce their interest rates at the end of 2022, deposit and lending interest rates remain elevated. At present, the highest deposit interest rate offered by many banks is hovering around 9.5% annum, or even higher.

It is anticipated that in 2023, with the government's continued emphasis on credit-tightening policies to manage inflation and the stagnation of the real estate market, the obligation to repay VND 308,622 billion in corporate bonds may exert stress on the entire system's liquidity, and could lead to further increases in interest rates.

In the prevailing circumstances, it is anticipated that Vicostone may encounter difficulties in managing input costs in 2023 due to the persistent increase and sustenance of commodity prices, as well as deposit interest rates, which could result in a reduction in the company's business efficacy.

In light of the mentioned challenges, 2023 is anticipated to be a pivotal year for Vicostone as the company seeks to implement cost control initiatives to enhance the efficacy of resource allocation, improve productivity, and bolster product quality, with the ultimate goal of achieving effective cost controls.

To further enhance its operational and financial performance, the company will also closely monitor the developments of global inflation, and commodity markets, proactively take advantage of favorable-price periods to secure contracts, and negotiate with suppliers for the purchase and storage of raw materials, and efficiently use financial tools in tandem with interest rate movements. Additionally, it will seek to balance and convert short-term loans in suitable domestic and foreign currencies at different stages to mitigate potential financial losses.



## V Risk of concentrated revenue in long-established markets

# 5

Having been in operation for two decades in the international market, Vicostone has cemented its position as one of the foremost quartz stone brands worldwide. Its products are not only renowned for their superior quality and safety for users but also for their high aesthetic value that ignites creativity. As a result, Vicostone has successfully conquered even the most discerning markets such as the U.S., Canada, and E.U. countries.

For many years, the U.S., Canada, and Vietnam have always been key markets, bringing in the majority of revenue for the company. This is both an advantage and a potential risk that can create dependency and inflexibility in business.

For years, Vicostone has relied on the U.S., Canada, and Vietnam markets to generate the majority of its revenue, which poses both opportunities and challenges. For Vicostone, while this

has helped the company achieve significant success, it also leaves the business vulnerable to market fluctuations and a lack of flexibility in diversifying its businesses.

Besides, significant uncontrollable fluctuations, such as pandemics, political instability, legal framework, trade barrier and tariff changes in the markets, and major customers' operational challenges or shifts in business strategies, can severely impact the company's operations and business outcomes.

To mitigate the risks associated with excessive reliance on a limited number of markets, the company has set out strategic goals for the coming years that include expanding its key markets, maintaining relationships with existing customers, as well as exploring new customer segments and potential markets.

## VI Legal risks in international business operations

### 1 Risk of changes in silica dust concentration standards

In developed countries, there is a growing concern over the issue of lung dust. Starting in 2022, countries such as Australia and the U.S. have been introducing stricter regulations in the stone processing industry to address this issue.

In February 2022, New South Wales in Australia issued regulations called "Risk Management Rules in the Workplace for Silica Dust Generated from Stone Processing Activities." These rules outline the responsibilities of suppliers, distributors, and exporters in preventing lung dust diseases in the stone processing industry. The regulations also specify that compliance with the crystalline silica standard in the air, which should not exceed a weighted 0.05 mg/m<sup>3</sup> in an average working environment for 8 hours, must be ensured by all stakeholders. Currently, this standard is being applied in Australia and the U.S.

In May 2022, the U.S. Department of Labor passed a local lung dust prevention program, starting in Denver City. This program requires higher levels of compliance and monitoring in the stone processing and mining fields. Inspections will be conducted more frequently and rigorously, and the department will provide support to ensure compliance with safety regulations at stone mining and processing sites.

It is expected that in the upcoming years, developed countries will continue to strengthen measures to control and manage risks in the workplace related to silica dust. Policies related to production environment standards and working conditions in silica dust environment are expected to become more stringent. As a result, companies may face import bans or complete production bans if they fail to comply with the regulations.

Amid these potential risks, Vicostone has consistently prioritized and allocated significant resources to implementing comprehensive

environmental protection and occupational health measures. This approach is regarded as one of the company's pillars of sustainable development, reflecting its conscious and responsible business culture. As a result of these efforts, Vicostone has earned the trust and good faith of customers, partners, employees, and the wider community.

- **Managing dust concentration:** To ensure a safe working environment and control dust concentration levels, Vicostone has implemented various measures. In 2022, both the company and independent monitoring partners found that all measurement points complied with the dust concentration requirements set forth by the regulations of the countries in which Vicostone operates. The company is committed to maintaining the proper functioning of the dust treatment system and has implemented dust control solutions, especially in areas with higher potential for dust emissions, such as the material loading, crushing, and screening areas.

- **Ensuring safe working conditions for employees:** Vicostone takes care the health and safety of its employees seriously and strives to improve working conditions. The company provides complete protective equipment, particularly for employees working in areas with silica dust emissions. Vicostone also conducts regular monitoring and supervision to ensure compliance with safety regulations. In addition, the company promotes research and automation in processes located in areas with high levels of silica dust emissions to minimize employee exposure.

- **Researching new, more environmentally friendly, and safer materials:** In the future, to replace the input materials such as sand and natural quartz in a crystalline silica structure - the main cause of silicosis, the company is actively researching new production methods to change the silica structure from crystalline to amorphous. It is expected that the project has the potential to revolutionize the global quartz stone industry if the implementation of such technology allows for mass production at a reasonable cost.

### 2 Risk of changes in laws and regulations

It is important for Vicostone to closely monitor changes in the legal framework in each of the 50 countries where it operates. Changes in import tariffs, non-tariff barriers, administrative procedures, regulations, and laws can all have a direct impact on the company's business activities. Failure to adapt to these changes can lead to difficulties in managing production and business operations and increased operating costs. It is also important for Vicostone to ensure that its products meet the necessary conditions for the circulation of goods in each market by complying with local regulations and standards.

Establishing cooperative relationships with reputable international law firms is a proactive measure taken by Vicostone to control the risks associated with changes in policies and laws related to the company's business activities. These law firms are capable of advising the company on regulatory changes and updating them regularly. By doing so, Vicostone can make adjustments and changes to meet the regulations of the host country in a timely and compliant manner, reducing the risks of non-compliance, and difficulties in managing production and business operations.

# 6



### 3 Risk of legal disputes

Legal disputes are common in international trade activities, and Vicostone is not an exception. The company may face various disputes, such as disputes related to contracts for the purchase and sale of goods or international service supply, product quality, social responsibility, environment, and disputes over intellectual property rights with competitors regarding product designs.

In the increasingly competitive market for quartz stone, Vicostone is

aware of the potential for competitors to engage in unhealthy practices and use lawsuits to tarnish the company's reputation. To safeguard its reputation, Vicostone takes proactive measures to protect its intellectual property rights, trademarks, and product designs in all operating markets, including registering new products before their official launch.



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# Overview of business performance in 2022



In 2022, the political conflict between Russia - Ukraine, China's Zero COVID policy and the trend of monetary tightening to cope with high inflation are the main causes of world economic instability. High interest rates have had a significant impact on the real estate and construction sectors, causing sales of homes, mortgages and home purchases to plummet in many countries. With revenue mainly comes from export activities, Vicostone's business results are also strongly influenced by these global macro factors. In addition, the number of quartz manufacturers increased rapidly, especially in the Asia-Pacific region, further intensifying the competitive pressure.

Most of the above factors have been included in the 2022 Risk Management.

However, market uncertainties still have a significant impact on the Company's business activities in key markets. In that context, the Company remains proactive with timely solutions to respond to market changes as well as to meet capital for production and business activities. The Company's equity is always preserved even in volatile world economic times.

The production and business results of the Company are displayed as follows:

## I Overview of business performance compared with the previous year

No.	Items	Currency	Actual in 2021	Target in 2022	Actual in 2022	Actual vs Target in 2022	Actual in 2022 vs in 2021
1	Net revenue	VND Billion	7,070.13	8,367.00	5,660.27	67.65%	80.06%
2	Profit before tax	VND Billion	2,097.40	2,413.00	2,413.00	57.07%	65.66%

Although the business results did not meet the expectation, the Company still maintained its position in prominent markets, always focused on research & development of new

products and improved product quality to bring the best experience for customers. In addition, the Company aims to secure a self-sufficient supply chain (owning over 95% of input

materials) to minimize risks in terms of quality, quantity and effectively control costs.

## II Operating activities in 2022

### 1 Main indicators of operating activities

No.	Items	Currency	Actual 2019	Actual 2020	Actual 2021	Actual 2022	(%) Increase/decrease 2022 vs 2021
1	Total business and production value	VND Million	2,758,537	2,847,432	3,458,159	2,554,674	(26.13%)
	Import/export turnover of goods	USD Million	224.46	202.68	277.81	193.98	(30.18%)
2	In which:						
	Import turnover	USD Million	42.21	39.05	48.99	42.03	(14.20%)
	Export turnover	USD Million	182.25	163.63	228.82	151.95	(33.60%)
3	Net revenue	VND Million	5,562,763	5,659,595	7,070,129	5,660,265	(19.94%)
4	Profit before tax	VND Million	1,652,663	1,667,955	2,097,401	1,377,217	(34.34%)
5	Profit after tax	VND Million	1,410,115	1,428,420	1,772,060	1,148,702	(35.18%)
6	Payable of State budget: amount paid	VND Million	365,572	307,797	448,404	379,019	(15.47%)
7	Depreciation of fixed assets	VND Million	103,979	119,185	128,144	129,488	1.05%
8	Owner's equity at the year end	VND Million	3,448,686	3,857,821	4,874,197	4,868,738	(0.11%)
9	Construction in progress	VND Million	50,651	88,395	41,195	60,932	47.91%

(Source: Audited Vicostone's consolidated financial statements)

Facing the general difficulties of the global economy, the Company's revenue has not reached the plan. However, Vicostone has actively implemented several flexible solutions to minimize risks in production and business activity, and increase competitive advantage while many companies in the industry are facing the threat of increasing input material costs.

- Vicostone's net revenue reached 67.65% of the plan in 2022, equaling 80.06% compared to 2021. The Company's profit before tax reached 57.07% of the plan, equaling 65.66% compared to 2021.

- In 2022, the Company contributed VND 379.02 billion to the State budget. This is a significant contribution and is considered a positive indicator.

While both revenue and profit decrease, the Company manages to ensure income for employees whereas many businesses in the market experienced mass lay-off. In relation to risk management, Vicostone has identified and prepared responding scenarios, at the same time adapting flexible and responsive solutions to capture opportunities. Cost control and optimization are also implemented in all activities of the

Company through the application of technological, creative and innovative solutions to ensure standards in all activities at the cost advantage.

### 2 Key financial indicators

Items	2019	2020	2021	2022
<b>1. Liquidity ratios</b>				
Current ratio:				
Current assets/Current liabilities	2.37	2.45	3.11	3.40
Quick ratio:				
(Current assets - Inventories)/Current liabilities ratio	1.35	1.44	2.05	1.82
<b>2. Capital structure</b>				
Liabilities/Total assets ratio	0.38	0.36	0.29	0.26
Liabilities/Equity ratio	0.62	0.57	0.41	0.35
<b>3. Efficiency</b>				
Inventory turnover days:				
360*Average inventory/Cost of goods sold	192	191	156	210
Accounts receivable turnover days:				
360*(Average accounts receivable - Average advances from customers)/Net revenue	100	120	110	132
<b>4. Profitability ratios</b>				
Profit after corporate income tax/Net revenue ratio	0.25	0.25	0.25	0.20
Profit after corporate income tax/Owners' equity ratio	0.41	0.37	0.36	0.24

Vicostone continued to maintain a sound financial capability in the past years without much dependence on external capital sources. The Company always ensures financial resources to meet sudden financial situations.

- The current ratio and quick ratio remain high in 2022, leading to a low risk of insolvency. The Company is still able to pay its debt obligations;
- Liabilities/Total assets ratio and Liabilities/equity ratio have gradually decreased over the years, showing the ability to repay all current debts and no risk for loans in case of interest rates increase suddenly;
- Inventory turnover days of the Company in 2022 increased in comparison with 2021 due to the

fluctuation of the global economy, Vicostone's product consumption plan did not meet expectations in key markets. Meanwhile, the Company still maintains production to ensure income for employees. Therefore, the Company's inventory increases;

- In 2022, accounts receivable turnover days increased by 22 days compared to 2021 as the Company supported long-term customers by increasing the credit term;
- Profit after tax/Net revenue ratio, although lower than the previous year, the results in 2022 were still considered positive in the current difficult context;
- Profit after tax/Equity ratio in 2022 is lower than in 2021 because the

growth rate of profit after tax is lower than the growth rate of equity.

## III Financial analysis of 2022

### 1 Profitability and liquidity ratios

No.	Items	Unit	2019	2020	2021	2022
1	Profit before tax/Net revenue ratio	%	29.71%	29.47%	29.67%	24.33%
2	Profit after tax/Net revenue ratio	%	25.35%	25.24%	25.06%	20.29%
3	Return on Average Equity (ROAE)	%	45.64%	39.10%	40.59%	23.58%
4	Current ratio	Times	2.62	2.76	3.41	3.83
5	Liquidity ratio	Times	2.37	2.45	3.11	3.40
6	Quick ratio	Times	1.35	1.44	2.05	1.82
7	Book value	VND/ Share	21,554	24,857	30,464	30,430

(Source: Audited Vicostone's consolidated financial statements)

Although the Company faces many challenges in 2022, the revenue and profit results are worthy of recognition in the difficulty of the global economy.

- The selling quantity of goods sold decreased, leading to a decrease in net revenue of VND 1,409.86 billion, equivalent to 19.94%, causing a decrease in gross profit of VND 719.53 billion;
- Finance income increased by VND 36.07 billion, mainly due to an increase of VND 7.36 billion of interest income from deposits and lending; exchange rate difference increased by VND 28.72 billion;
- Financial expenses increased by VND 48.00 billion due to an increase in exchange rate losses by VND 54.46 billion; loan interest decreased by VND 6.46 billion;

- Selling expenses decreased by VND 17.53 billion, mainly due to a decrease of VND 7.80 billion in tools and equipment for sale, a decrease of VND 14.32 billion in external services expenses and other expenses, labor cost increased by VND 4.50 billion;
- General and administrative expenses increased by VND 19.46 billion, mainly due to an increase of VND 12.79 billion in labor costs and an increase of VND 8.78 billion in provision expenses.

From the above reasons, the Company's accounting profit before tax decreased by VND 720.18 billion, profit after tax decreased by VND 623.36 billion compared to 2021.

In 2022, the epidemic and fluctuations of the global market have material affected on the activities of the

Company in general. The Company's expenses such as freight, input material costs, selling expenses increased. However, Vicostone's indicators of profitability and solvency were still maintained at high levels in 2022.

- Profit before tax/Net revenue ratio of the Company was 24.33%. This was a highly profitable performance of revenue/asset, reflecting the Company's efforts to overcome challenges in difficult economic conditions to maintain continuous production and expand sales, profit optimization;
- Current ratio and liquidity ratio were high at 3.83 times and 3.40 times respectively, ensuring the certainty of the Company's ability to pay short-term debts.

Factors impacted the current ratio:

Currency: VND billion

<b>Decrease in current assets:</b>	<b>287.99</b>
Causes:	
Increase in cash and cash equivalent	56.25
Decrease in short-term investments	60.00
Decrease in trade receivables	698.42
Decrease in value-added tax deductible, tax and other receivables from the State	174.75
Increase in inventories	587.59
Increase in other current assets	1.33
<b>Decrease in current liabilities:</b>	<b>244.35</b>
Causes:	
Decrease in trade payables to sellers and advances from customers	172.25
Decrease in short-term loan and finance lease	137.98
Increase in other payables	85.52
Decrease in tax and other receivables from the State	19.78
Increase in payables from employees	0.14

- Quick ratio in 2022 was 1.82 times, lower than in 2021 because (short-term assets - inventories) decreased by VND 875.58 billion and short-term debt decreased by VND 244.35 billion.
- The current ratio, liquidity ratio, and quick ratio were all maintained at high levels, indicating the Company to be forward-thinking in its financial position, ensuring solvency;
- Book value in 2022 decreased compared to 2021 with an absolute value of VND 5.46 billion;
- Book value per share in 2022 decreased by VND 34.12 compared to 2021, mainly due to fluctuations that increased equity:
  - Profit after tax in 2022: VND 1,148.70 billion;

- Reduced undistributed profit after tax due to dividend payment: VND 960.00 billion;
- Reduced undistributed profit after tax due to appropriation of bonus and welfare fund: VND 194.16 billion.

## 2 Book value

Currency: VND

No.	Items	Ending balance (31/12/2018)	Ending balance (31/12/2019)	Ending balance (31/12/2020)	Ending balance (31/12/2021)	Ending balance (31/12/2022)	Increase/Decrease in 2022 compared to 2021 (+/-)
<b>A ASSETS</b>							
<b>1</b>	<b>Current assets</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>5,541,110,081,466</b>	<b>(287,990,331,010)</b>
1.1	Cash and cash equivalent	427,351,751,020	469,919,515,100	790,349,857,796	1,045,421,628,805	1,101,676,090,814	56,254,462,009
1.2	Short-term investments	-	-	-	60,000,000,000	-	(60,000,000,000)
1.3	Current trade receivables	1,249,984,440,619	1,915,443,533,555	1,953,209,393,596	2,448,451,558,208	1,750,028,465,700	(698,423,092,508)
1.4	Inventories	1,986,792,777,928	1,913,745,246,413	2,014,961,208,129	1,990,065,772,716	2,577,658,997,132	587,593,224,416
1.5	Other current assets	130,366,037,793	157,196,983,595	141,991,838,178	285,161,452,747	111,746,527,820	(173,414,924,927)
<b>2</b>	<b>Non-current assets</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>1,048,794,759,498</b>	<b>(15,018,396,389)</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	548,662,662,740	1,058,231,180,457	1,018,159,912,711	1,036,694,489,298	975,280,835,505	(61,413,653,793)
2.3	Construction in progress	40,498,242,919	47,698,857,585	118,194,912,231	9,670,832,872	54,250,937,168	44,580,104,296
2.4	Long-term investments	-	-	-	-	-	-
2.5	Other long-term assets	20,641,391,882	21,491,413,124	18,437,221,292	17,417,833,717	19,232,986,825	1,815,153,108
2.6	Goodwill	-	-	-	-	-	-
<b>TOTAL ASSETS</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>6,589,904,840,964</b>	<b>(303,008,727,399)</b>
<b>B RESOURCES</b>							
I	Liabilities	1,673,774,768,632	2,135,070,735,316	2,197,513,273,144	2,018,716,551,655	1,721,167,194,707	(297,549,356,948)
1.1	Current liabilities	1,673,444,027,380	1,882,161,864,194	1,997,920,622,226	1,872,419,253,793	1,628,068,914,249	(244,350,339,544)
1.2	Non-current liabilities	330,741,252	252,908,871,122	199,592,650,918	146,297,297,862	93,098,280,458	(53,199,017,404)
II	Owner's equity	2,730,552,536,269	3,448,685,994,513	3,857,821,070,789	4,874,197,016,708	4,868,737,646,257	(5,459,370,451)
2.1	Owner's equity	2,730,552,536,269	3,448,685,994,513	3,857,821,070,789	4,874,197,016,708	4,868,737,646,257	(5,459,370,451)
2.2	Other funds	-	-	-	-	-	-
<b>C NON-CONTROLLING INTEREST</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND OWNER'S EQUITY</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>6,589,904,840,964</b>	<b>(303,008,727,399)</b>

(Source: Audited Vicostone's consolidated financial statements)

Total assets in 2022 decreased by VND 303.01 billion compared to 2021, including current assets decreased 287.99 billion VND; non-current assets decreased VND 15.02 billion.

**Current assets decrease due to:**

- Cash and cash equivalents increased: VND 56.25 billion.

- Short-term financial investments decreased by VND 60.00 billion because the Company no longer had savings deposits with maturity of more than 3 months at the end of the year.
- Short-term receivables decreased by VND 698.42 billion, specifically:

Currency: VND

Items	Beginning balance	Ending balance	Movement
Short-term trade receivables from customers	2,406,105,347,822	1,754,675,793,052	(651,429,554,770)
Short-term advances to suppliers	42,468,184,250	8,377,198,328	(34,090,985,922)
Short-term loan receivables	50,129,329	50,129,329	-
Other receivables	4,180,386,693	3,464,876,522	(715,510,171)
Provision for doubtful short-term receivables	(4,352,489,886)	(16,539,531,531)	(12,187,041,645)
<b>TOTAL</b>	<b>2,448,451,558,208</b>	<b>1,750,028,465,700</b>	<b>(698,423,092,508)</b>

- Short-term trade receivables from customers decreased by VND 651.43 billion from VND 2,406.11 billion at the beginning of the year to 1,754.68 billion VND at the end of the year. Deferred payment customers were all traditional customers, have good financial capacity, have a history of always paying on time.
- Advances to suppliers decreased by VND 34.09 billion from VND 42.47 billion at the beginning of the year to VND 8.38 billion at the end of the year.

**Inventories increased: VND 587.59 billion, including:**

Currency: VND Billion

Items	Amount
Increase in finished goods and trading goods	640.42
Decrease in goods in transit	54.96
Increase in tools and supplies	16.87
Increase in work in progress	18.40
Decrease in raw materials	23.36

Finished goods and trading goods increased by VND 640.42 billion because the consumption did not meet the plan in the year. Raw materials decreased by VND 23.36 billion but still enough to ensure the input for production in the beginning of next year.

**Other current assets decreased by VND 173.41 billion due to:**

- Deductible VAT decreased by VND 174.86 billion
- Short-term prepaid expenses increased VND 1.33 billion

**Non-current assets decreased by VND 15.02 billion, in which:**

Currency: VND Billion

<b>Fixed assets decreased VND 61.41 billion due to:</b>	
Increase of new purchase and transfer from construction in progress	68.11
Decrease of depreciation expense	129.49
<b>Construction in progress increase by VND 44.58 billion, due to:</b>	
Increase of construction in progress	0.14
New purchase	44.55
<b>Other non-current assets increased by VND 1.82 billion due to:</b>	
Increase in long-term prepaid expenses	1.82

**Capital covering the growth of assets decreased as:**

Currency: VND Billion

<b>Decrease of liabilities</b>	<b>297.55</b>
In which:	
Decreases of short-term trade payables and short-term advances from customers	172.25
Decrease of long-term loans and finance lease	53.20
Decrease of short-term loans and finance lease	137.98
Decrease of other statutory obligations	19.78
Increase of others long-term and short-term payables	85.66
<b>Decrease of owner's equity</b>	<b>5.46</b>
In which:	
Profit from operating activities FY 2022	1,148.70
Decrease of undistributed profit after tax due to paid dividend	960.00
Decrease of undistributed profit after tax due to the distribution of bonus and welfare fund	194.16

Therefore, total assets decreased because both current assets and non-current assets decrease, liabilities and equity decreased respectively.



### 3 Selling expenses, general and administrative expenses

Currency: VND

Items	2018	2019	2020	2021	2022
<b>Net revenue</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>	<b>5,660,265,444,192</b>
<b>Total selling expenses, general and administrative expenses</b>					
Labor costs	25,513,576,940	40,363,160,819	29,816,345,766	16,317,927,242	33,616,770,934
Percentage %	0.56%	0.73%	0.53%	0.23%	0.59%
Material, tool and supplies costs	18,734,670,015	25,300,690,295	27,132,541,917	40,442,518,792	32,949,097,328
Percentage %	0.41%	0.45%	0.48%	0.57%	0.58%
Depreciation expenses	8,744,006,369	9,786,432,991	9,725,293,970	8,272,131,036	8,236,480,650
Percentage %	0.19%	0.18%	0.17%	0.12%	0.15%
Warranty expenses	-	-	-	-	-
Percentage %	0.00%	0.00%	0.00%	0.00%	0.00%
Taxes, fee, charges	357,541,897	1,044,489,700	3,261,974,771	1,327,004,069	1,257,154,206
Percentage %	0.01%	0.02%	0.06%	0.02%	0.02%
Provision, goodwill, branding	58,320,012	127,361,667	51,523,817	3,461,989,956	12,243,520,902
Percentage %	0.00%	0.00%	0.00%	0.05%	0.22%
Expenses for external services	80,062,121,096	119,633,436,185	135,653,834,152	221,371,565,566	213,187,838,652
Percentage %	1.77%	2.15%	2.40%	3.13%	3.77%
Other expenses	12,551,895,623	20,201,037,280	26,354,122,744	28,300,847,295	19,932,989,115
Percentage %	0.28%	0.36%	0.47%	0.40%	0.35%
<b>Total selling expense, general and administrative expenses</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>	<b>321,423,851,787</b>
Percentage %	3.23%	3.89%	4.10%	4.52%	5.68%

(Source: Audited Vicostone's consolidated financial statements)

Selling expenses, general and administrative expenses of the Company in 2022 increased more than the previous year, especially as follows: Selling expenses, general and administrative expenses in 2022 increased by VND 1.93 billion compared to the previous year. 2021; The ratio on net revenue increased from 4.52% to 5.68% respectively, detailed as follow:

- Labor costs increased by VND 17.30 billion, equivalent to 106.01%; The ratio on net revenue increased from 0.23% to 0.59%.
- Cost of materials, tools and supplies decreased by VND 7.49 billion, equivalent to 18.53%, because during the year, the number of

goods sold decreased, so the cost of selling materials also decreased accordingly.

- Warranty expense increased by VND 8.78 billion; the ratio on net sales increased from 0.05% to 0.22%.
- Expenses for external services decreased by VND 8.18 billion, equivalent to 3.70%; The ratio on net revenue increased from 3.13% to 3.77%.
- Other expenses decreased by VND 8.37 billion, equivalent to 29.57%; the ratio on net revenue decreased from 0.40% to 0.35%.

## 4 Liabilities

Currency: VND

Items	Ending balance 2018	Ending balance 2019	Ending balance 2020	Ending balance 2021	Ending balance 2022	Increase/ (Decrease) 2022 compared to 2021
Short-term loan and finance lease	1,150,561,555,555	1,417,553,641,838	1,533,227,187,070	1,479,310,860,822	1,341,331,424,122	(137,979,436,700)
Other short-term liabilities	522,882,471,825	464,608,222,356	464,693,435,156	393,108,392,971	286,737,490,127	(106,370,902,844)
Non-current liabilities	330,741,252	252,908,871,122	199,592,650,918	146,297,297,862	93,098,280,458	(53,199,017,404)
<b>TOTAL LIABILITIES</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>1,721,167,194,707</b>	<b>(297,549,356,948)</b>

(Source: Audited Vicostone's consolidated financial statements)

Detailed in increase/decrease in payables are as follows:

Currency: VND

<b>Decrease in short-term loans and liabilities</b>	<b>137,979,436,700</b>
Decrease in short-term loans	137,979,436,700
<b>Current liabilities decrease</b>	<b>106,370,902,844</b>
Decrease in short-term trade payables to sellers	171,995,184,755
Decrease in short-term advances from customers	255,535,380
Increase in other short-term payables	4,602,612,750
Increase in bonus and welfare fund	80,921,088,027
Decrease in Statutory obligations	19,780,380,074
Increase in payables to employees	136,496,588
<b>Non-current liabilities decrease</b>	<b>53,199,017,404</b>
Decrease in long-term loans	53,199,017,404



## 5 Inventories

Currency: VND

Items	2018	2019	2020	2021	2022
<b>Cost of goods sold</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>	<b>3,917,293,715,601</b>
Goods in transit	54,474,340,275	43,013,849,103	49,053,962,104	55,128,619,661	168,845,760
Raw materials	124,253,280,221	192,756,347,566	154,669,799,424	218,885,783,716	195,522,460,766
Tools and supplies	74,626,818,042	74,079,740,327	97,742,007,186	98,503,048,680	115,368,884,645
Work in progress	14,482,115,768	28,960,892,798	16,827,197,992	30,552,469,465	48,956,930,856
Finished and trading goods	1,723,738,302,000	1,579,716,494,997	1,701,450,319,801	1,594,173,380,044	2,234,594,339,125
Provision for obsolete inventories	(4,782,078,378)	(4,782,078,378)	(4,782,078,378)	(7,177,528,850)	(16,952,464,020)
<b>Total balance of inventories</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>	<b>2,577,658,997,132</b>

(Source: Audited Vicostone's consolidated financial statements)

Balance of inventories at the end of 2022 increased by VND 587.59 billion compared to the end of 2021, of which finished goods and trading goods increased by VND 640.42 billion; raw materials, tools, and goods in transit decreased by VND 61.46 billion. The main reason is that, although

business activities were significantly impacted by the market during the year, the Company still maintains the amount of inventory according to the plan set out at the beginning of the year, ensuring fast delivery, meeting customer requirements. In the next period, the Company will continue to

apply various measures to sell the long outstanding inventory and maintain inventory amount as planned.

## 6 Inventories turnover ratio

Items	Unit	2018	2019	2020	2021	2022
Inventories turnover ratio	Times	1.73	1.87	1.88	2.30	1.72

The Company's inventory turnover ratio in 2022 was 1.72 times, decreased compared to 2021.

The Company still implements the goal of fast delivery to customers.

## 7 Changing in shareholder's equity

Currency: VND

Items	2017	2018 (*)	2019	2020 (*)	2021	2022
Contributed charter capital	800	1,568	1,600	1,552	1,600	1,600

(\*) The amount of treasury shares at YE2018 was 3,200,000 shares and 4,800,000 shares at YE2020

Total number of shares by category: As at 31 December, 2022, the number of outstanding shares on the market is 160,000,000 shares.



A Vicostone engineer monitors the grinding line system in the factory

## IV Analyzing the items in income statement

### 1 Income Statement over the years

Currency: VND

Items	2018	2019	2020	2021	2022
Revenue from sale of goods and rendering of services	4,522,435,184,761	5,568,613,461,812	5,674,600,425,338	7,108,211,833,610	5,679,350,995,019
Deductions	839,071,951	5,850,467,004	15,005,906,672	38,082,854,613	19,085,550,827
Net revenue from sale of goods and rendering of services	4,521,596,112,810	5,562,762,994,808	5,659,594,518,666	7,070,128,978,997	5,660,265,444,192
Cost of goods sold and services rendered	3,025,953,450,218	3,650,651,586,771	3,695,766,493,820	4,607,624,494,397	3,917,293,715,601
<b>Gross profit from sale of goods and rendering of services</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>	<b>1,742,971,728,591</b>
Finance income	41,397,309,947	26,341,074,370	40,073,177,690	62,082,451,372	98,155,802,144
Finance expenses	69,868,203,492	68,019,078,673	92,877,592,099	89,487,688,687	137,491,570,611
In which: Loan interest expenses	32,204,626,279	59,995,756,140	76,985,258,575	56,876,350,423	50,419,208,909
Shares of profit/(loss) of associates, joint ventures	-	-	-	-	-
Selling expenses	99,926,387,202	154,062,211,849	160,513,261,846	272,145,112,014	254,616,726,453
General and administrative expenses	46,095,744,750	62,394,397,089	71,482,375,291	47,348,871,942	66,807,125,334
<b>Operating profit</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>	<b>1,382,212,108,337</b>
Other income	1,509,915,834	1,447,542,683	1,552,175,940	4,433,747,988	3,533,428,873
Other expenses	4,148,980,489	2,761,669,460	12,625,030,979	22,637,976,339	8,528,561,965
Other profit	(2,639,064,655)	(1,314,126,777)	(11,072,855,039)	(18,204,228,351)	(4,995,133,092)
<b>Accounting profit before tax</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>	<b>1,377,216,975,245</b>
Current corporate income tax expense	194,966,717,351	242,548,054,943	242,123,826,716	325,160,412,470	228,508,335,765
Deferred tax expense	-	-	(2,588,472,166)	180,758,453	6,334,929
<b>Net profit after tax</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>1,148,702,304,551</b>
<b>Net profit after tax attributable to shareholders of the parent</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>1,148,702,304,551</b>
Net profit after tax attributable to non-controlling interests	-	-	-	-	-
Basic earnings per share	6.548	8.114	8.251	9.890	6.425

(Source: Audited Vicostone's consolidated financial statements)

## 2 Other financial data

Currency: VND

Items	2017	2018	2019	2020	2021	2022
1. Net profit after tax (1)	1,121,777,856,583	1,123,543,855,089	1,410,114,613,076	1,428,419,763,711	1,772,059,864,055	1,148,702,304,551
2. Current and deferred tax expenses (2)	3,233,701,436	194,966,717,351	242,548,054,943	239,535,354,550	325,341,170,923	228,514,670,694
3. Depreciation and amortization (3)	69,627,210,979	73,428,586,478	103,979,030,170	119,184,581,565	128,143,604,400	129,487,612,834
4. Finance expenses	48,814,490,753	69,868,203,492	68,019,078,673	92,877,592,099	89,487,688,687	137,491,570,611
In which:						
- Loan interest expenses (4)	40,596,080,433	32,204,626,279	59,995,756,140	76,985,258,575	56,876,350,423	50,419,208,909
- Foreign exchange losses (5)	8,156,543,240	37,663,577,213	8,023,322,533	15,892,333,524	32,611,338,264	87,072,361,702
- Loss on disposal of investments (6)						
- Other finance expenses (7)	61,867,080	-	-	-	-	-
5. Finance income	54,377,404,040	41,397,309,947	26,341,074,370	40,073,177,690	62,082,451,372	98,155,802,144
In which:						
- Interest income (8)	12,271,399,748	10,705,402,612	2,124,441,929	5,642,720,046	14,464,239,826	21,820,782,295
- Foreign exchange gains (9)	22,050,257,892	30,691,907,335	24,016,357,892	33,753,761,597	47,618,211,546	76,335,019,849
Gain from disposal of investments (10)	20,055,746,400	-	-	994,500	-	-
Other finance income (11)			200,274,549	675,701,547	-	-
6. Adjusted EBITDA (9) = (1)+(2)+(3)+(4)+(5)+(6)+(7)- (8)-(9)-(10)-(11)	1,189,075,855,711	1,420,410,052,463	1,798,319,702,492	1,839,944,114,235	2,252,949,876,693	1,546,040,356,546
7. EBITDA Margin (%)	27.32%	31.41%	32.33%	32.51%	31.87%	27.31%

### 3 Efficiency comparison in periods

The table below shows operational performance as the percentage to revenue during periods:

Currency: Billion VND

Items	2018		2019		2020		2021		2022	
	Amount	Ratio on net revenue	Amount	Ratio on net revenue	Amount	Ratio on net revenue	Amount	Ratio on net revenue	Amount	Ratio on net revenue
Revenue from sale of goods and rendering of services	4,522.44		5,568.61		5,674.60		7,108.21		5,679.35	
Deductions	0.84		5.85		15.01		38.08		19.09	
Net revenue from sale of goods and rendering of services	4,521.60		5,562.76		5,659.59		7,070.13		5,660.27	
Cost of goods sold and services rendered	3,025.95		3,650.65		3,695.77		4,607.62		3,917.29	
<b>Gross profit from sale of goods and rendering of services</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>	<b>1,742.97</b>	<b>30.79%</b>
Finance income	41.40	0.92%	26.34	0.47%	40.07	0.71%	62.08	0.88%	98.16	1.73%
Finance expenses	69.87	1.55%	68.02	1.22%	92.88	1.64%	89.49	1.27%	137.49	2.43%
In which: Loan interest	32.20	0.71%	60.00	1.08%	76.99	1.36%	56.88	0.80%	50.42	0.89%
Shares of profit/(loss) of associates, joint ventures	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Selling expenses	99.93	2.21%	154.06	2.77%	160.51	2.84%	272.15	3.85%	254.62	4.50%
General and administrative expenses	46.10	1.02%	62.39	1.12%	71.48	1.26%	47.35	0.67%	66.81	1.18%
<b>Operating profit</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>	<b>1,382.21</b>	<b>24.42%</b>
Other income	1.51	0.03%	1.45	0.03%	1.55	0.03%	4.43	0.06%	3.53	0.06%
Other expenses	4.15	0.09%	2.76	0.05%	12.63	0.22%	22.64	0.32%	8.53	0.15%
<b>Other profit</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>(5.00)</b>	<b>(0.09%)</b>
<b>Accounting profit before tax</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>	<b>1,377.22</b>	<b>24.33%</b>
Current corporate income tax expense	194.97	4.31%	242.55	4.36%	242.12	4.28%	325.16	4.60%	228.51	4.04%
Deferred tax expense	-	0.00%	-	0.00%	(2.59)	(0.05%)	0.18	0.00%	0.01	0.00%
<b>Net profit after tax</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>	<b>1,148.70</b>	<b>20.29%</b>
Net profit after tax attributable to non-controlling interests	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
<b>Net profit after tax attributable to shareholders of the parent</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>	<b>1,148.70</b>	<b>20.29%</b>
Basic earnings per share (VND)	6,548		8,114		8,251		9,890		6,425	

(Source: Audited Vicostone's consolidated financial statements)

In the recent four years, the profit before tax/net revenue ratio of the Company reached over 25%, the ratio of profit after tax/net revenue

has always been maintained around from 20% to 25%. This represents the Company's efforts to optimize profits to further expand its business activities,

ensure income for employees and benefits for shareholders.

## 4 Foreign currency risk & Interest rate risk

As the Company has business activities in the international market and have some loans from banks, the Company are influenced by the exchange rates between USD, EUR, CAD and VND and by banks' borrowing interest rates.

### 4.1. The foreign exchange rate risks

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

The Company had closing balance of cash and cash equivalents, receivables, payables and loans with foreign currency as at December 31, 2022 as below:

Foreign currency items	USD	EUR	CAD
Cash and cash equivalents	5,801,817	229,467	1,974,252
Receivables	23,512,306	14,545	11,819,394
Payables	(603,708)	(25,472)	-
Loans	(52,788,432)	-	-
<b>TOTAL</b>	<b>(24,078,016)</b>	<b>218,540</b>	<b>13,793,646</b>

With the balance of cash, receivable, payable and loan items as of December 31, 2022 as above and assuming the USD exchange rate increases/decreases 2%; If the EUR rate increases/

decreases 9.0%, CAD increases/decreases 7.0%, the impact on the Company's profit before tax is as follows:

Increase (+) / decrease (-) FX USD	Increase (+) / decrease (-) FX EUR	Increase (+) / decrease (-) FX CAD	Impact on profit before tax (*)
2.0%	9.0%	(7.0%)	27,684,037,069
(2.0%)	(9.0%)	7.0%	(27,684,037,069)

(\*) The effect on profit before tax is the product of the fluctuation with the balance of the Company's foreign currency liabilities at the balance sheet date.

The impact of exchange rate fluctuations on the Company's business results was not high.

### 4.2. Interest rate of risk

The interest rate risk 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 float rate and fixed rate.

As at December 31, 2022, the Company had ending balances with the floating rate of USD as follows:

	USD	VND equivalent
Short-term USD-denominated loans	41,772,163	991,370,395,763
Current VND-dominated loans, due long-term loans		-
Long-term VND-dominated loans		-

Interest rates of short-term loans in USD in 2022 of the Company were from 2.6% per annum to 5.20% per annum; The balance of loans with floating interest rate as at 31 December 2022

assuming that the bank's borrowing interest rate fluctuates by 2.6% against USD, the impact on the Company's profit before tax is as follows:

	Short-term loans	Long-term loans	Change in profit before tax (**)
USD	260		(25,775,630,290)
VND	0	0	-
USD	(260)		25,775,630,290
VND	0	0	-

(\*\*) The effect on the Company's profit before tax is the product of the increase/decrease in basis points of the above interest rate and the Company's balance of loans with the corresponding floating interest rate at the balance sheet date.

The impact of interest rate fluctuations on the Company's business results was not high.

## 5 Liquidity ratio and Equity

The income in FY 2022 was mainly from: sales of trading and finished goods; VAT settlements; and current loans received from credit institutions.

Major capital requests in FY 2022 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's inventory strategy is to maintain adequate inventory levels to meet product and customer demand immediately. With the motto of providing goods in the fastest way, the Company always maintains a large enough quantity of finished products and trading goods to immediately supply to customers when receiving orders. The Company's inventory is significantly impacted by sales in several key markets. In the coming years, the Company will continue to maintain this inventory policy and

continue to focus on meeting product quantity and quality requirements by implementing processes to improve process efficiency in production planning 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 FY 2022 and next years.

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

Currency: VND

Items	2019	2020	2021	2022
<b>I. Cash flows from operating activities</b>				
<b>Profit before tax</b>	<b>1,652,662,668,019</b>	<b>1,667,955,118,261</b>	<b>2,097,401,034,978</b>	<b>1,377,216,975,245</b>
Adjusted for:				
Depreciation and amortization of fixed assets (including amortization of goodwill)	103,861,827,370	119,067,378,765	128,047,268,748	129,487,612,834
Provisions	-	-	5,842,631,586	21,961,976,815
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	24,700,782,263
Profits from investing activities	(2,124,441,929)	(5,642,720,046)	(14,038,583,398)	(21,545,941,417)
Interest expense	59,995,756,140	76,985,258,575	56,876,350,423	50,419,208,909
<b>Operating profit before changes in working capital</b>	<b>1,814,423,923,823</b>	<b>1,854,859,969,028</b>	<b>2,284,985,656,670</b>	<b>1,582,240,614,649</b>
(Increase)/decrease receivables	(604,986,876,688)	(20,016,029,440)	(648,791,983,076)	808,672,783,599
(Increase)/decrease in inventories	88,265,536,716	(101,215,961,716)	22,499,984,941	(597,368,159,586)
Increase/(decrease) in payables	(14,169,178,938)	(105,376,842,984)	(66,633,231,842)	(189,488,443,308)
(Increase)/decrease in prepaid expenses	(2,004,949,282)	5,862,640,365	979,403,959	(262,475,479)
Interest paid	(55,684,099,565)	(81,061,138,974)	(56,884,970,781)	(48,515,094,701)
Corporate income tax paid	(276,235,539,417)	(198,162,331,778)	(324,841,945,403)	(250,232,121,223)
Other cash inflows from operating activities	-	-	-	-
Other cash outflows for operating activities	(64,232,613,310)	(94,437,099,499)	(116,703,598,796)	(113,240,586,975)
<b>Net cash flows from operating activities</b>	<b>885,376,203,339</b>	<b>1,260,453,205,002</b>	<b>1,094,609,315,672</b>	<b>1,191,806,516,976</b>



<b>II. Cash flows from investing activities</b>				
Purchase and construction of fixed assets and other long-term assets	(50,651,275,363)	(88,395,274,034)	(41,195,138,027)	(60,932,414,789)
Proceeds from disposals of fixed assets and other long-term assets	-	-	98,000,000	
Loans to other entities and payments for purchase of debt instruments of other entities	-	-	(60,000,000,000)	
Collections from borrowers and proceeds from sales of debt instruments of other entities	-	-	-	60,000,000,000
Payments for investments in other entities (net of cash hold by entity being acquired)	(49,269,557,490)	-	-	
Proceeds from sales of investments in other entities (net of cash hold by entity being disposed)	-	-	-	
Interest and dividends received	2,124,441,929	5,642,720,046	14,464,239,826	21,820,782,295
Net cash flows used in investing activities	(97,796,390,924)	(82,752,553,988)	(86,632,898,201)	20,888,367,506
<b>III. Cash flows from financing activities</b>				
Capital contribution and issuance of shares	252,603,810	-	527,700,000	
Capital redemption	-	(293,331,372,873)	-	-
Drawdown of borrowings	2,092,507,128,245	2,668,622,825,548	2,826,063,241,011	2,560,367,223,816
Repayment of borrowings	(2,124,196,594,726)	(2,605,681,700,628)	(2,935,029,359,337)	(2,752,129,420,313)
Payment of principal of finance lease liabilities	-	-	-	-
Dividends paid/Profit distributed	(713,512,226,500)	(627,149,566,575)	(642,014,742,700)	(959,037,237,800)
Net cash flows from financing activities	(744,949,089,171)	(857,539,814,528)	(750,453,161,026)	-1,150,799,434,297
Net increase/(decrease) in cash for the year (50 = 20+30+40)	42,630,723,244	320,160,836,486	257,523,256,445	61,895,450,185
Cash and cash equivalent at the beginning of the year	427,351,751,020	469,919,515,100	790,349,857,796	1,045,421,628,805
Impact of exchange rate fluctuation	(62,959,164)	269,506,210	(2,451,485,436)	(5,640,988,176)
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	1,101,676,090,814

### 5.1. Cash flows from operating activities

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

the change in receivables, payables, inventories and prepaid expenses, loan interests and incurred expenses.

In 2022 compared to 2021: Net cash flows from operating activities increased by VND 97.2 billion due to a decrease in profit before tax after deducting non-cash and non-business items) VND 702.75 billion (in which total accounting profit before tax decreased by VND 720.18 billion) and the change in working capital increased by VND 799.94 billion.

In 2022, net cash flows from operating

activities was VND 1,191.81 billion including total profit before tax of VND 1,377.22 billion, this profit before tax after deducting non-cash items and non-business activities VND 205.02 billion, then adjusted again with the change of items with a total value of - VND 390.43 billion.

The change of items is detailed as below:

Decrease in receivables	VND 808.67 billion
Increase in inventories	VND 597.37 billion
Decrease in payables	VND 189.49 billion
Increase in prepaid expenses	VND 0.26 billion
Interest paid	VND 48.52 billion
Corporate income tax paid	VND 250.23 billion
Other cash outflows for operating activities	VND 113.24 billion

Basic cash flow indicators in 2022

### 5.2. Cash flows from investment activities

Net cash flows from investing activities in 2022 was VND 20.89 billion, detailed as follows:

- Cash paid to purchase and constructed fixed assets and other non-current assets was VND 60.93 billion, of which mainly: investment in caliper grinding line 3, instant grinding line and machinery and equipment.
- Cash collected from loans and resale of debt instruments of other entities was VND 60 billion, which was the settlement of a six-month savings deposit contract.
- Loan interest, dividends and profit were divided as: VND 21.82 billion as interest on deposits and loans.

### 5.3. Cash flows from financing activities

Net cash flows from financial activities in 2022 was -VND 1150.8 billion, detailed as follows:

- Short-term and long-term loans received in the year were VND 2,560.37 billion, all loans received were short-term working capital loans for production and business activities with terms less than 9 months.
- Loan principal payment in the year was VND 2,752.13 billion
- Dividend distributed to shareholders during the year was VND 959.04 billion. This was mainly the dividend distributed from profit after tax to shareholders according to Resolution No. 06/2022 NQ/VCS-

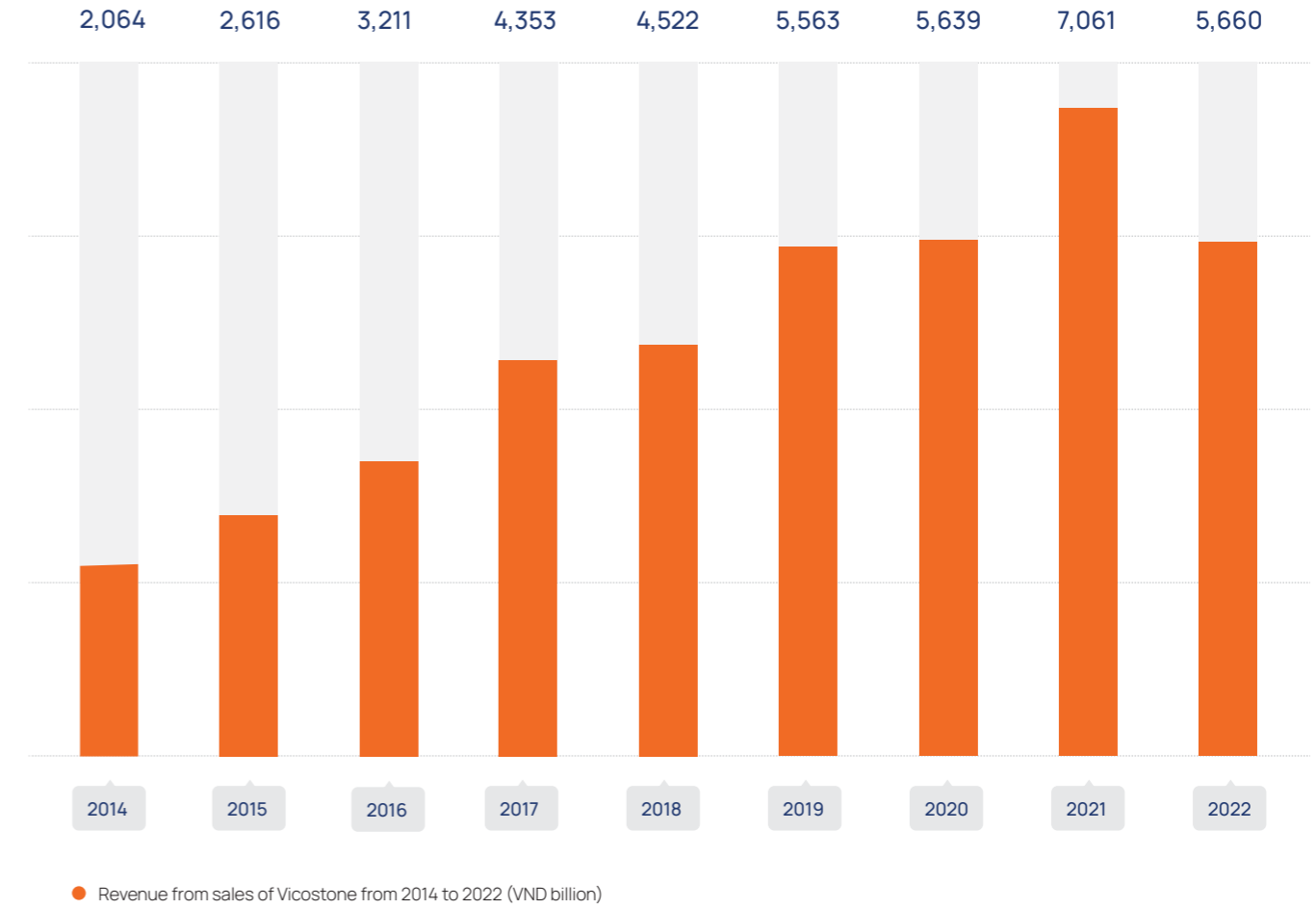
HDQT dated May 24, 2022 and Resolution No. 10/2022 NQ/VCS-HDQT dated 22 November 2022 of the Board of Directors.



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# Results in all markets



The world economy in 2022 experienced major shifts in response to political uncertainties, inflation, and risks of economic recession, to which resulted in a declining growth rate, despite the allied effort from all countries to restore their post COVID-19 situation. Inflation rate on a rapid scale also left several impacts on global trade, with signs of economic recession in major economies of the world.

According to data released by the United Nations Conference on Trade and Development (UNCTAD) in mid-December 2022, geopolitical rifts along with persistent inflation, high energy prices, and tight monetary policies on a national scale, as well as reduced consumption on a global scale had weakened world trade activities in 2022 and 2023. The total value of goods and services trade in 2022 was expected to reach \$25

trillion and \$7 trillion respectively. The decline began in the third quarter of 2022 with the value of traded goods decreasing by 1% compared to the period from March to May 2022<sup>1</sup>.

Back in 2022, global inflation escalated, especially in the second half of the year, the average consumer price index (CPI) increased by more than 9%, the highest level since 1994, a reflection from both supply and demand causes. On the demand side, inflation spike occurred due to the acceleration of growth after the 2020 recession while on the supply side, shortages of key commodities worsened as several countries

increased energy and food prices in the midst of geopolitical conflicts. Responding to the devaluation of local currency, many countries raised the price of imported goods and services (imported inflation). With this stagnant state, additional crises could drive the global economy into recession by 2023<sup>2</sup>.

Vicostone responded to the context of economic difficulties with timely, flexible, and appropriate approaches,

thus achieving encouraging results with net revenue of VND 5,660 billion in 2022.

<sup>1</sup> <https://trungtamwto.vn/chuyen-de/22388-unctad-thuong-mai-toan-cau-suy-giam-trong-nua-cuoi-nam-2022>

<sup>2</sup> <https://baochinhphu.vn/wb-kinh-te-toan-cau-suy-yeu-viet-nam-can-bien-thach-thuc-thanh-co-hoi-102221217201749821.htm>

## I Export market

As an international enterprise with major revenue accounted from export, Vicostone's business results are under strong influence from global macroeconomic factors, especially in key markets like North America and Europe, whose real estate and housing markets are severely affected by interest rates, inflation and rising material prices. At the same time, a sharp increase in the price of construction materials led to a decrease in demand, in general, for VICOSTONE® products in 2022. Additionally, under the impact of economic downturn, Vicostone's distributors had to adjust their financial, sales and inventory plans and reduce the number of orders. The increasingly fierce competition in the industry, especially in the Asia-Pacific region such as India, China, Vietnam and recently Malaysia also added to the outcome of Vicostone's business results.

Although the above factors were forecasted and included in the prior 2022 Risk Management, major rapid changes in the market, escalating inflation and interest rate adjustment policy of governments posed an unpredictable impact on Vicostone's

business activities in its key markets. Although the actual business results witnessed a shortfall, it shows the effective, responsive and timely risk management system of Vicostone as well as the best efforts of the Board of Directors and employees of the Company. With the support of Phenikaa Group in the market development strategy, Vicostone's revenue in its key markets achieved the following results:

In the U.S. and Canada, continuing the plan to develop direct distribution channels to enhance the product experience for customers as well as promote the VICOSTONE® brand, Vicostone US has opened two more large warehouses in Missouri and Ohio, in the U.S. and two showrooms in Ottawa and Winnipeg, in Canada. Indirect distribution partners of VICOSTONE® in these regions also receive support from the Company.

The European market is also a major contributor to Vicostone's export revenue. In 2022, Europe endured the Russia-Ukraine political conflict as well as escalating prices and inflation, shortages of fuel supplies and the devaluation of the Euro



Vicostone booth at the Interior Design Show (IDS) - Canada in 2023

currency. Thanks to the support from the Company, the distribution agents in the European market achieved encouraging sales in 2022.

In other markets, through the strategy of reinforcing presence in existing markets and broadening brand coverage for new markets for sustainable revenue, the VICOSTONE® brand distribution system has expanded in both current markets and new ones such as Algeria, contributing to the development of the VICOSTONE® brand worldwide.

In addition to supporting policies in each market, the Company focuses on promoting marketing and R&D activities to launch new product lines with a variety of styles and designs, providing global customers with unique experiences and options. The launch of new and differentiated product lines also contributes to increased sales, reducing pressure from tough competition in the market. At the end of 2022, on the occasion of the Company's 20th anniversary, Vicostone launched 24 new products inspired by majestic natural phenomena and the inspiration of "The Art of Quartz" during its 20-

year journey of establishment and development.

By its own initiative, Vicostone has steered the market situation with effective financial policies, well-managed operating costs, production costs and full control over raw materials supply to stabilize selling prices to customers. Timely, flexible and suitable solutions to market developments have helped the Company achieve positive results in 2022.

Even though unable to achieve what was expected, it remains an inspiring figure in a grim economic situation and a driving force for Vicostone to stabilize its production and business, regaining strong growth momentum on the next journey.



## II Domestic market

At the "Real Estate Sustainable Development Forum 2022" on December 15, Mr. Pham Tan Cong - the Chairman of the Vietnam Chamber of Commerce and Industry (VCCI) - said that 2022 was a difficult year of the real estate industry in Vietnam. Apart from the clog on production and business activities of real estate enterprises, it posed the risk of a domino effect on many other industries and businesses in the economy. Objectively, according to Mr. Cong, the global economy, with worsening capital and financial markets by the end of a cheap capital period, had entered a phase of high inflation and interest rates. The fact that the U.S. continues to increase the basic interest rate continuously affects the global market. In addition, high capital flow into real estate has ended the period of galloping price increases in real estate.

The hardship facing the real estate sector also had a fundamental impact on Vicostone's business in the domestic market.

In 2022, thanks to the parent company (Phenikaa Group)'s strategy of **"Localizing materials in quartz production"**, Vicostone now secures more than 95% of input materials, stabilizing the selling price compared to 2021. This occurred despite the increasing price policy from most quartz suppliers, and was due to the commodity price storm. Stabilizing commercial selling prices is also a policy for Vicostone to maintain its partner's companionship and trust, as the market presented a tougher state compared to the pandemic outbreak year. The domestic sales in 2022 remained equivalent to 2021.

Aiming to boost customer experience via a "co-branding" strategy, Vicostone has cooperated with several reputable partners of high-class interior materials, such as An Cuong Wood Working Materials Joint Stock Company - one of the leading companies in wood-working and decorative materials in Vietnam - to open franchised showrooms in provinces, allowing consumers to experience the full

set of complete kitchen furniture, with a diversity of options in home decoration materials. Close cooperation with leading Vietnamese brands in the field of materials and interior solutions, with a united goal of commercial development, Vicostone seeks to increase value for customers in the domestic market. In Vietnam, An Cuong Wood - Working JSC currently owns a system of thousands of agencies nationwide and is a strategic partner of various commercial projects, resorts, restaurants, and others.

In parallel with that, Vicostone has pioneered in building a model of standard showroom space (a miniature model of the Vicostone showroom) in key provinces and cities to support consumers with the best experience without having to travel far to the showrooms/representative offices in Hanoi, Ho Chi Minh, and Da Nang. In order to complete the distribution process from manufacturing and installation to delivery, optimize costs and providing consumers from different areas with direct access to Vicostone products, the Company has administered Vicostone Authorized Factory (VAF) model. The model had been successfully tested in 2021 and replicated in 2022 in 10 key cities and provinces in the South and South Central region, increasing the numbers of provinces with VAF to 23 and further in the upcoming years.



BQ7702  
MOONGLADE

# Marketing activities in 2022



## Organizing the “VICOSTONE® - The Journey of Quartz” contest



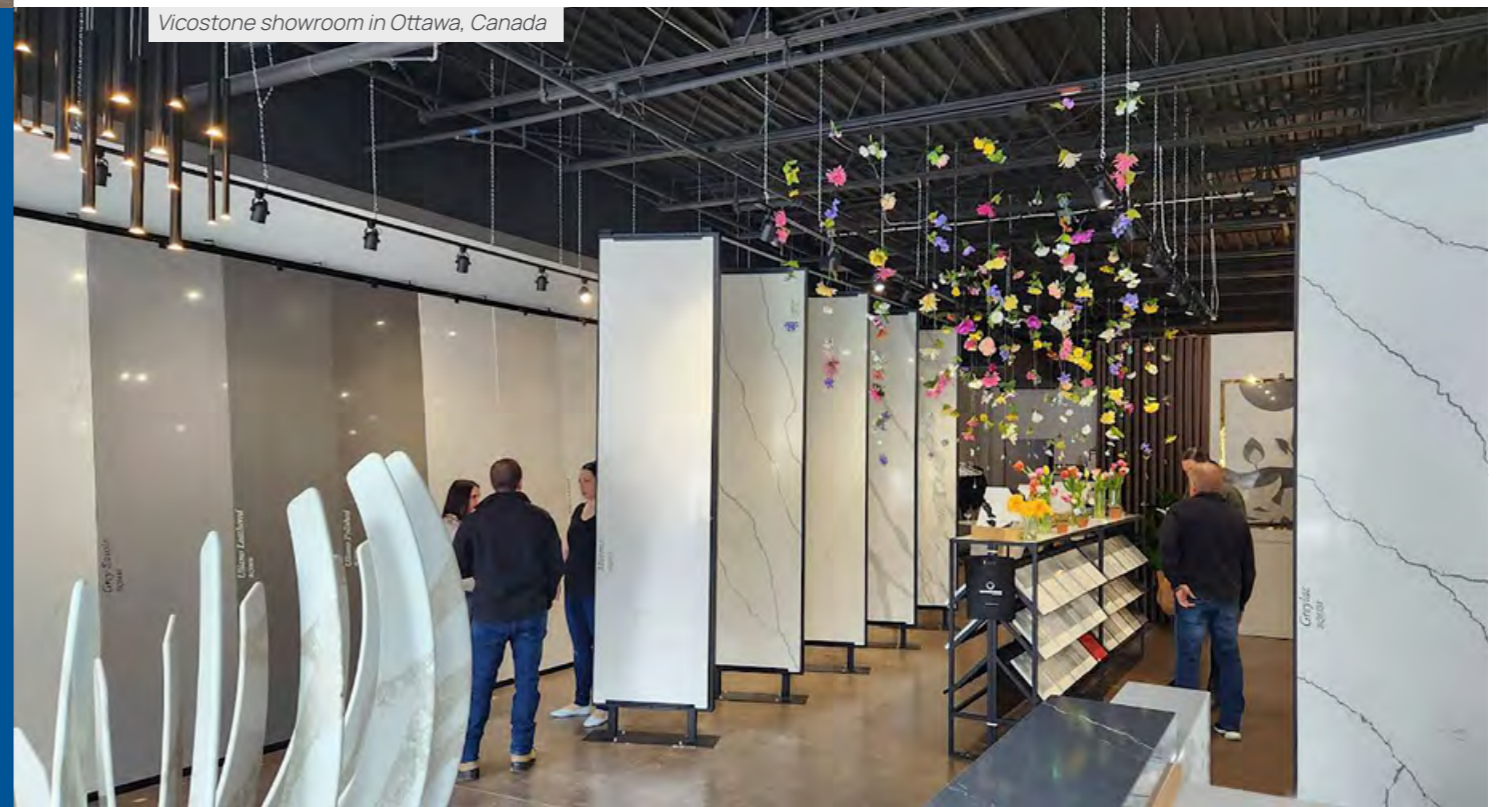
The contest received 120 quality entries, honoring the practical application of VICOSTONE® quartz stone, which highlighted the most outstanding aesthetic and mechanical advantages of VICOSTONE® quartz stone, lighting up the living space in various styles.

The judges discussing about the entries of the VICOSTONE® - “The Journey of Quartz” contest in Q2/2022

## Expanding the North American distribution system to increase coverage and accessibility

In 2022, Vicostone continued to expand its distribution system with the launch of new showrooms in Ottawa, bringing the total number of Vicostone showrooms in Canada to **08** and **North America to 14**, along with 10,000 of other retailers.

Vicostone showroom in Ottawa, Canada



## Launching VICOSTONE® Acqua Series - The Dance of the Ocean

The collection consisting of 9 new products continued to steer the trend of interior design, connecting nature and its free, open spirit to the living space, breathing the ocean vibe into the house.

# I Domestic market

## 1 Activities targeting end consumers

2022 marks an important milestone in the development journey of VICOSTONE® with the 20<sup>th</sup> anniversary of the Company. To celebrate this milestone, the Company implemented the promotion campaign "Sharing gratitude - 20 years together with VICOSTONE®" on all of its online and offline shopping channels to boost product demand and support agents and distributors in their revenue. The campaign recorded a total of nearly 04 million interactions, and approximately 1,000 purchases.

In addition, in 2022, Vicostone continued to launch the "VICOSTONE® AcquaSeries - The Dance of the Ocean" collection with 09 new products that faithfully portray the ocean's enchanting moments. The collection is a continuation of Vicostone's efforts to steer the industry trend, breathe the soul of art and nature into each living space, which Vicostone has consistently pursued in its "20-year journey of globally trusted brand."

In addition, Vicostone constantly improved service quality to provide customers with the best experience at every touch point of the brand, especially the experience phase.



**TRAO GỬI TRI ÂN  
20 NĂM ĐỒNG HÀNH**

**Ưu đãi 20%**

**Từ 10/5 - 30/6/2022**

(\* Áp dụng cho các sản phẩm đá nằm trong thể lệ chương trình)

**Hotline 18006766**

"Sharing gratitude - 20 years together with VICOSTONE®"

**Vũ điệu ĐẠI DƯƠNG**

"Bộ sưu tập đá thạch anh "VICOSTONE® ACQUA SERIES - VŨ ĐIỀU ĐẠI DƯƠNG" mang đến tinh thần tự do, phóng khoáng, thoải mái an yên và tận hưởng thiên đường biển ngay trong không gian sống. Để ngôi nhà trở thành nơi khởi nguồn cảm hứng và năng lượng tích cực."

"VICOSTONE® Acqua Series - The Dance of the Ocean" inspired by the enchanting moments of the sea

## 2 Activities targeting experts

In 2022, VICOSTONE® joined several events involving architects and interior design experts such as: Accompanying the Architecture Exhibition "Lifestyle - New Materials" in Ho Chi Minh City, The HOUSES & PEOPLE book launch by architect Doan Thanh Ha, and others.

For domestic distributors and agents, VICOSTONE® continued to scale up the standard showroom space model, while developing more VAF (Vicostone Authorized Factory) agencies to enhance customer experience and accessibility. In October 2022, the Company organized a friendly football tournament among the end-products distributors in the Northern region, a playground for them to exchange, learn and strengthen solidarity.

In addition to expert-oriented activities, VICOSTONE® paid special attention to the community of architects and designers from distributors and agencies of its distribution system, architecture offices, and furniture agencies that use VICOSTONE® quartz stone in actual works in Vietnam. For these, the Company organized the "VICOSTONE® - The Journey of quartz" contest from May 2022 to January 2023 to honor creative works that optimize the outstanding aesthetic, mechanical and physical properties of VICOSTONE® quartz stone.

The contest was held online through Vicostone Prosite - a VICOSTONE® website for architects, designers, fabricators, and wholesalers around the world. When the match was completed, the organizing committee received more than 120 quality entries

with creative and unique ideas for VICOSTONE® quartz application, composing an inspiring living space.

This year's contest was highly appreciated by many experts for its professionalism and organizational scale, contributing to the promotion of creativity and inspiration among architects, designers, agencies, and distributors to craft their VICOSTONE® products in living spaces. The contest is in the process of scaling up into an annual, prestigious and large-scale program.



Friendship football tournament among Vicostone's Northern distributors in 2022



The judges surveying "VICOSTONE® - The Journey of Quartz" entries of 2022

## 3 Co-branding activities

Vicostone also cooperated with leading Vietnamese brands in the field of materials, furniture solutions, and real estate. Some of our partners are An Cuong Wood, Winmart, Ecopark, and so on. The cooperation has offered customers a variety of options, combining VICOSTONE® stone with other interior materials in a unique and distinct way, creating a living space full of energy, creative inspiration, and artistic values.



Vicostone and An Cuong Wood signing a strategic cooperation agreement for trade development and brand position improvement





## II International market

VICOSTONE® continued to thrive in the international market, holding its position among the top 3 global brands in engineered quartz stone production. This was achieved through the expansion of business as well as the participation in business facilitation programs.

### 1 Operations in key markets

In the U.S. market, Vicostone focused on promoting its products through trade events and partnerships with major construction and interior design institutes, such as Design Chicago, Houston Asian Chamber of Commerce

exhibitions and workshops, and the Spring Into VICOSTONE Designer Event. One of the exceptional events was the ASID Illinois Industry Partner Trade Show, held in the Company's Bensenville, Chicago showroom. The event was well-attended by partners and consumers and provided opportunities for designers and architects to exchange ideas and knowledge. In addition, training programs aimed at experts are maintained to enhance their in-depth understanding of quartz stone in general as well as products and applications of VICOSTONE® quartz stone in particular.

In the Canadian market, the Company continued to expand its distribution system with a new showroom in

Ottawa, bringing the total number of direct distributions of the Company in Canada to 08 and the North American region to 14. Simultaneously, the company strived to enhance service quality and communication to fulfill the market's strictest demands, thereby elevating the reputation and prestige of VICOSTONE®.

### 2 Access to potential markets

Vicostone diversified its communication content and activities to effectively reach a broader customer base and bolster brand recognition in the international market.

- Consulting, designing and building showrooms and documents for partners to showcase VICOSTONE® products and support sales efforts in Japan;
- Maintaining email marketing to potential customers with rich and diverse product-related content as well as creative and unique interior design styles;
- Developing media content for corporate customers (B2B) with novel content and design, serving a variety of purposes from promoting sales activities to expanding the coverage of VICOSTONE® brand more widely.



Chicago Design event held in Vicostone showroom space at THE MART, Chicago, U.S.

# Implementation of major projects



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

In 2022, Vicostone continued implementing the Enhancement of production capacity and improvement of transport infrastructure at Vicostone JSC since 2021.



### Total Investment

VND 396.8 billion



### Source of capital

Company's own capital



### Investment objectives

Improve production capacity and quality in Factories to fulfill Company's orders.



### Duration

Quarter I/2021 - Quarter II/2023



### Location

Vicostone JSC, Hoa Lac Hi-Tech Park, Thach Hoa Commune, Thach That District, Hanoi City.



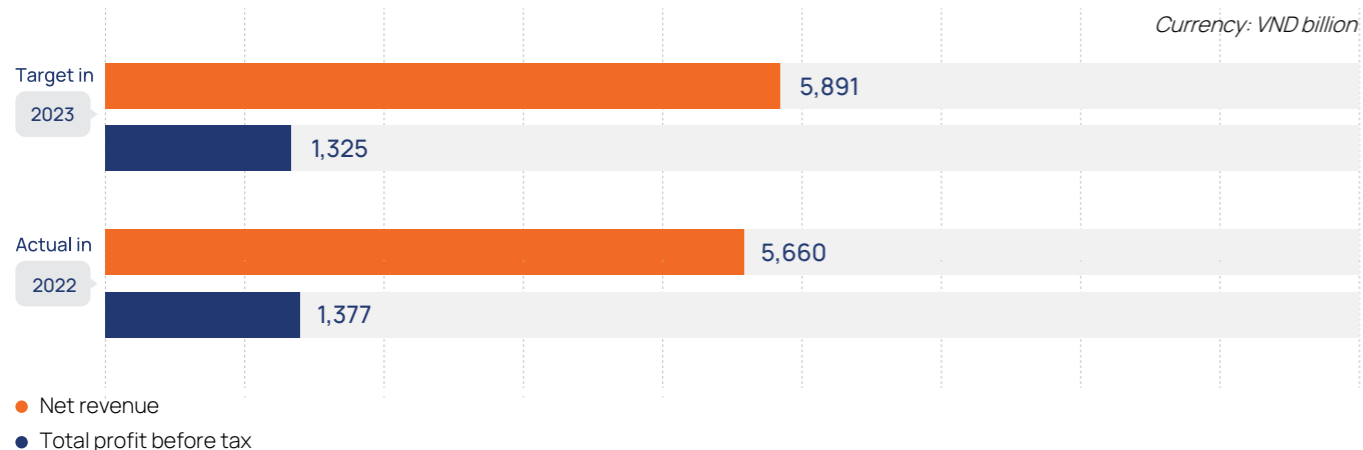
### Implementation Progress

Basic construction and equipment completed; Up to now, the disbursement value is VND 153.7 billion with highly localized equipment to reduce investment costs. The remaining capital and upgrading works will continue to be implemented in 2023.

# Major targets in 2023

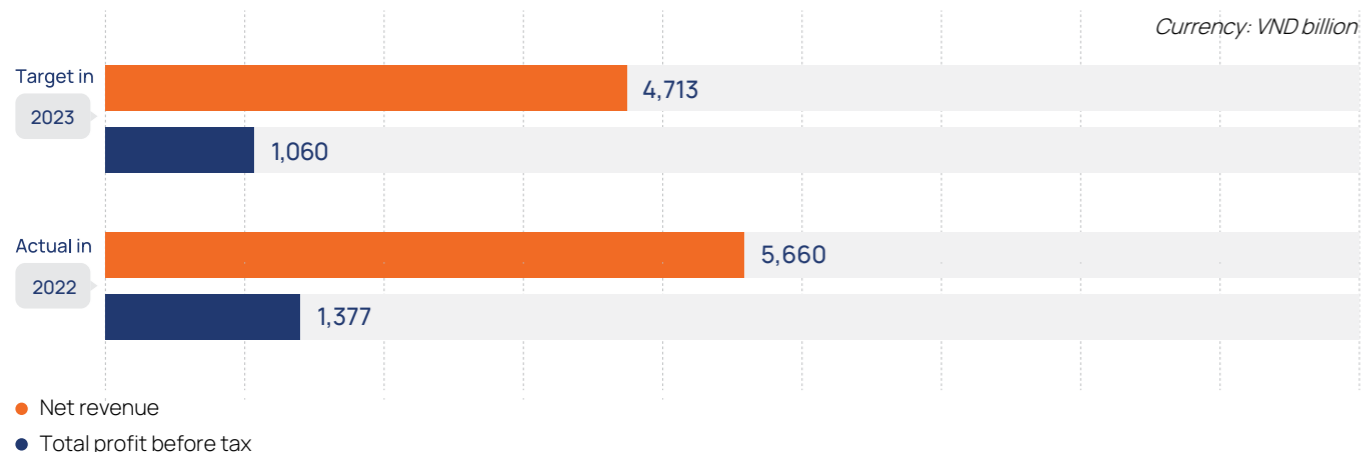
## I Major targets in 2023

### Scenario 1:



### Scenario 2:

This scenario applies in case the economic, political and social contexts develop in an unfavorable direction to the Company's production and business activities.



## II Key plan for 2023

# 1

### Ensure sustainable revenue growth

In 2023, the world economy in general and Vicostone's key markets in particular still face high risks of recession and inflation, thereby potentially having a negative impact on Vicostone's export revenue. In this context, in order to maintain sustainable revenue growth, Vicostone needs to focus on the following activities:

- Actively capture market information to have timely and flexible solutions, suitable to each market and period of time to stabilize its production and business;
- Enhance its competitive position in key markets;
- Develop new potential markets: In addition to boosting sales and increasing market share in existing markets such as the U.S., Canada, Europe, Vicostone continues to invest resources to approach and develop potential new markets such as countries in the Middle East, South America and some Asia Pacific countries;
- Continue to invest in R&D, science and technology activities to improve the quality of products and services with uniqueness to create competitive advantages and maintain Vicostone's pioneering role.

# 2

### Maintain supply chain stability for production activities

Vicostone's policy is to stabilize its input material supply chain in the context that the global supply chain is at risk of breakage. The company has decided that continuing to localize the source of raw materials as well as master technology and equipment is an important orientation in Vicostone's overall sustainable development strategy in order to increase its competitive advantages and reduce its product price, ensure production safety and minimize risks due to dependence on global supply chains.

# 3

### Optimize resources and increase labor productivity

For labor productivity, the focus is placed on optimizing resources and arranging jobs in accordance with the capacity and expertise of employees. In addition, the company will continue to promote training activities, and build a learning culture to constantly improve the capacity of employees. This process will help in the creation of opportunities for development and an increase in the working efficiency and productivity of employees.

# 4

### Use financial resources effectively

The increase in the global competition and cost pressures has caused many difficulties for the company. Therefore, the company needs to use resources, especially financial resources, effectively on a comprehensive basis to facilitate the implementation of the strategy. This is also an important foundation to enhance Vicostone's competitive price advantage in the market. The following measures have been planned:

- Develop a plan to control and optimize production and operating costs, especially the costs of raw materials, fuel, and energy in order to limit the impact of inflation on business activities;
- Strengthen technology development to create know-how about materials and technological processes in order to improve product quality and optimize production costs;
- Ensure continuous improvement in all areas to reduce costs, increase labor productivity and operational efficiency; review work processes, and analyze all operations in the production process to find opportunities for improvement in each activity.



# CONCRETE LOOKING COLLECTION

Inspired by the concrete look in modern designs or bold urban-industrial style, VICOSTONE® products in this collection are unique, with veins on the dark gray background.

## CORPORATE GOVERNANCE

<b>120</b>	Report of the Board of Directors
<b>136</b>	Report of the Audit Committee
<b>142</b>	Report of the Board of Investor Relations

# Report of The Board of Directors

## I Members and structure of the Board of Directors

### 1 The Board of Directors (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, 2022, the BOD of the Company had 01 independent member, thus complying with Point a, Clause 4, Article 276 of Decree No. 155/2020/NĐ-CP dated on December 31, 2020 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, corporate governance and

personnel administration. They were responsible for discharging BOD tasks, prioritizing the interests of the Company's shareholders, as well as closely supervising 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 actions of the BOD.

*(Details of BOD members are displayed in Governance Structure, Labor 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 2022



In 2022, along with the loosening of social distancing measures in Vietnam and several other countries, the COVID-19 dilemma was under control. However, the global economic recovery remained slow, with persistently high inflation rates; geopolitical conflicts among major powers especially Russia – Ukraine, and policy adjustments by top countries. All of these posed a potential risk to the stability of

the financial and monetary markets, energy and food security, as well as the regional and global geopolitical states. Amid the challenges that faced the construction materials industry in general as well as Vicostone's production and business activities in particular, the Vicostone's BOD organized, initiated, and implemented activities appropriately according to its Charter, Internal

Regulation on Corporate Governance, Regulation on BOD operation and the Resolution of the 2022 Annual General Meeting (AGM) of Shareholders.

Based on the result-oriented approach and flexible application of administrative practices, each BOD member and relevant subcommittee

fully and promptly carried out their tasks through the following main activities:

### 1 Organized the 2022 Annual General Meeting of Shareholders

On April 28, 2022, Vicostone successfully organized the Annual General Meeting of Shareholders under the online platform, in which Resolution 01/2022 NQ/VCS-DHDCD was approved as follows:

- Approved the BOD's report on business performance in 2021;
- Approved the Audit Committee report on internal audit results in 2021;
- Approved the business report in 2021 and the business plan for 2022;
- Approved the audited financial statements for 2021, selected the

independent audit firm to assess the financial statements 2022;

- Approved the plan on profit distribution for 2021, the plan on profit distribution for 2022 and the plan on remunerations for BOD members;
- Approved the authorization of the BOD to finalize investment projects, transactions and contracts signed between Vicostone and relevant parties.

### 2 Request of shareholders' inputs in writing

In addition to in-person voting at the AGM, on 14 December 2022, the BOD also requested shareholders' inputs in writing to adopt matters within the jurisdiction of the BOD. On December 29, 2022, Vicostone's 2022 Extraordinary General Meeting of Shareholders adopted the measure to repurchase treasury shares, and reduce charter capital corresponding to the repurchased shares, particularly:

- Tentative total volume of transactions: 4,800,000 shares;

- Tentative repurchase price (price range): According to market price at time of transaction, at maximum not exceeding 65,000 dong/share;
- Means of transaction: Order execution and/or by agreement;
- Source of capital for repurchase: Investment and Development Fund, undistributed after-tax profits, or other funds.

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

In 2022, the BOD conducted 23 meetings to address major issues related to the Company, with specific schedules in accordance with regulations on meeting organization. Issues presented at the meetings were fully and carefully deliberated among BOD members to provide the best guidelines and solutions. 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.

In accordance with the rules, BOD members are required to participate in all Company BOD meetings held within the year. In cases where participations are not possible, said members must notify the BOD of the reason for their absence. In 2022, 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	23	100%	
2	Mr. Pham Anh Tuan	Board member	23	100%	
3	Ms. Nguyen Dieu Thuy Ngoc	Board member	23	100%	
4	Ms. Tran Lan Phuong	Board member	23	100%	
5	Mr. Nguyen Quang Hung	Independent board member	23	100%	

BOD meetings focused on resolving central issues related to the resolution of the AGM 2022; establishing and implementing the 2022 production and business plans according to the approval of the BOD; directing the implementation of business plans, central tasks, resolution of the AGM 2022, etc. Resolutions adopted by the BOD at the meetings were important

guidelines that assisted the BOM in handling business operations in light of challenges due to the aftereffects of the COVID-19 pandemic and complex geopolitical circumstances.

## 4 Resolutions adopted by the BOD in 2022

In 2022, the BOD adopted the following important issues:

No.	Resolution Number	Date	Content
1	01/2022 NQ/VCS-HĐQT	11/01/2022	Adoption of transaction of goods/services between the Company and relevant companies in 2022.
2	02/2022 NQ/VCS-HĐQT	04/03/2022	Summoning of the 2022 Annual General Meeting of Shareholders
3	03/2022 NQ/VCS-HĐQT	04/03/2022	Adoption of the 2022 Production and Business Plan
4	04/2022 NQ/VCS-HĐQT	30/03/2022	Adoption of the date and documents for the 2022 AGM
5	06/2022 NQ/VCS-HĐQT	24/05/2022	First advance dividend payment in cash in 2022
6	07/2022 NQ/VCS-HĐQT	29/06/2022	Selection of agencies to conduct review of the semi-annual financial statements and audit of the 2022 financial statements
7	08/2022 NQ/VCS-HĐQT	30/08/2022	Changing of Company's senior-level personnel
8	09/2022 NQ/VCS-HĐQT	27/10/2022	Adoption of maximum ownership of shares by foreign shareholders at Vicostone
9	10/2022 NQ/VCS-HĐQT	22/11/2022	Second advance dividend payment in cash in 2022
10	11/2022 NQ/VCS-HĐQT	28/11/2022	Request shareholders' inputs in writing to adopt matters within jurisdiction of the AGM
11	12/2022 NQ/VCS-HĐQT	14/12/2022	Adoption of matters subject to the AGM input in writing
12	13/2022 NQ/VCS-HĐQT	19/12/2022	Appointment of General Director
13	14/2022 NQ/VCS-HĐQT	30/12/2022	Adoption of measures to repurchase treasury shares

## 5 Activities of non-executive and independent BOD members

As of December 31, 2022, 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, corporate governance, human resources management, production, technology, law. 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.



# 1

**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.

# 2

**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.

# 3

**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.

# 4

**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.

## 6 Activities of sub-divisions of the BOD

Sub-divisions have been established to support the BOD in implementing specific tasks and undertaking its supervision responsibilities. Activities of the sub-divisions in 2022 include:



### General Affairs Sub-Division

# 1

In 2022, the General Affairs Sub-Division carried out the following important tasks:

- Organizing BOD and BOM meetings, consolidation of regular reports on Company's sales and production activities upon requirement;
- Coordination with other departments and divisions in the provision of legal consultancy related to the corporate governance, Law on Enterprise and Law on Securities and other legal documents related to the Company's activities to the Board of Management;
- Coordination with the Board of Investor Relations and Legal Department to organize the AGM, publish information, collect investors' feedback, and produce reports according to the stock market law.
- Carrying out other tasks.



### Audit Committee

# 2

#### Information on the members of the Audit Committee (AC):

No.	Member of the AC	Title	Date of membership/ termination of AC membership
1	Mr. Nguyen Quang Hung	Head of the AC	Elected on May 7, 2021
2	Ms. Nguyen Dieu Thuy Ngoc	AC member	Elected on May 7, 2021

*(Details of the AC members are displayed at the Governance structure - Labor structure - Management Apparatus)*

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

No.	Member of the AC	Number of meetings attended	Rate of meetings attended	Rate of voting	Reason for absence
1	Mr. Nguyen Quang Hung	03	100%	100%	
2	Ms. Nguyen Dieu Thuy Ngoc	03	100%	100%	



### Audit Committee (continued)

# 2

#### 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;
- Monitored the BOM in compliance with the resolutions of the BOD;
- 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:

The Audit Committee remains in active and mutual cooperation with the members of the BOD, the BOM, and related managers.

#### Other activities:

- Analyzed the political economy in both domestic and international markets, in the context of high inflation globally and the Russia-Ukraine conflicts, 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, geopolitical controversies and the high inflation rate at the end of 2022 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.



## 7 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 2022 as follows:



### Method of supervision:

# 1

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 in April 28, 2022. 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.



### Areas of supervision:

# 2

- Supervised the development and implementation of 2022 business plan as approved by the AGM;
- Supervised the operation of the BOM to improve business performance and achieve expected targets;
- Supervised the compilation of separate and consolidated financial statements for each quarter and fiscal year 2022 in accordance with procedures, plans, and regulations;
- Supervised the payment of dividends for shareholders in June 2022 and December 2022.



### Results of BOD supervision over the BOM

# 3

Through the Company's general supervision in 2022, the BOD agreed that the BOM has fulfilled its role as administrator of production and business; followed the instructions and guidelines set out by AGM and the BOD. Strategic programs have been implemented with strict timing and flexible adjustments according to the macroeconomic context, along with domestic and international competition in the construction materials industry. The results include:

#### 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, and 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;
- Provision of guidance on new product development to reaffirm Vicostone's pioneering, innovative, and position as market leader. Continuing the 20 years journey to deliver the message "The Art of Quartz", in 2022, Vicostone launched 26 new quartz stone products to the market with unique and differentiated designs, maintaining its position as the third-largest supplier of engineered stone countertops to the global market and top supplier in Vietnam;
- 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.



### Results of BOD supervision over the BOM (continued)

# 4

#### Domestic and international brand recognition works

In 2022, the BOD continued strengthening strategies for the development of the VICOSTONE® brand in the domestic and international markets. Specifically:

- Domestic market: Established and implemented Integrated Marketing Campaigns for 2022, organized the 2022 "VICOSTONE® - The Journey of Quartz" competition; "Sharing Gratitude - 20 years of companionship with VICOSTONE®" promotion campaign on Vicostone's 20 years anniversary, etc., with a series of testimonial video clips (wherein customers shared experiences in using Vicostone products in their living spaces) widely promoted in all online platforms (the Phenikaa website, YouTube, Facebook, etc.) which gained nearly 2 million views.
- International market: Continued building Prosite - cater to the demands of potential and existing customers by providing information, documents, and consultation on VICOSTONE® products and adding new interactive features to boost customers' engagement.

#### Investor relations:

- On April 28, 2022, the BOD successfully and safely organized the 2022 Annual General Meeting of Shareholders under the online platform amid the on-going COVID-19 pandemic;
- Directed the Board of Investor Relations to draft and issue the Company's 2021 Annual Report to promptly inform Shareholders and Investors about the Company's performance;
- Instructed the payment of dividend in cash the first time on 15/06/2022 and the second time on 15/12/2022;
- Directed the Board of Investor Relations with prompt, transparent information disclosure in conformity with legal regulations.

#### Personnel planning:

- Directed the training of high-quality human resource, training programs, capacity building for strategic-level personnel in alignment with the Company's business and production goal.

#### Corporate governance:

- Directed departments and divisions to develop new working methods, technologies and new products and enhanced the automation of production lines to reduce cost, time and labor.
- Directed the comprehensive implementation of technological innovation, investment and IT infrastructure to actively adapt to changes in the economy, market, improve business efficiency, increase labor productivity and maximize business outcomes.
- 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.

## III Implementation of the Resolution of the 2022 Annual General Meeting of Shareholders

### 1 Implementation of the 2022 Plan for Production and Business

In addition to impacts from the aftermath of Covid-19, 2022 also witnessed great political and economic changes, especially the Russia – Ukraine conflict, instability of the financial, monetary, and energy markets, etc., which severely affected all aspects of socio-economic life, production and business of companies, especially those in the

construction industry. In Vicostone's largest market, regimes, policies and legal corridors reason saw adjustments and changes beyond the scope of the Board of Directors's expectation and measurement.

The business results of the Company in 2022 are as follows:

Currency: Billion VND

Indicator	Actual in 2021	Planned for 2021	Actual in 2021	Accomplishment of the full-year plan (%)	Annual growth (%)
Net revenue	7,070.13	8,367	5,660.27	67.65%	80.06%
Total profit before tax	2,097.40	2,413	1,377.22	57.07%	65.66%

### 2 Selection of the independent auditor for 2022 financial statements reviews

Authorized by shareholders at the AGM, the BOD contracted with Ernst & Young Vietnam Limited - 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 2022.

For several years, Ernst & Young Vietnam - Limited 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 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 2022

In 2022, the Company distributed profits into funds according to the Resolution of the Annual General Meeting of Shareholders dated April 28, 2022, specifically:

Currency: Billion VND

No.	Items	Realized figure	Ratio %	Note
I	Undistributed profits of previous years	2,802,832,656,565		
II	Profit before tax in 2022	1,255,333,850,453		
III	Corporate income tax (CIT)	218,051,377,247		
1	Current CIT	218,051,377,247		
2	Deferred CIT	-		

IV	Profit after tax in 2022	1,037,282,473,206		
1	First cash dividend payment in 2022	480,000,000,000	30.00%	Of the par value of VND 10,000 per share
2	Second cash dividend payment in 2022	480,000,000,000	30.00%	Of the par value of VND 10,000 per share
3	Bonus for BOD and BOM	20,745,649,464	2.00%	Of the profit after tax
4	Allocation of the Awards and Welfare Fund	41,491,298,928	4.00%	Of the profit after tax
V	Distributed profit	1,022,236,948,932		
VI	Cumulative undistributed profit	2,817,878,181,379		

In 2022, the BOD approved the following dividend payments:

- June, 2022: Paid the first cash dividend of 2022 to shareholders at the rate of 30%;
- December, 2022: Paid the second cash dividend of 2022 to shareholders at the rate of 30%.

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

The BOD on January 11, 2022 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.

### 5 Remuneration for BOD members in 2022:

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 2022, the remuneration made by Vicostone for BOD members was in line with the Resolution of the 2022 Annual General Meeting of Shareholders.

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).

## IV General assessment of the BOD performance in 2022

- Despite 2022 being a challenging year due to the aftermath of Covid-19, and the resulting political and economic instability, the BOD strove to fulfill its tasks in 2022 set out under the Resolution of the AGM, abided by the Law on Businesses and the Charter and Regulation on Operation of the Company, overcame difficulties, supervised operations, and effectively operated administrative models, contributing to securing shareholders' interests and harmonizing interests of relevant parties, including customers, employees, and communities. Vicostone performed its business administrative work effectively, secured its organizational structure, and operated in accordance with the Law on Businesses and the Charter of the Company;
- The BOD organized and maintained quarterly meetings to review and provide timely decisions regarding production and business operations of the Company;
- The BOD effectively directed the execution of the Resolution of the AGM, fulfilling growth targets for 2022, fully undertaking its obligations with the State budget, ensuring community interests, securing stable income, work, and health safety for employees, conducting conscious and responsible business with relevant parties;
- 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, corporate governance, 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.

## V Direction and Planning for the BOD in 2023

The world economy in 2023 is projected to experience slow growth due to countries' tight monetary policies to control inflation. The construction industry in general and the construction materials industry in particular will face multiple challenges. Against such a backdrop, the Vicostone BOD remains optimistic about production and business while staying ready to adapt and look for opportunities in a challenging economic situation, building on its values and implementing production and business solutions which focus on the following major programs:

- Expand scope for new markets; Increase revenue volume from non-major markets (outside the U.S., Canada, Belgium, and Vietnam) compared to 2022; Ensure revenue growth according to plan with effective solutions in marketing, market expansion, improving product quality, honing uniqueness and distinctiveness, increasing productivity and effectively controlling costs.

- Invest in science and technology to develop new and unique lines of products; Impress customers and competitors with products that highlight the market advantage of the Company; Secure stability of product design, improve productivity and quality of traditional products, secure brand reputation; Create and implement comprehensive solutions to ensure the stability of product design.
- Continue to improve corporate governance based on the application of international business administrative practices, and to effectively use resources to create sustainable values in the long term;
- Continue to promote Integrated Marketing Campaigns in 2023 to retain and expand domestic and international markets, improve competitiveness for Vicostone;
- Stabilize jobs and income for employees. Continue to foster training for high-quality personnel to meet present and future human

resources needs; Invest in improving the skills of all employees, in order for them to possess the requisite knowledge and expertise to adapt to the Company's phases and strategies of development; Create a progressive business culture and professional working environment.



## VI Profit distribution proposal in 2023

No.	Items	Excerpt/Profit after tax (%)	Note
1	Excerpt from Bonus and Welfare Fund	3.0	Excerpt/Profit after tax
2	Excerpt from the Bonus Fund of the Executive Board of the Company	1.0	Excerpt/Profit after tax



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# Report of the Audit Committee

## 1 Operation of the Audit Committee

Annually, the Audit Committee of the Vicostone JSC conducts meetings to report on the operations and implement works within its authorities and obligations in accordance with the Committee's rules of procedures. In 2022, the meeting of the Audit Committee included the following members:

No.	Member	Title	No of meetings	Attendance rate
1	Mr. Nguyen Quang Hung	Independent BOD member cum Head of Audit Committee	03/03	100%
2	Ms. Nguyen Dieu Thuy Ngoc	Non-executive BOD member and Audit Committee member	03/03	100%

Throughout the monitoring and auditing process, the Audit Committee also held working sessions with the participation of relevant departments/members of the Company for validation of information. Following is the performance of the Audit Committee in 2022:

### 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 domestic and international political-economic developments. Full analysis of the adverse impacts of high inflation and interest rates, energy and food crises, etc., resulted in prompt solutions and strategic directions, helping the Company pursue its business goals;
- The BOD kept updates on the developments of stock market. Thus, in light of the complex changes in 2022, the BOD proactively adopted a document requesting inputs from the AGM on "The Embodiment of repurchasing own stocks, reducing charter capital corresponding to amount of stock repurchased" for protection of interests of shareholders and investors;
- 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 attached great importance to the management and operation of the Company, and flexibly adjusted production and business activities with strategic direction responding to the condition of each specific market. However, due to the widespread difficulties in the world economy, especially in the latter half of 2022, business performance did not reach the target set by the AGM;
- 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 2022 are as below:



Currency: VND

No.	Name	Titles	Income period	Income
1	Mr. Ho Xuan Nang	Chairman of the BOD	Annual	3,922,901,283
2	Mr. Pham Anh Tuan	Member of the BOD, General Director	Annual	2,985,868,571
3	Mr. Nguyen Quang Hung	Member of the BOD, Chairman of the AC	Annual	170,000,000
4	Ms. Nguyen Dieu Thuy Ngoc	Member of the BOD, Member of the AC	Annual	120,100,000
5	Ms. Tran Lan Phuong	Member of the BOD	Annual	60,000,000
6	Mr. Pham Tri Dung	Vice General Director	Annual	3,010,919,767*
7	Mr. Luu Cong An	Vice General Director	Annual	2,953,179,767
8	Mr. Nguyen Chi Cong	Vice General Director	Annual	2,739,710,000
9	Mr. Dong Quang Thuc	Vice General Director	Annual	1,609,341,207
<b>TOTAL</b>				<b>17,572,020,595</b>

\* In 2022, Mr. Pham Tri Dung was concurrently a member of the Board of Directors of Phenikaa Hue Minerals Processing and Investment Company Limited.

This is the consolidated income of Mr. Pham Tri Dung at Vicostone Joint Stock Company, Phenikaa Hue Mineral Processing, and Investment Company Limited.

### 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 2022 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 2022. The auditor found no significant errors that could deflect the financial statements;
- The AC found no significant misstatements in the accounting estimates used to prepare and present the financial statements for the year 2022;

- The financial statements were honestly and accurately developed to reflect the Company's key financial indicators, business results and cashflows as of December 31, 2022, 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 2022, the BOD and BOM were consistent and sharp when managing and operating production and sales. However, with unpredictable shifts in the world economy, especially in the second half of 2022, production and business

effectiveness of the Company did not reach the target set by the AGM.



#### On the financial situation

- In 2022, the Company's financial situation remained stable with high payment ratio due to effective operations and sensible capital structuring:

Target	Unit	31/12/2021	31/12/2022	Increase/Decrease
Total asset (1)	VND Billion	6,892.91	6,589.90	(303.01)
Short-term asset (2)	VND Billion	5,829.10	5,541.11	(287.99)
Total capital (3)	VND Billion	6,892.91	6,589.90	(303.01)
Liabilities (4)	VND Billion	2,018.72	1,721.17	(297.55)
Short-term loan payables (5)	VND Billion	1,872.42	1,628.07	(244.35)
Payment ratio				
Current ratio (6) = (1)/(4)	Times	3.41	3.83	
Liquidity ratio (7) = (2)/(5)	Times	3.11	3.40	

- The Company did not accrue capital mobilization via bonds. Instead they appropriately utilized bank loans, and subsequently paid those loans, and the accrued interests on time.

### 4 Internal control and risk management systems

The Company's internal control and risk management systems were reinforced and maintained their effectiveness. 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.

### 6 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 corporate governance and operation of the Company;

The AC participated in all major meetings of the BOD and BOM. Hence, the Audit Committee was able to consult the BOD and BOM on the adjustment of strategic objectives and implementation of plans;



Moreover, in 2022, the Audit Committee members also conducted auditing on the 2021 Sustainable Development Report and re-evaluated the Company's documents before their publication.

### 5 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; Environment; Resource and minerals management; etc. without the occurrence of outstanding tax debts.

## II Recommendations of the Audit Committee (AC)

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

- 1  Continue to strengthen risk management works with an aim to incorporate risk management into all of the Company's activities;
- 2  Implement risk management works at subsidiary company – the Phenikaa Hue Mineral Investment and Processing Ltd.

## III Major plans and activities for 2023

- 1 Supervise and evaluate the performance of the BOD, BOM and their respective members with the management and operation of the Company;
- 2 Supervise the operation and implementation of strategic goals, production and sales targets set for 2023;
- 3 Support departments in implementing risk management processes in 2023;
- 4 Evaluate the compliance, frugality, enforceability and effectiveness of the Company in risk management and other operational processes;
- 5 Conduct quarterly financial statements reviews, coordinate with the independent auditor in reviewing semi-annual financial statements and audit the 2023 annual financial statements.
- 6 Inspect and supervise the compliance of the Company with the laws.



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# The Report of the Board of Investor Relations

## I Shareholder information

### 1 General Information



#### VICOSTONE JOINT STOCK COMPANY

- 📍 Address: Hoa Lac Hi-Tech Park , Thach Hoa Commune, Thach That District, Hanoi, Vietnam
- ☎️ Telephone: +84 33 685 826
- 📠 Fax: +84 33 686 652
- ✉️ Email: [quanhecodong@vicostone.com](mailto:quanhecodong@vicostone.com)
- 🌐 Investor relation portal: <https://vicostone.com/vi-vn/investor-news>

### 2 Information on stock

(As of December 31, 2022)



Registered charter capital:  
**1,600,000,000,000 dong**

Total amount of issued and listed shares:  
**160,000,000 shares**



Stock code:  
**VCS**

Listed date:  
**December 17, 2007**

Listed on the Hanoi Stock Exchange (HNX) and officially launched the first transaction



Type of stock:  
**Common stock**

Total amount of outstanding shares:  
**160,000,000 shares**

Total amount of treasury shares:  
**0**

Par value:  
**10,000 VND**

### 3 Shareholder structure

(Upon the list of shareholders registered with the Vietnam Securities Deposit as of December 09, 2022)

No.	Shareholder	Number of shareholders	Number of shares	Ownership (%)
1	Major shareholders (owning 5% stock capital or more)	1	134,647,082	84.154
2	The Company's Labor Union	1	6,000	0.004
3	Other shareholders	4,721	25,346,918	15.842
<b>TOTAL</b>		<b>4,723</b>	<b>160,000,000</b>	<b>100</b>
Including:				
<b>Domestic shareholders</b>				
	Institutional shareholders	35	135,067,321	84.417
	Individual shareholders	4,531	20,054,960	12.534
<b>Foreign shareholders</b>				
	Institutional shareholders	29	4,334,829	2.71
	Individual shareholders	128	542,890	0.339



Vicostone U.S. in Dallas



#### 4 Ownership of major shareholder (owning 5% stock capital or more)

(Upon the list of shareholders registered with the Vietnam Securities Deposit as of December 09, 2022)

No.	Name of individual/institution (representative)	Category of shareholder		ID Number/Business registration certificate	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	20/10/2010	134,647,082	84.154

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

(Upon the list of shareholders registered with the Vietnam Securities Deposit as of December 09, 2022)

No.	Name	Title and position	Amount of owned shares at the end of the year	Owned shares/Outstanding shares ratio (%)
1	Ho Xuan Nang	BOD Chairman	5,983,581	3.74
2	Nguyen Quang Hung	BOD Member – Head of the Audit Committee	0	0
3	Nguyen Dieu Thuy Ngoc	BOD Member – Member of the Audit Committee	0	0
4	Pham Anh Tuan	BOD Member – General Director	19,913	0.01
5	Tran Lan Phuong	BOD Member	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	Nguyen Thi Nga	Chief Accountant (Discharged on 30/08/2022)	0	0
11	Nguyen Phuong Anh	Chief Accountant (Appointed on 30/08/2022)	0	0
<b>TOTAL</b>			<b>6,574,149</b>	<b>4.11%</b>

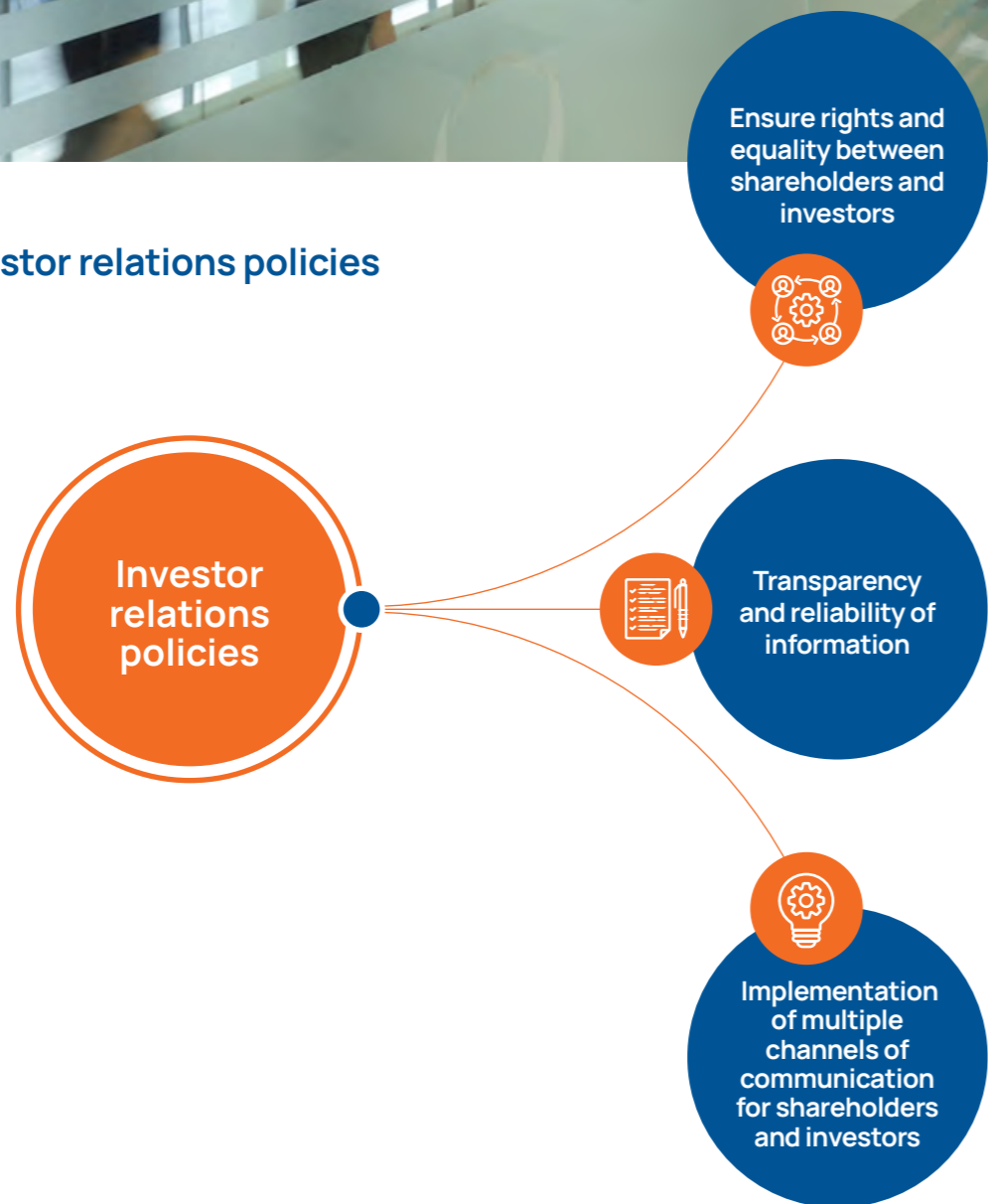


#### 6 Shares transaction of insiders and related persons

In 2022, there were no transactions by members of the BOD, BOM and Audit Committee, Chief Accountant, major shareholders and those related to the aforementioned persons.



**7 Investor relations policies**



**Ensure rights and equality between shareholders and investors**

Interests and equality among shareholders and investors remain one of Vicostone's highest corporate governance priorities. The rights of shareholders are clearly stipulated in the Company Charter and are protected by the laws of Viet Nam. Vicostone 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 seeks 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.



**Transparency and reliability of information**

The Company strictly complies with regulations on information disclosure in accordance with Circular 96/2020/TT-BTC, regulations of the Hanoi Stock Exchange and those of the State Securities Commission.

members ensure presence and readiness for questions and full information provided as requested by shareholders. Furthermore, Vicostone also invites representatives from its independent auditor, i.e., the Ernst & Young Vietnam Ltd., to promptly address requests and questions from shareholders related to the financial reports and the independent audit report.

coordination of reputable audit agencies and Vicostone's Audit Committee to participate in its annual financial reports. To ensure data reliability, Vicostone conducts reviews and internal audits on its quarterly financial reports. All published information had undergone multiple-step validation and verification according to the Company's internal processes to ensure accuracy and credibility. Moreover, on the basis of international practices application, Vicostone regularly updates on international knowledge and practices on domestic and international corporate governance, as well as provide corporate governance and structural organization strategy to major shareholders for better corporate governance according to the international governance standards.

Shareholders' interests, including the rights 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.

The Minute of the Annual General Meeting of Shareholders records the full content of the meeting and questions of shareholders in accordance with the law and is published along with the Resolution of the Annual General Meeting of Shareholders of the Hanoi Stock Exchange, the State Securities Commission, and published on the Vicostone website within 24 hours after the meeting.

Aiming to be "transparent in operation" and enhance data reliability, Vicostone continues to produce its financial reports in accordance with Vietnamese accounting standards, with the

At the Annual General Meeting of Shareholders, the BOD Chairman and



**Implementation of multiple channels of communication for shareholders and investors**

In addition to the timely, accurate, and transparent publication of information, Vicostone also implements and improves the quality of multiple and diverse channels of communication for shareholders and investors. Thus, the Company's development and strategic

guidelines, production and business outcomes, governance, and so forth, are provided to this audience in a timely manner.

In addition to comply with the provisions on information publication stipulated under Circular No. 96/2020/TT-BTC, Vicostone also promptly provide information concerning shareholders and investors, including: estimated quarterly production and business outcomes; information on new products, et cetera.

Quality improvement of shareholder relations is an important part of Vicostone's strategic direction in order to build an administrative system in accordance with international standards and for effective communication to shareholders and investors.

## 8 Dividend policy and payment ratio

### Implementation of fair and consistent dividend policy

Vicostone understands that dividend rights are at the top concern of shareholders. Through its policy of dividend payment in cash that has remained through the years, Vicostone seeks to ensure regular and stable dividends for its shareholders.

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:

**01** 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;

**02** The Company must assure due debts and liabilities are resolvable after the dividend payments are completed;

**03** The dividend payments are made on two conditions: The interests of shareholders are secure and the need of capital for business expansion is met;

**04** The dividend payment is subject to each shareholder's ownership.

Vicostone's annual rate of dividend payment 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 after-tax profit in 2006
2008	20%	14,717,824,240	14,787,824,240	From after-tax profit in 2007
2009	-	1,497,600,000	1,497,600,000	From after-tax profit in 2008
2010	35%	53,625,000,000	53,625,000,000	20% of after-tax profit in 2009 15% of after-tax profit in 2010
2011	5%	9,942,391,000	10,533,300,000	From after-tax profit in 2010
2012	20%	105,998,502,000	106,427,397,000	From after-tax profit in 2011
2013	-	-	124,536,000	-
2014	25%	111,298,527,500	26,495,156,100	5% of after-tax profit in 2013 20% of after-tax profit in 2014
2015	40%	169,597,804,000	169,571,493,275	From after-tax profit in 2015
2016	40.00%	190,797,404,000	275,186,472,700	From after-tax profit in 2016
	~ 13.21%	70,007,490,000	-	Issued bonus shares
2017	20.00%	120,000,000,000	120,012,199,500	From after-tax profit in 2017
	~ 33.33%	200,000,000,000	-	Issued bonus shares
2018	40%	476,800,000,000	388,181,228,100	20% of after-tax profit in 2017 20% of after-tax profit in 2018
	100%	800,000,000,000	-	Issued bonus shares
2019	40%	627,200,000,000	713,512,226,500	40% of after-tax profit 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 after-tax profit in 2019 20% of after-tax profit in 2020
	40%	640,000,000,000	640,000,000,000	40% of after-tax profit in 2021
2021	3.09%	292,964,708,657	-	Distribution of bonus shares for shareholders using treasury shares
2022	60%	960,000,000,000	960,000,000,000	60% of after-tax profit in 2022



## II Investor relations in 2022

In 2022, the Board of Investor Relations delivered strong performances in external relations and information publication functions, complying with regulations on information publication under Circular No. 96/2020/TT-BTC dated 16 November 2020 of the Ministry of Finance instructing the publication of information on the stock exchange market, and regulations of the State Securities Commission and Hanoi Stock Exchange. The prompt and accurate delivery of information has helped the Board of Directors and the Board of Management to stay informed of feedback and exchanges from shareholders, investors, and analyst experts, as well as to stay updated on market developments.

Information on corporate governance, business operations and performances, and extraordinary events were 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>) provides information and documents on Vicostone, including published information, financial data, annual reports, documents for general meetings of shareholders, and corporate governance reports.

Vicostone's Investor Relations in 2022 attained the following outstanding achievements:

- Successfully held the AGM and voting on the online platform: 2022 was the first year that Vicostone held the annual AGM virtually and organized electronic voting in accordance with the laws in effect. Accordingly, shareholders participated in the meeting, raised questions and provided feedback via Vicostone's official channels. All documents related to the AGM (including the Minute and Resolution of the meeting) are stored in Vicostone's website at: <https://vicostone.com/vi-vn/investor-news>;
- 2022 was the 8<sup>th</sup> consecutive year that Forbes Vietnam named Vicostone among 50 Top listed companies and the 2<sup>nd</sup> consecutive year that Vicostone was honored among the Top 5 listed business on HNX with best corporate governance. For Vicostone, corporate governance plays an important role in the sustainable development of the company, thus, the awards have reaffirmed the Company's

transparency and the confidence of shareholders and investors in the Company's development strategies;

- 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 (especially foreign shareholders) and voting rights 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 on the Company website and fanpage with user-friendly interface designs;
- Effective and timely handling of questions from shareholders through various channels, including phone, email, etc., and important information which may directly affect the rights and interests of shareholders.

## Plans for investor relations in 2023

With an aim to apply international standards for corporate governance, Vicostone's Board of Investor Relations has built a plan to enhance the

effectiveness of investor relations in 2023, with a focus on the following main activities:



Vicostones Online Annual General Meeting of Shareholders 2022



# ACQUA SERIES COLLECTION

The sea is vast, fierce, and mysterious, but it can also be gentle and sweet, like a captivating dance. In front of the sea, people often feel free from the daily chaos. From that inspiration, VICOSTONE® quartz delivers the vitality of the ocean into the VICOSTONE® Acqua Series Collection.

# 5

## SUSTAINABLE DEVELOPMENT

<b>154</b>	Commitment to Sustainable Development
<b>156</b>	Code of Conduct with Stakeholders
<b>166</b>	Environmental Responsibilities
<b>192</b>	Corporate Social Responsibilities
<b>212</b>	Sustainable Human Resources Development

# Sustainable development



Over 20 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 conscious business 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.

# Incorporating the sustainable development strategy with 17 sustainable development goals (SDGs)

Vicostone’s sustainable development strategy is based on the principle of respecting its commitment to stakeholders - which closely links with 17 sustainable development goals of the United Nations - while maintaining a successful operation that delivers good values to the society.

- Creating harmonious values with stakeholders by a long-term vision;
- Developing on the foundation of ecological and social sustainability;
- Constantly striving to uphold the philosophy of “living is giving”;
- Contributing to and influencing a conscious business community and a civilized, knowledge-based, sharing society for a better life.

## Economics

- SGD 8: Decent work and Economic growth
- SDG 9: Industry, Innovation and Infrastructure
- SDG 11: Sustainable cities and communities
- SDG 12: Responsible consumption and production

## Environment

- SDG 6: Clean water and Sanitation
- SDG 7: Affordable and clean energy
- SDG 12: Responsible consumption and production
- SDG 13: Climate action
- SDG 14: Life below water

## Society

- SDG 3: Good health and well-being
- SDG 4: Quality education
- SDG 5: Gender equality
- SDG 8: Decent work and economic growth
- SDG 10: Reduced inequalities
- SDG 11: Sustainable cities and communities
- SDG 16: Peace, justice and strong institutions
- SDG 17: Partnerships for the goals

# 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:



● **SHAREHOLDERS & INVESTORS**



● **EMPLOYEES**



● **CUSTOMERS**



● **PARTNERS & SUPPLIERS**



● **COMMUNITY & SOCIETY**






● **STATE AGENCIES**



● **MEDIA/PRESS**

# I Vicostone's actions towards stakeholders

Stakeholder	Major concerns	Vicostone's goals	Communicating channels	Vicostone's actions
 <p><b>Shareholders &amp; Investors</b></p>	<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>• Maintenance and development of relationship with investors and shareholders;</li> <li>• Compliance with transparency and information disclosure rules;</li> <li>• Guarantee of the rights and benefits of shareholders and investors.</li> </ul>	<ul style="list-style-type: none"> <li>• Organizing of Annual/ Extraordinary General Meetings of Shareholders;</li> <li>• Collection of written feedback;</li> <li>• Email address (quanhecodong@vicostone.com) and hotline – directly contact with members of the Board of Investor Relations;</li> <li>• Company social networking sites.</li> </ul>	<ul style="list-style-type: none"> <li>• Organizing of the Annual General Meeting (AGM) of Shareholders to review business result of the past year, in addition to discussing and consolidating action plans for the future. To ensure safety during the pandemic, the 2022 Vicostone AGM of Shareholders was held online on April 28, 2022, with the participation of 76 shareholders and shareholder representatives, representing more than 143 million shares and accounting for 89.22% of total voting shares;</li> <li>• Collection of written feedback among shareholders;</li> <li>• Ensurement that all shareholders could exercise their rights according to the law and company's regulations;</li> <li>• Providing of full, transparent, and prompt information on production and sales to shareholders and investors;</li> <li>• Ensurement of fair treatment among shareholders;</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> <li>• In 2022, Vicostone approved the payment of the dividends twice, 1<sup>st</sup> time in June 2022 - rate 30%; 2<sup>nd</sup> time in December 2022 - rate 30%.</li> </ul>
 <p><b>Employees</b></p>	<ul style="list-style-type: none"> <li>• Safe, friendly, and discrimination-free 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 contributions.</li> </ul>	<ul style="list-style-type: none"> <li>• Cultivation of teamwork spirit and discipline for all employees;</li> <li>• Enhancement of loyalty among employees towards the Company; encourage them to prolong their careers;</li> <li>• Evaluation and improvement of welfare policies for the labor;</li> <li>• Fostering the desire for community contribution among employees.</li> </ul>	<ul style="list-style-type: none"> <li>• Labor Union Conference held annually;</li> <li>• Suggestion mailboxes located at communal zones in the Company;</li> <li>• Direct conversation through the Company's Human Resources Department;</li> <li>• Communication with line managers;</li> <li>• The Company's internal communication channels and social networking sites;</li> <li>• Company email address and phone number.</li> </ul>	<ul style="list-style-type: none"> <li>• In the context of the "new normal", Vicostone still enacted prompt and uniform measures that prioritized occupational safety and health for all employees, stabilize production activities, welfare policies and incomes for all employees in 2022. No employee was discharged due to shortage of work during the year;</li> <li>• Continuous improvement of the working environment, upheld solidarity, coordination via social and sports activities;</li> <li>• Providing of education-related opportunities for employees. 100% of the Company's 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>• Use of surveys to access the happiness levels of all employees in the Company, process on feedback, and offered timely and appropriate solutions to improve the effectiveness of the administrative and sales activities of the Company.</li> </ul>
 <p><b>Customers</b></p>	<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>• Providing of prompt, accurate, direct information to make decisions about purchasing the products;</li> <li>• High quality of customer 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 with 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>• Surveys, interviews about service quality, product quality, consumption trends...;</li> <li>• Direct conversation through the Customer Service Department at the showroom and online;</li> <li>• Company email address and phone number;</li> <li>• Company social networking sites.</li> </ul>	<ul style="list-style-type: none"> <li>• Frequent conducting of market surveys to understand and predict consumer trends and thus develop product lines that satisfy the tastes and needs of customers;</li> <li>• Expansion of the distributors' network and agencies to increase market coverage and serve customers in all regions in the fastest manner possible;</li> <li>• Training and development of customer services teams and professionally and diligently resolved complaints;</li> <li>• Frequent procedures review and improvement for receiving and handling customers' complaints to increase service quality and customers' satisfaction;</li> <li>• Expansion of customers' feedback channels: the Customer Services Department, through emails, 24/7 hotlines, etc;</li> <li>• Establishment of an online sales system and implementation of demand boosting programs in the form of promotions and helping customers easily access Vicostone's products and services;</li> <li>• Frequent surveys of 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	Communicating channels	Vicostone's actions
 <p><b>Partners &amp; Suppliers</b></p>	<ul style="list-style-type: none"> <li>• Guarantee of fair treatment among suppliers;</li> <li>• Guarantee of 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>• Assurance of cooperation on mutual respect and win-win principles;</li> <li>• Assurance of all stakeholders' compliance with mutual agreements and obligations;</li> <li>• Assurance of information confidentiality for partners.</li> </ul>	<ul style="list-style-type: none"> <li>• Periodical meetings and evaluation with partners;</li> <li>• Feedback reception through departments handling conversation and direct work with partners and suppliers;</li> <li>• Company email address and phone number.</li> </ul>	<ul style="list-style-type: none"> <li>• Assurance of cooperation on mutual respect and win-win principles;</li> <li>• Assurance of all stakeholders' compliance with mutual agreements and obligations;</li> <li>• Assurance of information confidentiality for partners.</li> </ul>
 <p><b>Community &amp; Society</b></p>	<ul style="list-style-type: none"> <li>• No negative impact of the production on the local environment and community;</li> <li>• Local employment conditions;</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>• Assistance to the local socio-economic development and environmental protection;</li> <li>• Support to the local community to achieve sustainable development;</li> <li>• Promotion of corporate social responsibility, especially in dealing with the issues on environmental protection and social sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>• Via the Office of the Labor Union - the representative unit working regularly with the locality and community and social organizations;</li> <li>• Email address, phone number of the Company;</li> <li>• Company social networking sites.</li> </ul>	<ul style="list-style-type: none"> <li>• Hiring policies suitable with local employees, contributed to the stable livelihood of people in the area, with local employees accounting for 80% of the total workforce;</li> <li>• Response to hunger eradication, poverty reduction and education development, support policy beneficiaries, environmental protection in the local areas...such as building houses of gratitude, coordinating with Thach That district hospital to organize free medical examination and distribution of drugs for veterans on July 27, donating tables and chairs/learning equipment/scholarships to schools in Thach That district;</li> <li>• Constant improvement of the environmental protection systems at the Company, contributed to the maintenance of a green-clean-beautiful and sustainable environment;</li> </ul>
 <p><b>State Agencies</b></p>	<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>• Cooperation to further improve the laws and regulations on the Company's activities;</li> <li>• Fulfillment of the obligations and duties required by the State;</li> <li>• Active and effective performance in the campaigns launched by the State agencies.</li> </ul>	<ul style="list-style-type: none"> <li>• Direct conversation through business meetings, seminars, economic forums and sustainable development programs...;</li> <li>• Training programs, with updating of new legal documents and regulations organized by competent agencies;</li> <li>• Via units and departments handling direct work with State agencies;</li> <li>• Email address, Company phone number.</li> </ul>	<ul style="list-style-type: none"> <li>• Updating of legal documents relevant to the Company's areas of operation;</li> <li>• Comprehensive and strict implementation of the Company's obligations and responsibilities towards the State;</li> <li>• Strictly abide by the regulations on tax obligations. In 2022, Vicostone contributes VND 379 billion to the State budget;</li> <li>• Participation in programs to raise public awareness of sustainable development and environmental protection, cooperation with the Government in activities to improve livelihood for Vietnamese people. Vicostone with its parent company Phenikaa has participated in multiple social programs such as supporting areas affected by natural disasters, building charity houses, and supporting families in need, fighting the pandemics, etc. In 2022, Vicostone and the Phenikaa Group has donated VND 3 billion to the Hanoi city's "Fund for the Poor".</li> </ul>
 <p><b>Media/press</b></p>	<ul style="list-style-type: none"> <li>• Prompt release of accurate information for the press.</li> </ul>	<ul style="list-style-type: none"> <li>• Via direct conversation in press conferences, congresses, press-invited programs organized annually by the Company;</li> <li>• Regular meetings with the press;</li> <li>• Company email address and phone number.</li> </ul>	<ul style="list-style-type: none"> <li>• Via direct conversation in press conferences, congresses, press-invited programs organized annually by the Company;</li> <li>• Regular meetings with the press;</li> <li>• Company email address and phone number.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance of contact with press agencies and organized press conferences for significant events as needed;</li> <li>• Providing of accurate, regular, timely information on the Company's production and sales activities while ensuring transparency and cooperation;</li> <li>• Establishment and maintenance a sharing culture to ensure equal right of access to information among press agencies.</li> </ul>

## II Vicostone's code of conduct towards relevant parties

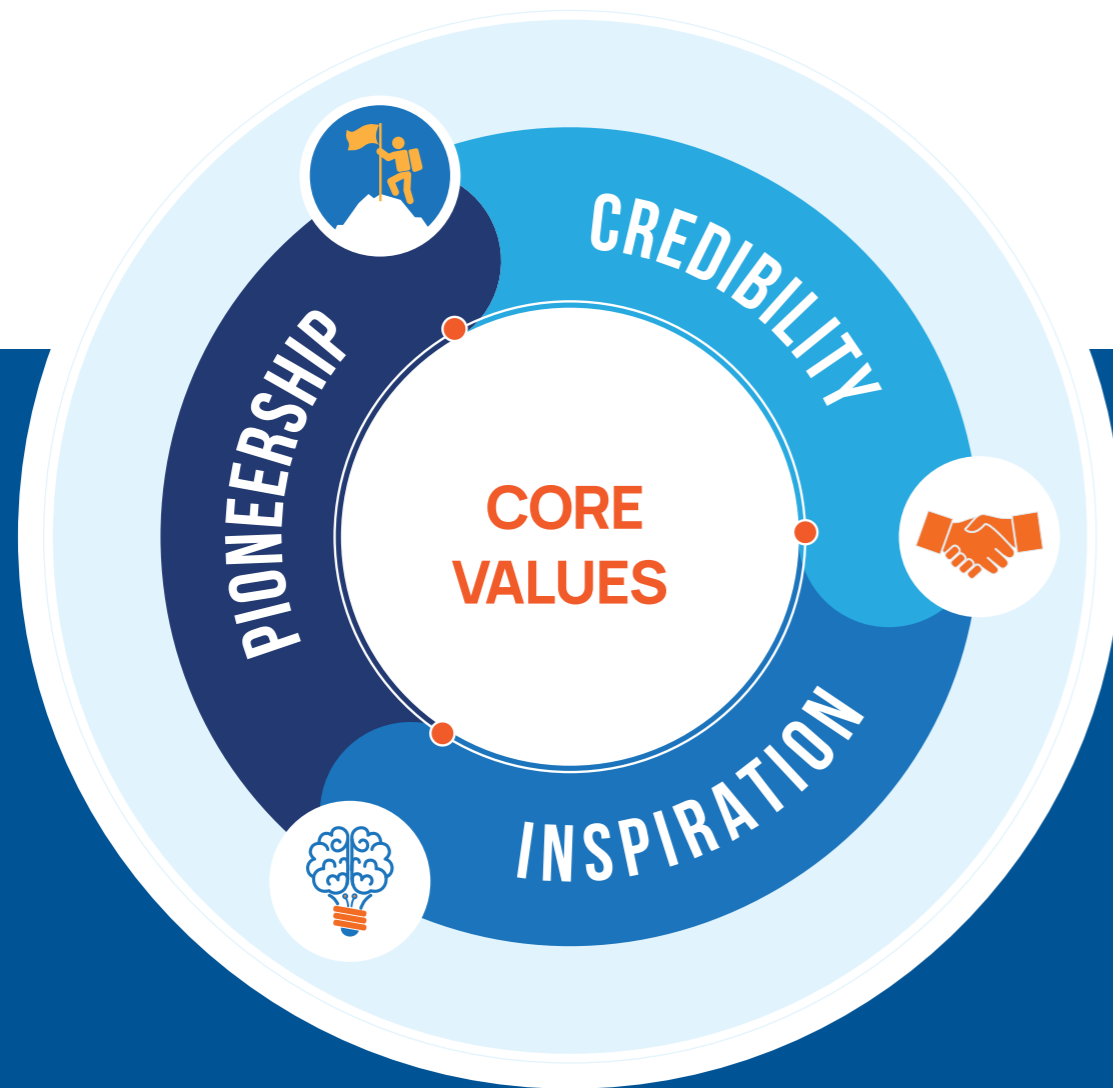
### 1 Vicostone Culture – The Conscious Business Culture

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 factors for all decisions and actions of the Company. Vicostone sees corporate social responsibilities as 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:

#### 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.



#### Cultural qualities



##### 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).

## 2 Code of Conduct towards relevant parties



### To the Employees

Vicostone believes the value and success of the enterprise are built on the creativity, passion and discipline of each company 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.

1



### To Shareholders and Investors

Transparency, respect, equality and cooperation 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.

2



### To Suppliers

Vicostone commits to complying with relevant laws and regulations, meanwhile adheres to the principles of fairness, objectivity, and harmonization of the interests of all parties. Vicostone always supports suppliers in fair competition and firmly opposes illegal or unethical practices in competition.

3



### To Customers and Partners

Customers, partners and agencies are the centers for Vicostone's decision-making, assets and member, assisting the Company to realize its strategies and achieve its targets.

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.

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 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 research.

7

# Environmental responsibilities

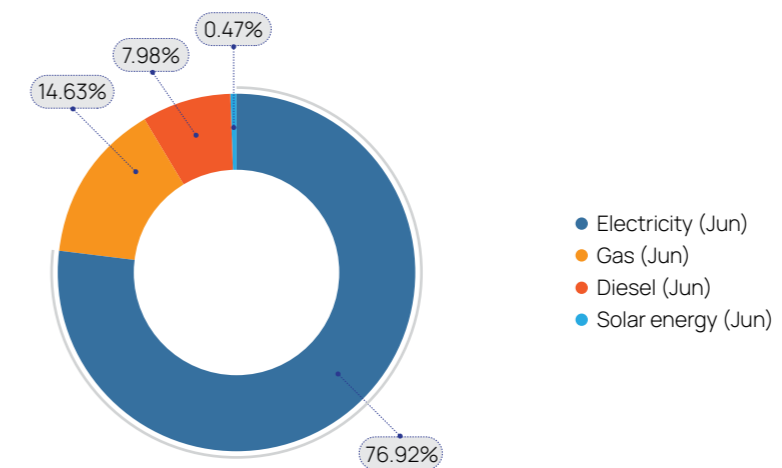


## 1 Greenhouse gas emissions

In order to implement greenhouse gas solutions in accordance with the 2020 Law on Environmental Protection, following Vietnam's obligation upon the United Nations Framework Convention on Climate Change (UNFCCC), Vicostone has conducted inventories of its energy consumption, which includes four main categories:

No.	Energy	Consumption	Joule
1	Electricity (Kwh)	14,165,100 Kwh	51.0*10 <sup>12</sup>
2	Solar energy (Kwh)	87,394 Kwh	0.3*10 <sup>12</sup>
3	Gas (Kg)	212,481 Kg	9.7*10 <sup>12</sup>
4	Diesel (L)	123,935 L	5.3*10 <sup>12</sup>

Total energy consumption at Vicostone in 2022



Energy use at Vicostone

In 2022, the main source of energy at Vicostone was electricity from the national grid which accounted for 76.7% while gas, diesel, and solar energy accounted for the remaining 23.3% of total energy consumption.

At Vicostone, greenhouse gases are emitted from the following sources:

• **Direct greenhouse gas emissions**

- Emissions due to combustion of fuels in static sources such as: gas furnaces that provide thermal energy for the curing process; industrial gas oven in the cafeteria; backup electricity generator for use during blackouts;

- Emissions from fuel combustion in mobile combustion sources such as: the use of forklifts and trucks to transport materials and internal products, select stones, package goods; use of wheel loaders in managing materials and waste.

- **Indirect greenhouse gas emissions:** from indirect sources, mainly from the use of the national grid for production purposes and a small portion for living, cafeteria, etc.

**Direct greenhouse gas emission**

No.	Type of Energy	Consumption (TJ) <sup>1</sup>	Type of greenhouse gas	Greenhouse gas conversion rate <sup>2</sup>	Mass of greenhouse gas emissions (kg)
1	Gas	9.7	CO <sub>2</sub>	63,100	611,897.8
			CH <sub>4</sub>	1	9.7
			N <sub>2</sub> O	0.1	1.0
2	Diesel	5.3	CO <sub>2</sub>	77,400	409,673.7
			CH <sub>4</sub>	3	15.9
			N <sub>2</sub> O	0.6	3.2
<b>TOTAL DIRECT GREENHOUSE GAS EMISSION (KG)</b>					<b>1,021,601.2</b>

Direct greenhouse gas (GHG) emission in 2022

No.	Type of greenhouse gas	Total greenhouse gas emission (kg)		
		2020	2021	2022
1	CO <sub>2</sub>	1,161,472.9	1,342,851.7	1,006,413.5
2	CH <sub>4</sub>	28.1	31.4	25.6
3	N <sub>2</sub> O	4.4	4.8	4.1
<b>TOTAL</b>		<b>1,161,505.5</b>	<b>1,342,888.0</b>	<b>1,021,601.2</b>

Greenhouse gas emission in 2020 – 2022

Total direct greenhouse gas emissions by Vicostone in 2022 decreased by 23.93% from 2021.

<sup>1</sup> TOE rates were in reference to official document No. 3505/BCT-KHCN, 19/04/2011. Energy conversion rates were calculated based on the conversion value of 1TOE = 41.870 MJ by IPCC.

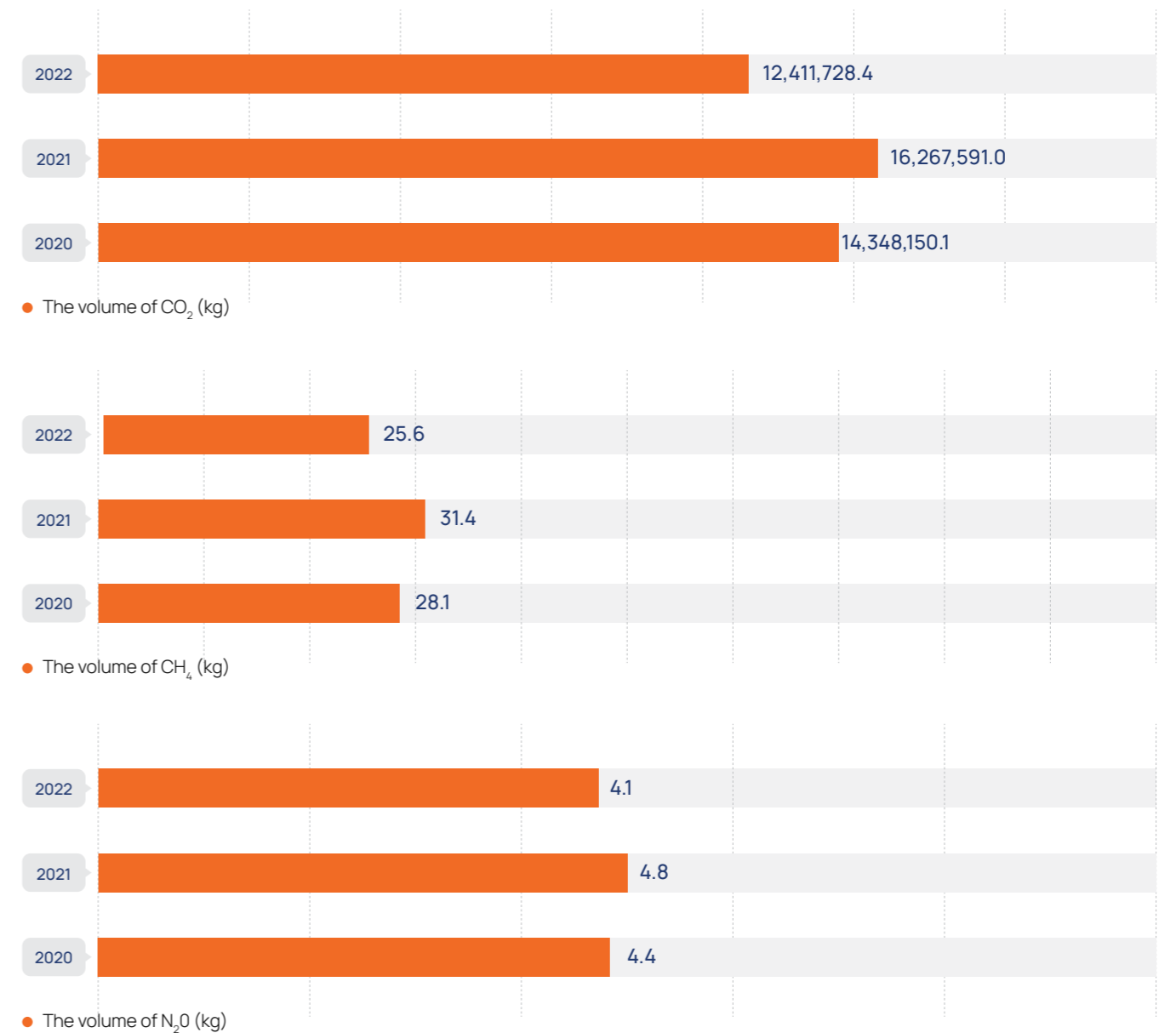
<sup>2</sup> Annex I on emission rates in service of inventory of greenhouse gas in the energy sector (Promulgated with Decision No. 2626/QĐ-BTNMT on 10 October 2022)

**Indirect greenhouse gas emission**

No.	Greenhouse gas indirectly emitted from energy consumption	Total greenhouse gas (kg) <sup>3</sup>		
		2020	2021	2022
1	CO <sub>2</sub>	13,186,677.1	14,924,739.3	11,390,156.9

Indirect greenhouse gas emissions in the 2020 - 2022 period

**Total greenhouse gas emissions in 2022:**



Measures taken by the Company to control and limit greenhouse gas emissions are displayed in the Energy section of this Report.

<sup>3</sup> Grid emissions factor margin 2020 in Vietnam according to Official Letter No. 1316/BDKH-TTBVTOD



## 1 Electricity

Year	Total energy consumption in (KWh)	Total volume of Vibro-compressed products	Average electricity consumption (KWh/ M <sup>2</sup> )
2019	15,775,600	1,016,991	15.51
2020	16,399,300	1,150,156	14.25
2021	18,560,800	1,260,143	14.73
2022	14,165,100	844,240	16.78

Electricity consumption at Vicostone from 2019-2022

In 2022, the Vicostone JSC conducted major maintenance on its equipment chains, so total energy consumption in 2022 reduced by 23.7% compared to 2021's figures. However, during this time, supplementary equipment

continued to be used, so the median energy consumption on 1m<sup>2</sup> of product increased by 13.9% from that of 2021.

Engineers examine the electricity system on a frequent basis to ensure safety



## II Energy

Vicostone recognizes that frugal and effective use of energy is one of the key factors to any sustainable development strategy. Thus, the Company always employs a strategy of energy-saving, low emission, and recycling at the maximum level. With the use of a modern production line transferred from Breton (Italy) which has undergone breakthrough improvements by Vicostone's

engineers, the Company's entire production cycle is closed and entirely eco-friendly, allows for energy conservation due to the non-use of calcination and does not produce emission from the curing process like tile materials produced with other technologies.

In order to effectively utilize energy resources, the whole processes of electricity, gas, diesel and clean water use are subjected to clear and specific benchmarks expressed in the Company's regulations and

instructions. Furthermore, Vicostone has established a specialized body to monitor, supervise, and analyze energy data to provide timely warnings and solutions on the effective use of energy and ensuring production.

No.	Energy	Consumption
1	Electricity	14,165,100 Kwh
2	Solar energy	87,394 Kwh
3	Gas	212,481 Kg
4	Diesel	123,935 L

Total energy consumption in 2022

In 2022, Vicostone invested in solar energy equipment and panel systems to reduce electricity consumption. Currently, the two operating centers of the Company with more than 200 employees are utilizing solar energy. Moreover, all bathrooms, shower rooms, cafeterias are equipped with solar-powered water heating systems, minimizing the use of gas for

boiling and cooking and electricity for hot water. Meanwhile, the Company installed solar panels for lighting, stone selection, and internal packaging. In the coming years, Vicostone plans to install solar power on all factory rooftops to increase the proportion of clean energy used in production and business.

Despite accounting for a minor share of energy consumption, solar-powered operations contribute to strengthening the Company's economical and efficient use of electricity.

## 2 Gas

Gas is mainly used in oil heating to protect the stone after vibro-compression with the consumption of 201,207 kg, accounting for 94.7% of the total gas consumption at the plant. In addition, gas is also used in the collective kitchen.

In 2022, gas consumption stayed at the level of previous years, i.e., 0.24 kg per m<sup>2</sup> of product. The Company continues to perform gas utilization solutions at its factories, namely:

- Performed equipment inspection and maintenance, kept the system operating in a robust state;
- Synchronized at the highest level with other systems, ensuring high capacity and efficiency in the use of gas.

Year	Total gas consumption (Kg)	Total volume of vibro-compressed products	Average gas consumption (Kg/m <sup>2</sup> )
2019	248,520	1,016,991	0.24
2020	256,414	1,150,156	0.23
2021	313,112	1,260,143	0.25
2022	201,207	844,240	0.24

Gas consumption at Vicostone in 2019 - 2022

## 3 Diesel

Year	Diesel consumption (Liter)	Total volume of products (m <sup>2</sup> )	Average diesel consumption (Lm <sup>2</sup> )
2019	120,215	1,016,991	0.12
2020	127,984	960,966	0.11
2021	133,460	1,218,286	0.11
2022	107,277	844,240	0.13

Diesel consumption at Vicostone in 2019 - 2022

At Vicostone, diesel is used mainly for product lifting and transporting, mainly for forklifts with the consumption of 107,277 liters in 2022, accounting for 86.6% of the total consumption at the Company. It is also used for equipment repairs and for backup generators in case of power outages.

Vicostone optimizes the usage of diesel, reducing the use of non-recyclable resources via the following solutions:

- Regular maintenance of equipment and reduction of fuel consumption rate;
- Organizing warehouse to reduce transport;
- Regular inspection, supervision, and management of moving vehicles by specialized engineers to maintain technical performance;
- Provide training to enhance the operational capacity and responsibility of drivers in saving diesel;
- Application of vehicle runtime quotas in each production process;
- Gradual application of new technologies, like introducing alternating equipment into production chains to minimize the use of forklifts.



The gas supply system is periodically checked to ensure safety

## III Material

### 1 Material topic

#### 1.1. Main materials

Vicostone determines that the proactiveness in input materials is an urgent need of a production business and the premise for continuous production processes, availability of products, and competitive advantages in markets. With the aspiration to create purely Vietnamese products that meet international standards, with its internal strengths and the support from the parent company – Phenikaa Group, Vicostone has fostered investment, research, and development of domestically produced raw materials with priority in 3 main types of raw materials in the production of VICOSTONE® stones, namely: Cristobalite, Quartz, and Polyester Resin.

- Quartz is the main material of the VICOSTONE® quartz stone composition. With the strategy to localize raw materials, Vicostone's input Quartz sources are gradually being replaced by Cristobalite which is produced by Phenikaa Hue Minerals Investment and Production One Member Ltd. Company – a member unit of Vicostone. To improve the quality of the exploitation and production of raw quartz from mines, Vicostone has proactively searched for and cooperated with domestic quartz production companies. At the same time, the Company also proactively invested in modern production lines to optimize its domestic raw material supply sources and elevate domestic quartz material sources to new heights. The world-leading crushing and screening chain and equipment imported from Europe have helped Vicostone to utilize domestic raw quartz and become fully proactive with respect to raw materials for the production of slab stones. Production strategy, product quality and increase ownership of material

input set a leverage for Vicostone's sustainable development. In the end of 2022, Vicostone has completed an additional pulverizer chain with its exclusive technology to increase productivity and reduce the consumption of the increasingly rare quartz materials which will help reduce 15-20% of costs in finished quartz.

- Cristobalite is a high-quality material that comprises the uniqueness of VICOSTONE® engineered stones. In recent years, the VICOSTONE® new and unique product lines with Cristobalite helping to create their natural whiteness have introduced a breath of fresh air into the world engineered stone market. Customers' preferences and positive signals from the market towards products using Cristobalite have affirmed the potential of this material in product design. Currently, Phenikaa Hue Factory (Cristobalite manufacturer) is in stable operation and fully meets the internal needs for Cristobalite. With its mastery of technology and continuous improvement of productivity and reduction of production costs, Phenikaa Hue turned in profits from VND 100-120 billion per year compared to the import period.
- In Vicostone's high-quality engineered stone production technologies, Quartz and Cristobalite act as aggregate materials, while Polyester Resin is the binding catalyst. Despite accounting for only 10% of the finished product, Polyester Resin takes up from 40-50% of production material costs. After years of having to entirely import Polyester Resin from abroad (Singapore, Indonesia, Taiwan, UAE), Phenikaa Group (Vicostone's parent company) has demanded that this material be mastered and has invested in the construction of a factory that specializes in Resin production on the foundation of developing in harmony the three

economic – environmental – social aspects. Currently, Phenikaa Chemical Plant (manufacturer of unsaturated Polyester plastics) has entered stable operation and helps the nearly full proactiveness of input material – the most important factor in the production technology of VICOSTONE® stones. So with its localization strategy, Vicostone has secured a close-looped supply chain of over 95% input materials in the production of quartz stones and thereby minimizing the risks from dependency on raw material inputs and currency fluctuations and optimizing prices.



Cristobalite storage in Phenikaa Hue Factory

#### 1.2. Eco-friendly recycled materials

Grounded in a smart production and ecological material production strategy, Vicostone always aims for environment-friendly products, especially it also

employs recycled material as input resources for the production of unique products.

MATERIAL	2018	2019	2020	2021	2022
Recycled raw materials (kg)	570,000	281,060	430,000	248,500	230,730
Raw materials used in production (kg)	78,315,188	82,870,922	66,799,639	85,715,277	49,640,600
<b>TOTAL</b>	<b>78,885,188</b>	<b>83,151,982</b>	<b>67,229,639</b>	<b>85,963,777</b>	<b>49,871,330</b>

Data on recycled raw materials used at Vicostone



## 2 Recycling, reuse of solid waste

The creation of eco-friendly advanced engineered-stone products has always been the ultimate target that Vicostone and its employees strive for. The Company in recent years has studied possible solutions to restrain the impact of its manufacturing activities on the environment, including the reuse of solid wastes disposed from the making of eco-friendly outputs. Some key science researches are as follows:

### Project: “Research on reusing stone powder waste to produce unburnt bricks with Geopolymer technologies”

The production process of quartz-based engineered stones creates a by-product, i.e., stone powder waste during the product polishing phase. The Company has invested in the research to reuse this stone powder to produce environment-friendly products to reduce emissions and impacts on the environment. The project is titled “Research on reusing stone powder waste to produce unburnt bricks with Geopolymer technologies”. Unburnt bricks from the project meet the technical requirements according to the TCVN 6477:2016 standard. The success of the project contributes to closing the technological processes of quartz-based engineered stone production, bringing about both environmental and economic effectiveness. The Company has been awarded patent of useful solution No. VN 2739 by the Ministry of Science and Technology's Department of Intellectual Properties on October 22, 2021 for the protection of the product: “Unburnt bricks using stone powder waste from the production of engineered stones and aluminum silicate non-organic polymer binding agent”.

### Project: “Synthesizing amorphous silicon dioxide from stone powder waste generated from the production of quartz-based engineered stones”

In addition to the research on reusing stone powder waste for production with Geopolymer technologies, the Company also initiated a research project on synthesizing amorphous silicon dioxide ( $\text{SiO}_2$ ) from stone powder waste. Amorphous  $\text{SiO}_2$  in the form of fine powder is a high-quality refined  $\text{SiO}_2$  with a large specific surface area and thus can be used in other industries, including rubber and paint. The success of the research project has helped Phenikaa identify the optimal technology for stone powder waste treatment to create amorphous silicon dioxide with technical features meeting the requirements for input materials for other industrial products. The Company has submitted and been accepted for a patent in May 2022 to protect its patent rights on: “Synthesizing amorphous silicon dioxide from stone powder waste generated from the production of quartz-based engineered stones”.

### Project: “Synthesizing liquid glass ( $\text{Na}_2\text{SiO}_3 \cdot n\text{H}_2\text{O}$ ) from stone powder waste in the production of quartz-based engineered stones”

In addition to the research on synthesizing amorphous silicon dioxide from stone powder waste generated from the production of quartz-based engineered stones, the Company also initiated research on synthesizing liquid glass ( $\text{Na}_2\text{SiO}_3 \cdot n\text{H}_2\text{O}$ ) from stone powder waste. Liquid glass (also known as sodium silicate) is a chemical widely used in various industries, especially paper and paper powder, cleanser, porcelain, water-resistant paint production, etc. The research project's success has enabled the Company to discover the optimal stone powder waste treatment and produce liquid glass with technical attributes that satisfy input materials requirements for other industrial products.

### Project: “Research on reusing stone powder waste in the production of quartz-based engineered stones to produce glass, filler agent, etc.”

In addition to the project on synthesizing liquid glass for use as input materials for other industries, the Company also successfully conducted research on stone powder waste treatment in the production of quartz-based engineered stones into materials for such industries as: construction glass, filler agent, etc. Stone powder waste in the production of quartz-based engineered stones after treatment is comprised largely (>90%) of  $\text{SiO}_2$  and is used for producing construction glass or as filler agent for other industries such as cladding materials, paint, composite, etc.

### Research direction in 2023

In 2023, amid economic changes, Vietnam will strengthen public investment in infrastructure to stabilize the national economy and foster sustainable development. At the conference on public investment during the 5<sup>th</sup> Viet Nam Economic Forum in December 2022, Mr. Tran Quoc Phuong – Vice Minister of Planning and Investment said the National Assembly had adopted a public investment plan for

2023 with more than 700,000 billion dong in capital, a 25% increase from the 2022 plan. 2023 will also be the year for disbursement of all capital of the Socio-economic Recovery and Development Program.

Due to public investment pressure, the demand for backfill soil/sand for pivotal projects nationwide has increased significantly. However, the supply of this good remains relatively limited, thus putting many projects at risk of falling behind schedule. In 2023, the Company will conduct research on: reusing stone powder waste to produce backfill materials, and materials used in concrete and mortars to resolve social issues as well as enclosing the technological procedures of producing quartz-based engineered stones, delivering environmental, economic, and societal effectiveness.

Engineers at the R&D office, Vicostone JSC



Materials transportation in the factory using forklifts

**IV Water**

**1 Efficient use of water**

At Vicostone, water is used for industrial production activities (whetting stage) and for the daily use by employees (domestic water):

- Total water consumption at Vicostone: 42.83 ml;
- Total industrial water consumption for production: 13.15 ml;
- Total domestic water consumption: 29.68 ml.

**Regarding industrial water:**

Industrial effluent is treated with a closed circular treatment system ensuring water consumed in production to cycle back to the production line instead of releasing to

the environment. This helps conserve water resources used in production and prevent impacts on the environment. The additional amount of water for the whetting chain is to compensate for the water absorbed in mud after pressing and helps to ensure the system's stable operation.

In 2022, Vicostone installed two additional circular water silos with the initial provision for each silo being 500 m<sup>3</sup>. The same year, while the Company suspended the chain to conduct major maintenance on equipment, water provided to the liquid cooling system continued to be used. This led to the total amount of water used for production being reduced while water consumed per m<sup>2</sup> increased compared to 2021.



**2 Solutions for efficient use of water**

In its work with the community in conserving water resources, Vicostone is always mindful of the effective and responsible use of water resources. Vicostone applies a system of circular water silos into production. The system is consistently invested in and used to ensure that 100% of industrial effluents are treated and reused during production. The whetting of finished products usually takes a large amount of water. After this process, the water usually contains talc powder as a result of being dissolved in salt after whetting. The powder is treated in the silos through a mechanical deposit process and then pressed and dried through a pressing machine. Pressed, dried powder (or sludge) is used to produce unburnt bricks and other eco-friendly outputs.

In 2022, Vicostone implemented various solutions to reduce water consumption:

- Regularly inspect water pipes installed at all units to prevent leakage and loss of water;
- Install smart solutions and devices in all bathrooms ;
- Control the duration of spraying of clean water onto cooling systems in factories;
- Communicate to all employees on the awareness of the use and conservation of water resources.

No.	Year	Industrial water consumption (ml)	Total volume of stored products (m <sup>2</sup> )	Average industrial water consumption (l/m <sup>2</sup> )
1	2019	8.56	1,016,991	8.4
2	2020	9.43	1,150,156	8.2
3	2021	14.18	1,231,633	11.5
4	2022	13.15	812,034	16.12

*Industrial water consumption at Vicostone in 2019 - 2022*

**Domestic water**

Clean water at Vicostone was used mainly (more than 60%) for common living purposes such as cooking and living. All domestic wastewater was gathered in the factory's domestic water treatment system. Wastewater after having been treated qualified for the QCVN 14:2008/BTNMT, column A

of the national technical standard on the quality of domestic wastewater according to the license to discharge waste into water sources No. 61/GP/UBND issued by the Hanoi People's Committee on 24 February 2020.



The silos used in water treatment at Vicostone

## V Effluents, emissions & waste

### 1 Effluents

#### 1.1. Situation

##### Source

- Closed-loop recycled production water: The effluent is discharged from the whetting stage in which water is used to polish the surface of the product. Dust and stone powder in the water will be carried back to the treatment system. After the dust and stone powder are removed, the water is circulated for 100% re-use. This treatment system helps the Company save a lot of costs and minimize the impact of effluents on the environment.

- Domestic effluent: Domestic effluents are discharged from kitchen areas and toilets, and undergo preliminary treatment in septic tanks and grease traps and then delivered to the effluent treatment station.

##### Management of domestic effluents

For domestic effluent treatment and control to be in compliance with QCVN 14:2008/BTNMT - National technical regulation on domestic effluent, the Company implemented the following measures:

- Invest in and install a domestic effluent treatment system using the most modern technology AAO + MBR with total investment of nearly VND 3 billion;
- Have the operation regularly supervised by engineers with expertise in environmental techniques to ensure the functionality of the system and that the quality of output effluent meets requirements according to regulations;

- Conduct regular maintenance in accordance with procedures, thus, assuring stable and proper performance of the system with no device-related incidents affecting the treatment of effluent during the year;

- Develop and apply the procedures on domestic effluent control and chemical mixing in line with ISO 14001:2015;

- Engage a qualified consultant to monitor the quality of treated domestic effluent every three months;

- Invest in rapid measurement devices (DO, pH), quality of post-treatment effluent test devices ( $\text{NH}_4^+$ ,  $\text{NO}_3^-$ ) to supervise the treatment activities of the system.

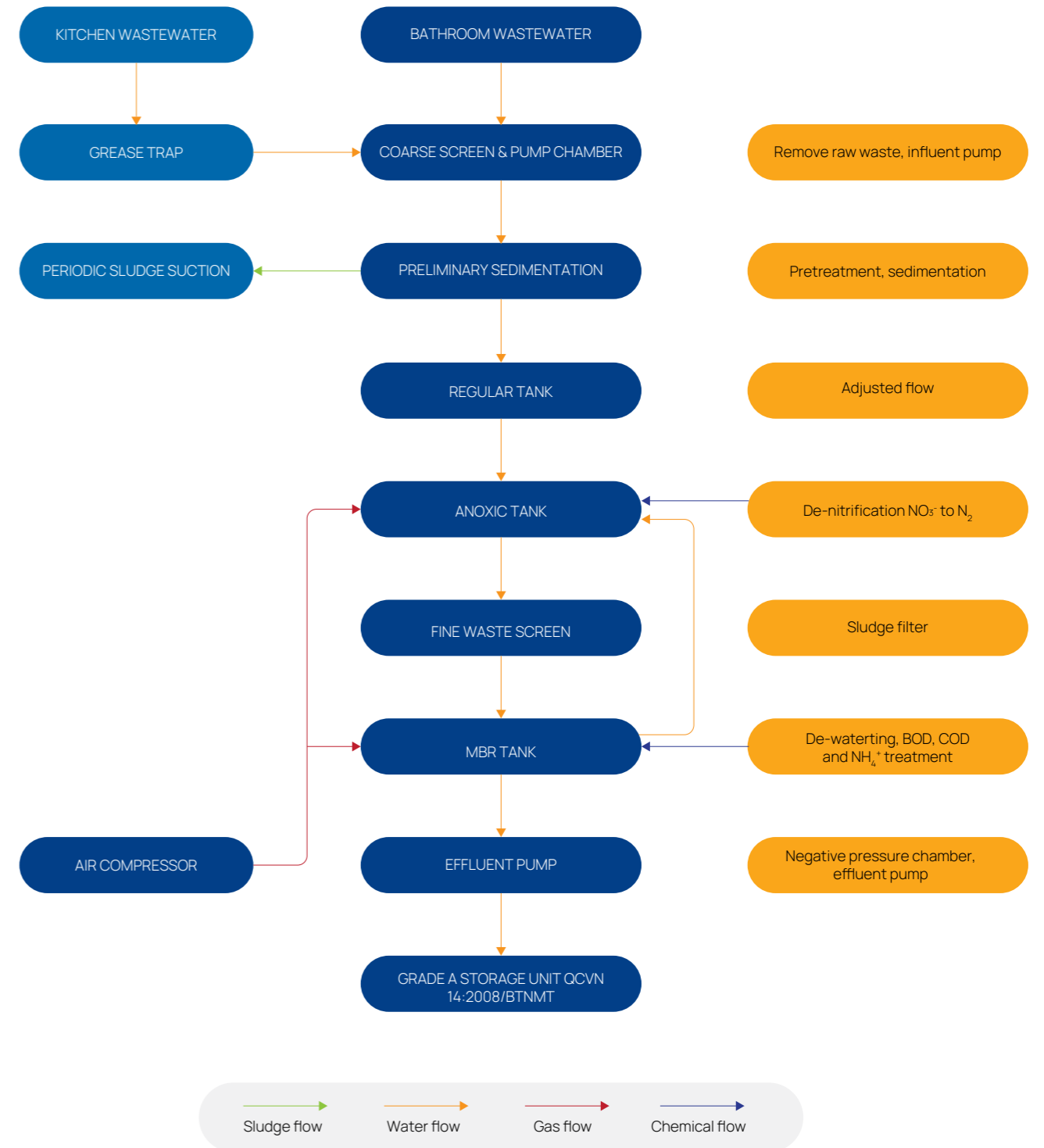


Diagram of domestic effluents treatment process

### 1.2. Outcomes

Based on the wastewater quality supervision program in the Environmental Impact Assessment Report of the project approved by the Hanoi People's Committee and the license to discharge waste issued by the Hanoi Department of Resources and Environment, the Company fully conducted observations with the required frequency (once every three months).

Observations were conducted by the Environmental Analysis and Technical JSC – a capable independent agency in accordance with the law. The outcomes of observational indicators all fell within the allowed value ranges according to the national technical standards on the quality of domestic wastewater no. QCVN 14:2008 /BTNMT, column A and the national technical standard on industrial wastewater in Hanoi no. QCTĐHN 02:2014/BTNMT, column B.

The observational and analysis outcomes certified by the observing agency were all kept on record to serve inspection and comparison purposes when necessary. Observational data are displayed in the following table:

No.	Indicator	Unit	2022				QCVN 14:2008/ BTNMT Column A (K=1)	QCTĐHN 02:2014/ BTNMT Column B (Kf=1,2; Kq=0,9)
			Q1 Result	Q2 Result	Q3 Result	Q4 Result		
1	pH	-	8.8	7.4	6.8	6.3	5÷9	5.5÷9
2	BOD5	mg/L	17.6	28.1	9.3	8.6	30	54
3	COD	mg/L	38.4	58.3	19.2	19.5	-	162
4	TSS	mg/L	37.1	48.6	11.6	33.2	50	108
5	TDS	mg/L	310	470	390	280	500	-
6	As	mg/L	<0.0005	<0.0005	<0.0005	<0.0005	-	0.108
7	Cd	mg/L	<0.0004	<0.0004	<0.0004	<0.0004	-	0.108
8	Pb	mg/L	<0.003	<0.003	<0.003	<0.003	-	0.54
9	Hg	mg/L	<0.0005	<0.0005	<0.0005	<0.0005	-	0.0108
10	Animal and vegetable fat and oil	mg/L	<0.3	0.6	<0.3	0.5	10	-
11	Fe	mg/L	<0.03	<0.03	<0.03	<0.03	-	5.4
12	PO <sub>4</sub> <sup>3-</sup>	mg/L	0.311	0.415	3.65	0.459	6	-
13	S <sup>2-</sup>	mg/L	<0.064	<0.064	<0.064	0.416	1	0.54
14	NH <sub>4</sub> <sup>+</sup>	mg/L	2.18	3.18	0.646	3.238	5	10.8
15	NO <sub>3</sub> <sup>-</sup>	mg/L	19.5	14.7	24.4	22.3	30	-
16	Total nitrogen	mg/L	22.8	25.3	26.3	28.182	-	43.2
17	Total phosphate	mg/L	0.347	0.525	3.89	0.912	-	6.48
18	Total surfactants	mg/L	<0.05	<0.05	<0.05	<0.05	5	-
19	Coliform	MPN/100mL	630	2,600	310	2,200	3,000	5,000

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

## 2 Emissions and wastes

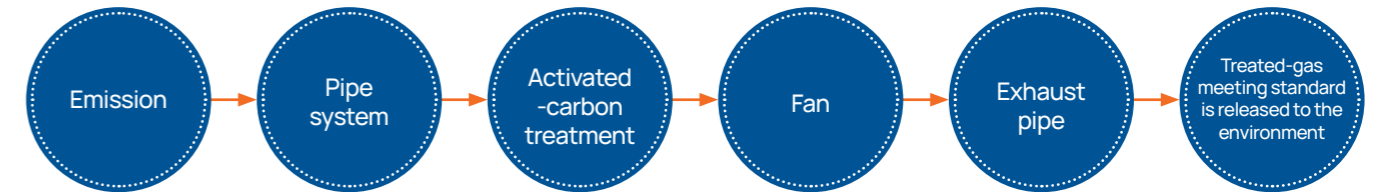
### 2.1. Emissions

Aerial emissions are mainly generated from the quartz-based engineered stone production, including:

- Organic gas exhausts in spreading stage;
- Dust exhausts in material imports.

#### Control measures

To treat and control emissions generated from production, the Company has installed the treatment system as below:



Emission treatment process

The production line with resin measurement compartment, material mixing compartment, material spreading compartment... is sealed in its entirety to prevent the emission of organic gas and at the same time, suction mouths are placed to draw gas to the common pipeline. Emanated organic gas would be subjected to negative pressure by soaking fans and soaked through activated charcoal cloth whose soaking capacity may be controlled through butterfly valves. Processed

exhaust is then discharged through 20-meter outlet pipes. Apart from their participation and contribution directly in the production process, sanitary and safety employees conduct regular monitoring of and recommend improvements to areas at risk of occupational hazard and those discharging exhausts, and supervise the maintenance of the operation of the exhaust treatment, fresh gas supply and ventilation systems.

Based on the outcomes of waste observation conducted by competent units in accordance with current regulations, the results of post-treatment exhaust analyses all meet or fall far below National Technical Standard QCVN20:2009 on industrial exhaust related to certain organic substances.

No.	Indicator	Unit	2022				NATIONAL STANDARD QCVN 20:2009/ BTNMT
			Q1 Result	Q2 Result	Q3 Result	Q4 Result	
<b>I Post-treatment emissions at Factory No. 1</b>							
1	Flow rate of emission	m <sup>3</sup> /h	5,697	5,494	5,595	5,595	-
2	Benzene	mg/Nm <sup>3</sup>	<0.003	<0.003	<0.003	<0.003	5
3	Styrene	mg/Nm <sup>3</sup>	6.34	7.79	5.96	7.23	100
4	Toluene	mg/Nm <sup>3</sup>	<0.003	<0.003	<0.003	<0.003	750
<b>II Post-treatment emissions at Factory No. 2</b>							
1	Flow rate of emission	m <sup>3</sup> /h	5.29	5.29	5,426	5,426	-
2	Benzene	mg/Nm <sup>3</sup>	<0.003	<0.003	<0.003	<0.003	5
3	Styrene	mg/Nm <sup>3</sup>	3.81	5.32	4.27	4.81	100
4	Toluene	mg/Nm <sup>3</sup>	<0.003	<0.003	<0.003	<0.003	750

Test results for the quality of post-treatment emissions at Vicostone

**Monitoring dust**

- Each month, the Health-Safety-Environment team of the General Affairs Department evaluates current state of the production line, especially the places and processes that discharge dust, finds and implements measures to reduce dust in each factory;
- Co-ordinate with the Institute for Occupational Health and Environment to conduct regular

measurement of dust volume and concentration in the 8-hour shift in the working environment;

- Maintain the operation of dust treatment systems using water-resistant and oil-resistant Polyester filter bags. All dust-generating areas in the factory are equipped with suction heads and dust is delivered to the treatment system, with the total initial investment reaching VND 2.5 billion;

- Provide face masks made for dust protection such as SP52 masks, dust filtering masks and 3M masks for employees working in areas where dust arises;
- Apply specialized vacuum cleaners to clean factory floors and damp cleaning to reduce dust arising from employees' work.

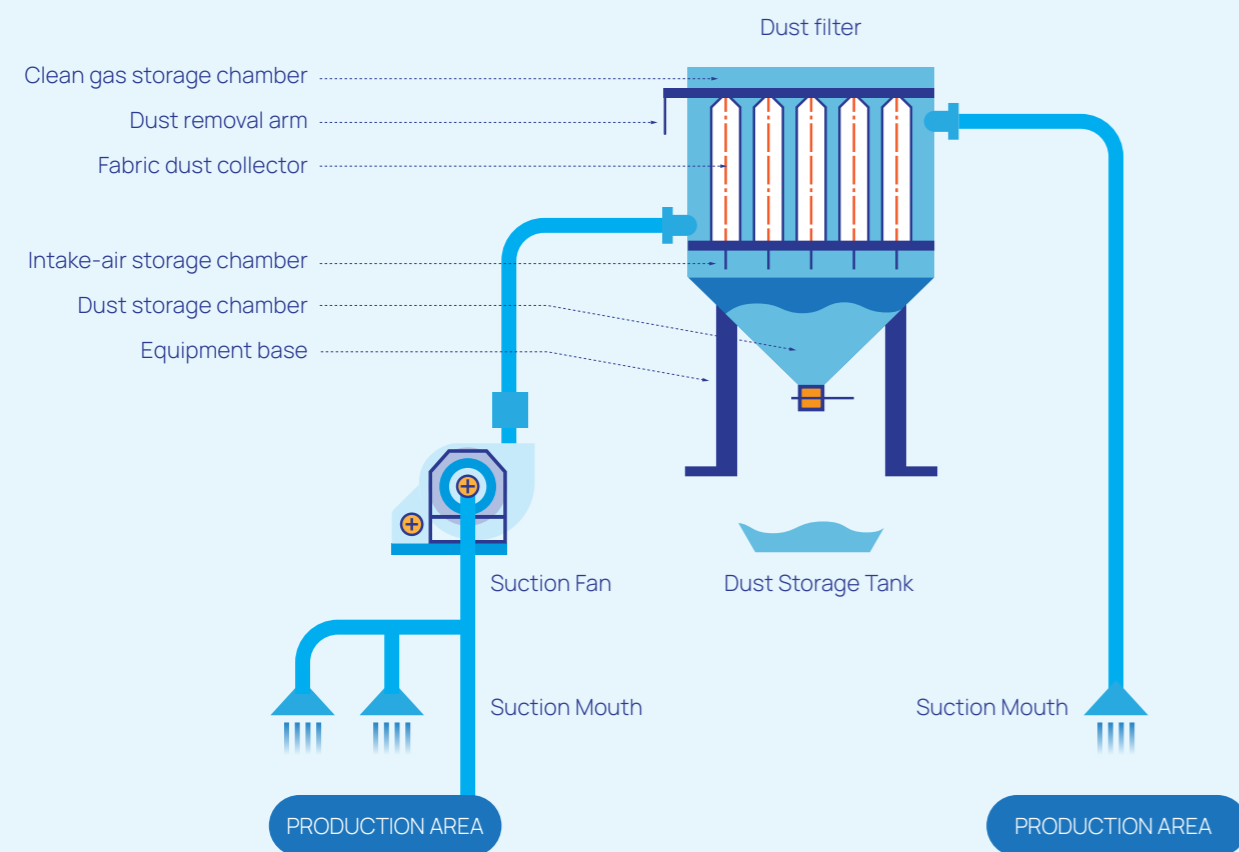


Figure of the Company's dust filter system

Based on the outcomes of waste observation conducted by competent units in accordance with current regulations, the results of post-treatment exhaust analyses all meet

or fall far below Technical Standard QCTDHN 01:2014 on industrial wastes related to dust and inorganic substances within the vicinity of Hanoi.

No.	Indicator	Unit	2022				QCTDHN 01:2014/ BTNMT	Note
			Q1 Result	Q2 Result	Q3 Result	Q4 Result		
<b>I Post-dust-treatment emissions at Factory No. 1 – Position 1</b>								
1	Flow rate of emission	m <sup>3</sup> /h	21,263	9,156	21,059	15,566	-	
2	Total suspended particles	mg/Nm <sup>3</sup>	38.5	36.2	34.7	30.8	162	Kp = 0.9; Kv = 0.9
3	CO	mg/Nm <sup>3</sup>	<1.14	<1.14	<1.14	<1.14	900	Kp = 0.9; Kv = 1
4	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<2.62	<2.62	<2.62	<2.62	405	Kp = 0.9; Kv = 0.9
5	NOx	mg/Nm <sup>3</sup>	<0.188	<0.188	<0.188	<0.188	765	Kp = 0.9; Kv = 1
<b>II Post-dust-treatment emissions at Factory No. 1 – Position 2</b>								
1	Flow rate of emission	m <sup>3</sup> /h	22,382	9,360	22,178	21,975	-	
2	Total suspended particles	mg/Nm <sup>3</sup>	30.5	<0.05	28.7	<0.05	162	Kp = 0.9; Kv = 0.9
3	CO	mg/Nm <sup>3</sup>	<1.14	<1.14	<1.14	<1.14	900	Kp = 0.9; Kv = 1
4	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<2.62	<2.62	<2.62	<2.62	405	Kp = 0.9; Kv = 0.9
5	NOx	mg/Nm <sup>3</sup>	<0.188	0.2632	<0.188	<0.188	765	Kp = 0.9; Kv = 1
<b>III Post-dust-treatment emissions at Factory No. 2 (OK2)</b>								
1	Flow rate of emission	m <sup>3</sup> /h	42,107	26,564	41,542	40,977	-	
2	Total suspended particles	mg/Nm <sup>3</sup>	32.4	26.1	29.3	24.1	162	Kp = 0.9; Kv = 0.9
3	CO	mg/Nm <sup>3</sup>	<1.14	<1.14	<1.14	<1.14	900	Kp = 0.9; Kv = 1
4	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<2.62	<2.62	<2.62	<2.62	405	Kp = 0.9; Kv = 0.9
5	NOx	mg/Nm <sup>3</sup>	0.4135	<0.188	<0.188	<0.188	765	Kp = 0.9; Kv = 1
<b>IV Emission at the crushing dust treatment system – Position 1</b>								
1	Flow rate of emission	m <sup>3</sup> /h	13,633	10,377	13,734	13,531	-	
2	Total suspended particles	mg/Nm <sup>3</sup>	38.7	23.7	42.9	20.4	180	Kp = 1; Kv = 0.9
3	CO	mg/Nm <sup>3</sup>	<1.14	<1.14	<1.14	<1.14	1	Kp = 1; Kv = 1
4	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<2.62	<2.62	<2.62	<2.62	450	Kp = 1; Kv = 0.9
5	NOx	mg/Nm <sup>3</sup>	<0.188	<0.188	<0.188	<0.188	850	Kp = 1; Kv = 1
<b>V Emission at the crushing dust treatment system – Position 2</b>								
1	Flow rate of emission	m <sup>3</sup> /h	13,226	10,275	13,124	13,327	-	
2	Total suspended particles	mg/Nm <sup>3</sup>	35.1	29.5	33.8	25.6	180	Kp = 1; Kv = 0.9
3	CO	mg/Nm <sup>3</sup>	<1.14	<1.14	<1.14	<1.14	1	Kp = 1; Kv = 1
4	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<2.62	<2.62	<2.62	<2.62	450	Kp = 1; Kv = 0.9
5	NOx	mg/Nm <sup>3</sup>	0.376	<0.188	<0.188	<0.188	850	Kp = 1; Kv = 1
<b>VI Emission at the crushing dust treatment system – Position 3</b>								
1	Flow rate of emission	m <sup>3</sup> /h	14,039	6,715	13,938	14,141	-	
2	Total suspended particles	mg/Nm <sup>3</sup>	41.3	33.9	47.5	37.1	180	Kp = 1; Kv = 0.9
3	CO	mg/Nm <sup>3</sup>	<1.14	<1.14	<1.14	<1.14	1	Kp = 1; Kv = 1
4	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<2.62	<2.62	<2.62	<2.62	450	Kp = 1; Kv = 0.9
5	NOx	mg/Nm <sup>3</sup>	<0.188	<0.188	<0.188	<0.188	850	Kp = 1; Kv = 1

Test results for the quality of post-treatment emissions at Vicostone

## 2.2. Common industrial wastes

Sources of common industrial wastes:

- Stone chips, bavia and burr from production stages;
- Dried sludge from the water treatment system;
- Clump of materials, powder of vacuum cleaner in the production formation process;
- Nylon, carton, gold foil, etc., from the product formation process.

Control and treatment solutions:

- Gather and build temporary solid waste storage, meeting the requirements of a common waste storage under the provisions of Decree 08/2022/ND-CP; TT 02/2022/TT-BTNMT on the management of wastes and craps;
- Develop and apply regulations on waste gathering, classification and management;
- Maintained daily inspection of sorting and gathering of waste at units of the Company.

No.	Waste category	Treatment solution
1	Stone chips, bavia and burr from production stages	Buried
2	Dried sludge from the water treatment system	Buried
3	Clump of materials, powder of vacuum cleaner in the production formation process	Buried
4	Nylon, carton, gold foil, etc., from the product formation process	Incinerated

Types of common industrial wastes

## 2.3. Solid domestic waste

Solid domestic wastes are primarily discharged from cafeterias, offices and operating rooms, and gathered by industrial cleaning staff on a daily basis.

Control and treatment solutions:

- Develop and apply regulations on waste management;
- Classify the wastes at source into 120-liter plastic barrels with lids;
- On a daily basis, solid wastes are transferred to the Industrial and Urban Environment JSC No 11 - Urenco 11 according to contract 656/2021/HDCN/URENCO11 signed between the two parties. The transfer of solid wastes for the purpose of treatment is undertaken and managed by the two parties in accordance with Decree No. 02/2022/TT-BTNMT on the management of wastes and craps.

## 2.4. Hazardous waste

Hazardous wastes primarily originate from the maintenance and repair of equipment, cleaning and maintenance of production lines, while some are from office work (light bulbs, ink

cartridges). Hazardous wastes at Vicostone are sorted at source and categorized into six main types:

- Residual oil;
- Metal packages;
- Fluorescence light bulbs;
- Filters and stained drags;
- Printer's cartridges;
- Lead batteries.

Control and treatment solutions:

- Develop and apply regulations on waste management;
- To ensure conformity with legal regulations, Vicostone JSC registered its list of regularly generated hazardous wastes and was accorded with a Note of Hazardous Waste Registration No. QLCTNH: 01.000118.T (4<sup>th</sup> issuance) by the Hanoi Department of Natural Resources and Environment on June 6, 2017;
- Hazardous wastes are gathered, categorized and placed in the Company's hazardous waste storehouse. The storehouse is constructed in accordance with standards set out under Circular No. 02/2022/TT-BTNMT on the

management of hazardous wastes. In addition, the hazardous storehouse is equipped with devices to respond to incidents and drainage systems to collect and prevent leakage;

- The Company transfers hazardous wastes to the Industrial and Urban Environment JSC No 11 - Urenco 11 according to contract 647/2020/HDCN/URENCO11-VICOSTONE signed at December 21, 2020 between the two parties.

Wastes in the Company are classified for treatment

Stone powder and efflorescent which are normal and harmless wastes are placed in storehouses with roofs and drains to ensure environmental protection. Vicostone conducts regular analysis, most recently the HNO547/22.3070/PTN-EATC by the Environment Analysing and Technique Joint Stock Company.

The Company has started trial production of adobe bricks to utilize stone powder and grit stemming from the production of slab stones. The application of geopolymers technology to produce adobe bricks helped to reduce dozens of tons of industrial waste annually; utilize a large sum of waste stone powder in the production of artificial slab stones to reduce pollution; secured the sustainable development strategy and the direction of utilizing green materials (adobe materials) in the future. While

the initiation of the adobe brick production factory is pending, the Company has entered into transport and treatment contract No. 053/2021/PH-VN with the Phu Minh Vina Environment Ltd., which entered into effect on 31/12/2022. The Phu Minh Vina Environment Ltd is capable of gathering, transporting, and treating stone powder and grit stemming from production activities at Vicostone. The transfer of stone powder and grit for treatment has been carried out by the two sides in accordance with the requirements of Circular No. 02/2022/TT-BTNMT.

Other conventional industrial wastes (nylon, gold foil, carton boxes, etc.) were transferred by the Company to the Urban Environment and Industry No.11 Company - Urenco11 to transport and treat according to contract No. 11/2018/HDCN/VCS-URENCO11 dated

02/01/2018 (the contract remains effective until both sides sign the minutes of termination). This waste is treated by Urenco11 with advanced combustion method, exhaust gas from the combustion is treated with the absorptive system before being discharged to the environment while the ashes are used to produce adobe bricks to reduce discharge to the environment.



## VI Environmental responsibilities

Since the outset of investment and construction, Vicostone has strictly, has strictly conducted assessments on possible environmental impacts, with subsequent environment-related licenses reviewed and approved by the State. During production and business, the Company annually invites independent and competent agencies to monitor environmental issues at its premises. Moreover, whenever a new environmental issue arises, the Company sends reports and requests for instructions to relevant authorities to ensure the highest compliance with the Company's own environmental protection commitments.

To best monitor and oversee environmental protection activities, the Company has and continues to apply and improve environmental management systems according to the ISO 14001:2015 standard; and comply with standard requirements as well as processes of this system. The assessment and inspection of environmental protection work is carried out daily to address emerging situations and prevent environmental impacts and pollution.



### 1 Compliance with legal regulations

Pursuant to environmental legislation, including: the Law on Environmental Protection No. 72/2020/QH14, Decree No. 08/2022/ND-CP, Circular No. 02/2022/TT-BTNMT, and other documents relevant to environmental protection, in 2022, Vicostone consistently complied with regulations on environmental protection and prevented any violations through the following activities:

- Full compliance with local environmental legal records:
  - Environmental impact assessment reports of projects established, appraised and approved in accordance with Decision No. 1299/QĐ-UBND of the Hanoi People's Committee on March 23, 2010;
  - Certification of completion of projects and measures for environmental protection No. 255/STNMT-CCMT issued by the Hanoi Department of Natural Resources and Environment on November 1, 2012;
- License to discharge waste No. 61/GP-UBND issued by the Hanoi People's Committee on February 24, 2020;
- Book on the ownership of sources of hazardous waste No. 01.000118.T issued by the Hanoi Department of Natural Resources and Environment for the 4<sup>th</sup> time on June 6, 2017.
- Full implementation of obligation to declare and pay environmental protection fees relating to industrial wastewater stipulated under Decree No. 53/2020/ND-CP on environmental protection fees regarding wastewater;
- Conducting full environmental supervision actions stated in the Environmental Impact Assessment Report and responsibilities stated in the operational phase of the Certification of Completion

of Projects and Measures for Environmental Protection;

- Conducting and submitting regular environmental reports to State agencies such as: Plan for regular environmental inspection; Report on outcome of regular environmental inspection, Report on environmental protection actions, Report on waste discharge into the water source.

In addition to in-house activities, Vicostone worked with external service providers to implement environmental protection measures. In 2022, the Company signed contracts of observation, collection, transport, and treatment of waste and other contracts related to environmental protection, particularly:

No.	Environment protection activities	Implementation cost (VND)
1	Treatment of oil, grease separator and septic tanks	104,000,000
2	Monitoring of working environment	16,390,000
3	Hazardous waste treatment	49,068,000
4	Regular environmental monitoring	125,976,000
5	Analysis of domestic and drinking water	27,470,000
6	Analysis of sludge from circular water systems	7,992,000
7	Payment of environment protection fee related to industrial waste water	5,530,000
8	Transportation, treatment of ordinary industrial solid waste (stone powder, grit)	5,550,000,000
9	Nylon waste transportation and treatment	472,000,000
10	Domestic waste transportation and treatment	101,000,000
11	Monitoring of dust concentration for internal control solutions	37,500,000
<b>TOTAL</b>		<b>6,496,926,000</b>

## 2 Compliance with HSEQ Handbook

Since 2014, Vicostone has compiled, issued, and amended the Environment Handbook to instruct its functional departments to comply with and remain aware of environment protection.

- Principles of establishment, application, and improvement of environment management systems:
  - Identify the demands of customers, legal authorities and other relevant parties;
  - Establish clear and consistent environment policies, and on such basis, establish quantifiable environmental goals for the Company's activities;
  - Prepare necessary resources for environment protection effectiveness;
  - Identify criteria, methods for measurement and evaluation of each process. Analyze activities to remove causes of inconsistencies in organization;
  - Continuously improve environment management and fulfill targets set by the Company.

- Main content:
  - Analyze context of organization and expectations of relevant parties;
  - Leadership's commitment in implementing environment protection activities, roles and responsibilities of relevant departments;
  - Plan environment aspects according to ISO 14001;
  - Manage resources, prepare for emergency situations;
  - Evaluate the effectiveness of activities;
  - Improve.

The HSEQ Handbook is communicated to all departments in the Company and stored in the general portal for easy access and compliance. In addition, the Company continues to review, amend, and upgrade the Handbook to best satisfy ISO standards as well as adjust to changes in the organizational structure and the market situation.

## 3 Activities for employees' environment protection awareness

Besides environmental legislation compliance, Vicostone also deploys activities to encourage employees in regards to environmental protection, contributing to a green, clean, and beautiful environment, improve working conditions and labor productivity. The Kaizen - 5S program is a fundamental activity, imposing positive impacts on the living and working environment, strengthening the ownership and responsibility of workers, and eliminating waste, and providing added value to the Company's activities.

Launched in 2015, Vicostone's Kaizen - 5S program with the slogan of "continuous improvement, lean working position, and fresh air" has been greatly supported and engaged with by all workers. Following the strategic direction of economic growth associated with green production and environmental protection, the program aims to improve working environment quality, raise the awareness of employees in energy saving, recycling, reuse, etc. at each position, including direct and indirect production divisions. The Kaizen-5S Steering Committee was established with the close supervision and direction of the Board of Management

and the participation of managers of functional departments. These ideas not only bring about economic value but also contribute considerably to the Company's environment protection. To enhance its effectiveness, in the near future, the Kaizen - 5S program will be carried out with some guidelines, including: safety improvement in production; productivity and product quality enhancement; integration into Company's major programs and projects, and others. Regularly, the secretary of the Vicostone Kaizen-5S Steering Committee will contact other Kaizen - 5S boards in the Phenikaa Group to conduct research, learn, and exchange on significant Kaizens that have been implemented.

Kaizen - 5S activities set the base for an innovative, progressive workplace environment and team spirit among employees and leadership among managers through practical activities, and form the basis to incorporate into improvement techniques. Kaizen - 5S has become part of the Company's culture and contributed significantly to the production and environment.

### 3.1. 5S activities

At Vicostone, based on the general instructions and standards of the Kaizen-5S Steering Committee, departments have customized 5S standards for each position and area of work with clear recognition and division of responsibilities. These standards are regularly reviewed and upgraded when changes take place with a maximum duration of 6 months per change at each position and area. At the same time, this is also the criterion for the Kaizen-5S Steering Committee to conduct periodic assessments of the 5S performance at each department. Evaluations are conducted on Friday afternoons of each month's second and fourth week. All units and working spaces are well arranged; file cabinets are classified by each different item, convenient for information search. In many departments, green trees have been placed to purify the air, as well as increase the comfort and creative inspiration of employees.

### 3.2. Kaizen activities

In parallel with 5S activities, the Kaizen program has been implemented at Vicostone since its early days. Following Kaizen's spirit of "Change for the better", Vicostone encourages employees to contribute ideas for improvement even with the smallest actions. Pursuant to monthly and quarterly reviews, the Kaizen-5S Steering Committee has rewarded employees for outstanding innovation initiatives, bringing value to the Company in terms of economy, productivity, time and effort. The success of the Kaizen program at Vicostone stems from small but cumulative changes over time and creates great value for the Company and workers. In 2022, thanks to the policies of the Board of Management, the Kaizen activities continued to attract the interest and contribution of ideas in production and business from the employees.

The Kaizen numbers in 2022 are as follows:

Number of Kaizen recognized	Number of Kaizen finished	Value of implementation effectiveness (VND million)
777	729	6,206.32

The Kaizen works are evidence of the employees' spirits of "continuous improvement", innovation, self-realization of issues and improvement for the better. It is the sense of responsibility and ceaseless efforts of the Board of

Directors and workers that have elevated Kaizen - 5S from a movement to a daily activity, a signature cultural aspect in life at Vicostone.

### 3.2. "Bright Friday" Program

In 2022, continuing the success of the "Bright Friday" activity, Vicostone strengthened activities to raise employees' awareness of environmental protection through social networks, bulletin boards, general information screens at the cafeteria to help build a green lifestyle in the Company. Thereby forming a shared cleaning habit at all times, picking up waste, and reminding those who do not comply.

The "Bright Friday" program includes smaller activities such as: Cleaning the workspace, classifying waste, communicating on the reduction of plastic waste discharge, economically using electronic, water, paper resources, etc. To ensure safety amid the pandemic, units, departments and work groups are assigned to each specific area every Friday.

After five years of implementation, the "Bright Friday" activity, after starting in areas inside the company only, has now been implemented in the surrounding areas such as: cleaning and collecting floating garbage on roads, clearing vegetation, clearing stagnant water ditches to limit insects, planting trees, planting flowers in empty pots. In addition, Vicostone employees also clean roads in the area to communicate about environmental protection to all employees working in Hoa Lac Hi-Tech Park.



Vicostone employees organize a marathon race combining garbage collection and environmental protection at residential premises around the factory



# Social responsibilities



## I Health and safety for the customers

## 1 Quality Management Systems

To elevate the brand VICOSTONE® to the top of global with 20 years of development, Vicostone strives for an effective, international-standard management system, via consistent updates and application of supporting tools to improve product quality, utilize cost and competitive advantage. The HSEQ (Health-Safety-Environment-Quality Management) system has been one of the initial tools that Vicostone applied to control the risks of occupational health and safety, prevent the possibility of diseases and accidents while assuring the Company complies with legal requirements, reduce environmental risks, pollution, and energy use, improve quality control system and productivity, and expand the brand recognition on the market.

HSEQ Management System is established and kept updating based on the following sub-systems:

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

Standard	Date of Registration	Date of Latest Update	Date of Validity	Certification Number	Certification Agency
ISO 9001:2015	05/11/2005	07/11/2022	07/11/2022	VN009639	BVC
ISO 14001:2015	25/10/2006	07/11/2022	07/11/2022	VN009640	BVC
ISO 45001:2018 (previously OHSAS 18001:2007)	20/10/2015	18/11/2022	18/11/2022	VN009641	BVC
SA 8000:2014	21/12/2010	30/11/2019	21/12/2019	SA569249	BSI

### 1.1. Product Quality Control standard ISO 9001:2015

Vicostone, having acknowledged the importance of quality control, in 2005 had successfully applied the Quality Control System based on the standard ISO 9001:2000 in order to achieve sustainable success and increase the Company's credibility on the market. Since then, Vicostone has kept the system 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 to 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)	All future management system standards shall apply this new arrangement with fundamentally identical basic requirements. The new display structure will: Help all units make similar judgments of the same issue; Make it easier for the Company to incorporate various management systems to optimize systems of documents, files, and procedures.
2	ISO 9001:2018 is revised with additional provision on "Background of the organization".	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.; 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; To implement strategies, the Company sets out targets and plans for quality management systems and primary processes.
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 management system through the "accountability principle".
4	ISO 9001:2015 added "quality management system planning" and "risk management".	"Quality management 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; "Risk management" helps the Company to sharply reduce risks that directly affect the quality of products and services through the management of inputs and outputs; 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".

### 1.2. 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 in the legal framework, strictly abide by legal requirements and restrain the risks of environmental issues. The continuous development of environmental management upon standard 14001 also helps Vicostone

cut costs through cost-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 toward the Company.

### 1.3. 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 in the process. 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 system. Their participation in every decision of the Company will assure the feasibility and validity of the decision as well as the benefit of employees.

### 1.4. 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 Accountability System using standard SA 8000 from the very first days of foundation.

The standard focuses on eight issues: Child labor; Forced labor; Health and safety; Freedom of association and collective bargaining; Discrimination; Disciplinary practices; Working hours; and Remuneration. The ninth issue, relating to the Management 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 completely safe and fair environment;
- Develop the brand/image of the Company as a good, conscious business.



## 2 Material assessment process

During the post-COVID-19 recovery phase and amid political and social changes around the world, global businesses faced numerous challenges related to insufficient materials, energy crises, high inflation, escalating input costs, decline in consumer purchasing power, etc.

Against such a backdrop, Vicostone has been ceaselessly improving its production technology and management system to utilize its resources, cut production costs, and stabilize the price of furnished products. Vicostone has taken control of nearly all of the input materials for the production of quartz stones, controlling the quality of main materials, while other supplementary materials have been securely supplied by reputable partners, both domestic and international. The control of input materials is strictly implemented with the following processes:

### Material inspection processes

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 materials should be imported in bulk.</li> </ul>

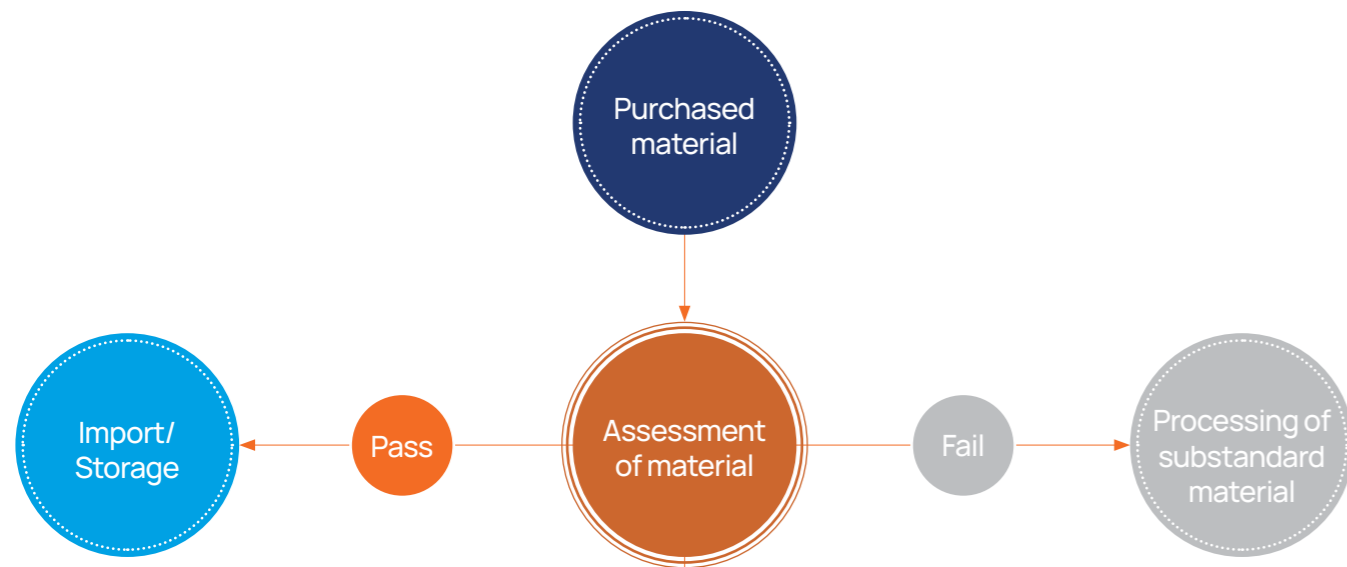
3	Pre-storage check	<ul style="list-style-type: none"> <li>• 100% of material packages are checked before being stored in accordance with existing regulations and standards;</li> <li>• If one package of materials is not qualified, it will be put aside and Vicostone will work with the supplier to fix 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 checks and assessments of the quality of both materials and storehouses to assure materials at the best condition.</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 Department examine the materials and deliver recommendations/warnings about the conditions of the materials;</li> <li>• During 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 processes**

Prior to storage, the materials are tested by the Input Quality Control team to ensure equivalence with 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 to maintain quality. Before production, the materials are assessed the second time regarding their qualities and environmental safety measurements.

**Assessment of imported material**



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

The Materials and Quality Control work to examine the materials as planned. The Quality Control Department's IQC staff evaluates all materials the first time (first check) following the guidelines approved by the BOD. If the materials:

**Pass:** The Input Quality Control decides to import 100% of materials.

**Fail:** The Input Quality Control requests for remedies as per regulations.

**Assessment of domestically-made material**

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

The Department of Materials and Equipment and Quality Control work to examine the materials as planned. The Input Quality Control follows the guidelines approved by the BOD to inspect 100% of the materials for the first time (first check). If the materials:

**Pass:** The materials are imported and stored in standardized facilities.

**Fail:** The Input Control Quality requests for remedies as per regulations.

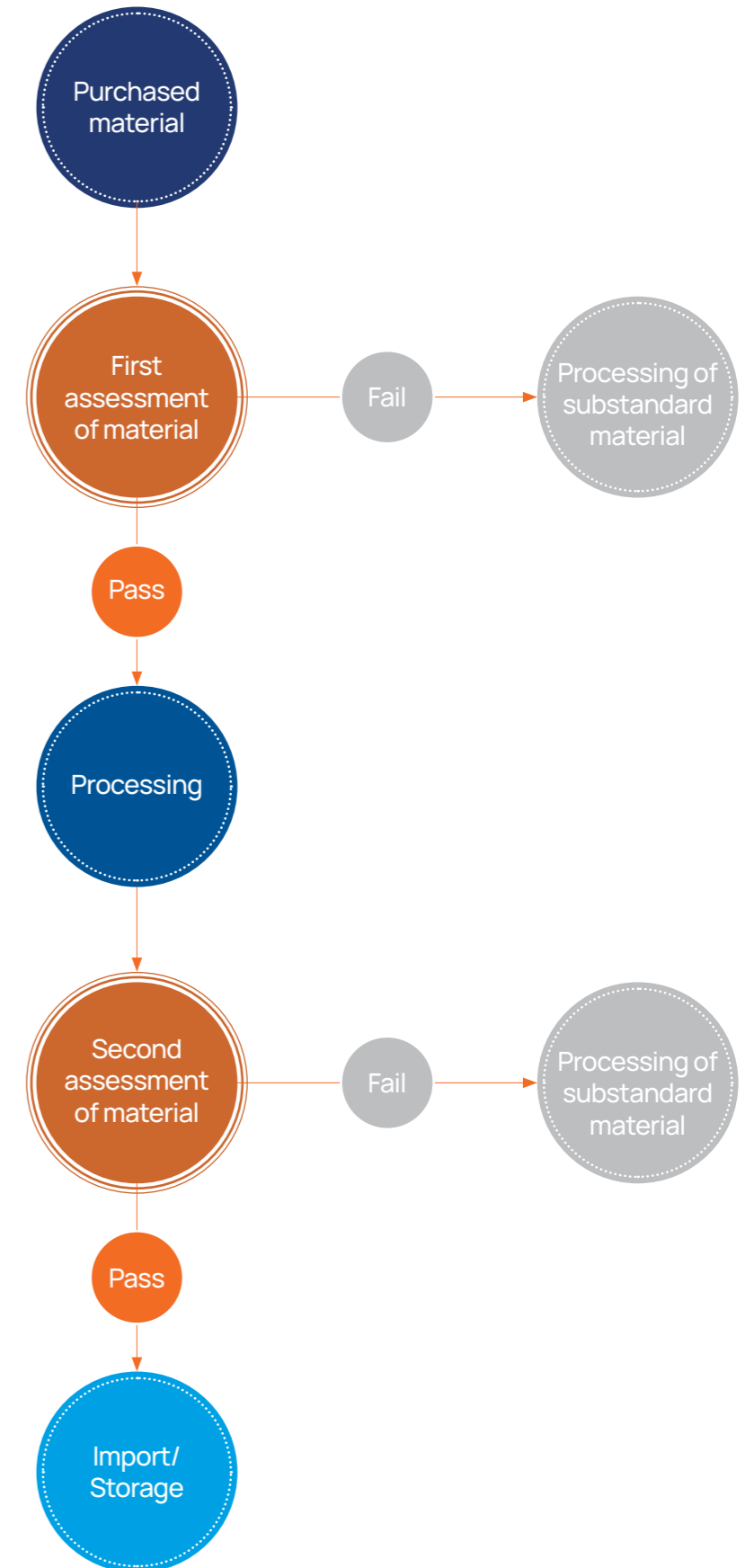
Materials after having been inspected and deemed qualified by the PQC employees of the Quality Control Department are then transferred to the Materials and Equipment department for warehousing and storage according to standards and to prevent decline in quality and quantity of materials during storage pending production.

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

The Quality Control Department's PQC staff assesses the quality of materials during production. After being processed, 100% of the materials are tested and assessed for the second time following guidelines and standards. If the materials:

**Pass:** The materials are stored and kept at standardized houses.

**Fail:** The Input Quality Control requests for remedies as per regulations.



Thanks to the integrated system application that incorporated human proactiveness and creativity in quality control, 100% of raw materials purchased by Vicostone are evaluated and ensured 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 input material sources and reduce product costs. The mastery of raw materials brought considerable advantages to Vicostone in the quartz

market in particular. After materials are stored, authorized departments continued monitoring the production lines and made sure the production strongly complies with the standards. The standards are publicly and consistently available at all factories.

The following is the work-flow on a production line at Vicostone:

Control	Guideline	Frequency	Brief description
<b>1</b> Inspect quality of raw material samples in labs and conduct trial production of small batches	"Mass production processes" 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.
<b>6</b> Product quality control	"Product quality control process" QT-32	100% of production packages	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 production 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	100% of production packages	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	In accordance with the rules by certifying agencies	Food safety information such as the percentage of heavy metals must be examined and confirmed by NSF International in the U.S.
<b>11</b> Packaging control	"Packaging processes" QT-28	100% of containers	The Quality Control Department's KCS staff inspect 100% of containers regarding the quality of packages and packaging.

### 3 International production standards and criteria

The COVID-19 pandemic and political and economic changes have resulted in global supply chain disruption, material price increases and other challenges in the manufacturing industries. However, these impacts have enabled changes in consumers' understanding of sustainable and sensible spending habits, with more attention paid to product quality in purchase decisions. 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.

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:

No.	Certifying Organization	Quality	Effect
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 Environmental Institute	GreenGuard and GreenGuard Gold certificates recognize the product is safe for 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.	Maintained annually
5	 Vietnam Institute for Building Materials (Ministry of Construction)	The institute certifies the engineered countertop product qualifies the standard QCVN16:2019/BXD or bricks and tiles.	Re-certified on 21 August, 2020

Attribute	Test method	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		
Dimensional stability	EN 14617-12:2012	Grade A
Electrical stability	EN 14617-13:2013	Resistor (Rv) = 0.9 x 10 <sup>14</sup> Ω Electrical Resistivity (pv) = 4.88 x 10 <sup>14</sup> Ωm
Impact resistance	ASTM D1709:2015	≥ 3.0 J
EN 14617-9:2005		
Compressive strength	ASTM C170/C170M-09:2009	≥ 155 Mpa
EN 14617-15:2005		
Mohs scale hardness	EN101	6.0 – 7.0
Resistance to deep abrasion	ASTM C1243:2009	Abarasion 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	Level 3 resistance: No microbial growth
Chemical resistance to acids	EN 14617-10:2012	Grade C4
Thermal shock resistance	EN 14617-6:2012	No observable changes after 20 cycles
Determination of resistance to immersion in boiling water	AS 2924.2-7: 1998 (EQUI. TO ISO 4586.2-8: 1997)	Effect on surface (rating): 5 - (No observable changes)
Determination of resistance to dry heat	AS 2924.2-8: 1998 (EQUI. TO ISO 4586.2-8: 1997)	Effect on surface (rating): 5 - (No observable changes)
Determination of resistance to staining	AS 2924.2-15: 1998 (EQUI. TO ISO 4586.2-15: 1997)	Effect on surface (rating): 5 - (No observable changes)

## 4 Intellectual property rights

### 3.1. 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. To pursue a legal complaint, a company must spend large amounts of time and money as well as navigate a lengthy procedural process. Therefore, Vicostone consistently prioritizes and actively protects its intellectual properties and brand to avoid possible risks.

- 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). Regarding the branding of its major products: the Company has registered for trademark protection of 124 trademark names in Vietnam, 66 in the United States, and 30 in Australia.



- With respect to the protection of industrial design of products: the Company has been awarded exclusive industrial design protection certificate for 26 product designs (BQ8925, BQ8915, BQ8800, BQ8863, BQ8840, BQ8860, BQ8686, BQ8730...) in Vietnam and 7 industrial designs (BQ8915, BQ9701, BQ8883, BQ9700, BQ8925, BQ8800, BQ2902) in the United States and is registering for industrial design protection for other products.
- For the protection of inventions and utility solutions: In 2022, Vicostone's parent company successfully filed a registration in Vietnam for 2 technical solutions on manufacturing and transportation to improve

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. Therefore, protection and management measures are vital to the protection of the Company's intellectual property, contributing to optimal business outcomes and sustainable development.

manufacturing and supplying procedures, 3 technical solutions for the production of building materials and 3 technical solutions for the production of auxiliary materials to enhance the quality of the product.

### 3.2. 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 (<https://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, Canada - vicostone.ca) and other markets such as Europe (vicostone.co.uk; vicostone.fr) are provided with complete information on the products, brand, and official sales location on the respective websites of the Company. In 2022, the Company also renewed 10 of its domains, including: vicostone.nz; vcsstone.com; vicostone.com.vn; vicostone.vn, etc.

The record of the characters ® and TM was to confirm Vicostone's rights to its trademarks. At the same time, the Vicostone discloses its trademarks on all documents, websites, and so forth. Thereby, the Company could limiting infringing behaviors, enhancing the effectiveness of IP rights protection and creating a solid basis to handle any violations.

### 3.3. Anti-counterfeit tools

Vicostone runs a barcode system to manage all information about 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:

- Labelling: All related information and the barcode of the product are printed and stamped on the product;
- Print directly onto the product surface: 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.

Thus, each product is labeled with a specific barcode to ensure its traceability is responsive and accurate, making the warranty easier for customers and helping them distinguish between the genuine and the counterfeit.

### 3.4. Additional protective measures

In 2022, the Company implemented further measures concerning its protect intellectual property rights, including:

- 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 implement further internal measures to strictly protect secrets in technologies, machinery, 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 respecting 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.

Product information printed onto the back of VICOSTONE® stone product



## II Corporate social responsibilities

### 1 Towards the benefits of stakeholders

With a conscious business culture, from the early days of its establishment, Vicostone has determined that effective and sustainable business development in harmony with the interests of stakeholders should guide all decisions, actions and development goals of the Company, to create and cultivate better value for the community today and future generations.

A health check-up for policy beneficiaries in the area Thach That District, organized by Vicostone in collaboration with Thach That District Hospital



#### To Employees

Vicostone believes the value and success of the Company are built on the creativity, passion and discipline of each "Vicostoner". Therefore, the Company offers a happy, professional, and friendly working environment that encourages constructive criticism and allows individuals to freely demonstrate creativity and reach their full potential, thus making contributions to the growth of the Company.



#### To Customers and Partners

Vicostone considers customers, partners and agents as the center of all of its actions and decisions. They are also considered key assets and members that help the Company to realize its strategies and achieve the targets.



#### To Competitors

Vicostone considers every player in the market as a "teacher" or a friend for Vicostone to learn from and to compete with in the spirit of developing together and improving product/service quality for customers, contributing to the socio-economic development of the country.



#### To the Community

Vicostone, as a member of the community and a "cell" of society, believes that it is necessary to preserve and protect the environment, joining the State and other stakeholders in efforts to improve people's lives and develop the socio-economy with more modern and smarter production, science and technology solutions.



#### To Shareholders and Investors

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





Children during class time at the Vicostone Kindergarten for employees' children

## 2 Towards the benefits of the community

In terms of sustainable development, Vicostone believes that production and business activities must go hand in hand with corporate social responsibility (CSR) in the spirit of promoting human values and contributing to the community. That is why, from the early days of establishment, the Company has implemented many CSR activities with 3 focuses:

- 1 Joining the Government in disease and natural disaster prevention, hunger eradication and poverty reduction;
- 2 Investing in education; supporting schools and educational institutions to improve teaching capacity; creating a favorable environment for best access to study and play opportunities; and promoting creativity for Vietnamese youth;
- 3 Investing in infrastructure and supporting the development of local communities where the Company's offices and facilities are located.

In 2022, Vicostone and Phenikaa Group implemented many community support programs. Some highlights can be found below:



A member of the Vicostone BODs presented VND 3 billion to the Fund for the Poor in Hanoi city through the Hanoi Fatherland Front Committee

### 2.1. Donating VND 3 billion to the Fund for the Poor in Hanoi city

In October 2022, the peak month of actions for the poor and social security in 2022, Phenikaa Group and its subsidiaries, including Vicostone, donated VND 3 billion to the Fund for the Poor through the Vietnam Fatherland Front Committee of Hanoi city. The donation will be used to build houses of gratitude and improve the livelihoods of disadvantaged families in Hanoi.

According to Hanoi's Fatherland Front Committee, the city currently has 3,612 poor households and more than 30,000 near-poor households, of which some 1,000 households have housing difficulties and their children cannot go to school due to economic burdens. After more than 2 years of the COVID-19 pandemic affecting all socio-economic aspects, many individuals and households in the area faced even more challenges: job loss, inflation, and dilapidated houses without funds to repair them. With the donation of VND 3 billion and annual financial contributions, Vicostone and its member units in the Phenikaa Ecosystem wish to contribute more resources together with Hanoi and the Government to support poor/disadvantaged people.

### 2.2. Donating learning equipment to schools

During the new academic year of 2022, Phenikaa Group and Vicostone JSC donated 25 sets of computers with a total value of nearly VND 300 million to 3 schools in Phong Dien district, Thua Thien Hue province: Phong Hoa I Primary School, Phong Hoa II Primary School and Nguyen Tri Phuong Secondary School; giving 5 sets of HP computers and 4 65-inch Samsung TVs; and 20 sets of desks and chairs for semi-boarding students in Thach Hoa Primary School, Thach That district, Hanoi. These are also the localities where the production factories of Vicostone and Phenikaa Hue (a subsidiary of the Company) are located.

Upholding human values and recognizing education as a core factor for community and social development, Vicostone has always focused on promoting education to cultivate the future generations of the country. The equipment will support the improvement of facilities for schools, contributing to improving the quality of teaching and learning for teachers and students.

### 2.3. Donating books and equipment to build 2 libraries for primary schools in Cao Bang and Ha Giang

Celebrating the 12th anniversary of Phenikaa Group and the 20th anniversary of Vicostone JSC, the Group launched the "Phenikaa Connect" marathon race on the Group's "Phenikaa Connect" app. For each member participating in the race, Phenikaa Group contributed VND 50,000 to raise funds to buy books and library equipment for children in disadvantaged areas. Responding to the event, Vicostone JSC joined the running team with nearly 300 active members, and the total distance achieved by the team was 32,524 km.

With the total amount of nearly VND 100 million raised from the race, along with the technical support from Room to Read Vietnam, the Company purchased books, bookshelves and educational items for two primary schools: Trung Thanh Primary School, Vi Xuyen district, Ha Giang province and Bao Toan Primary and Semi-Boarding High School, Bao Lac district, Cao Bang province. A spacious new library, various books, and various educational equipment will help students be more interested in learning through books, developing reading skills and culture in school.

### 2.4. Building houses of gratitude for families in need

On August 19, 2022, the Executive Committee of the Trade Union at Phenikaa and Vicostone in collaboration with the People's Committee, Fatherland Front Committee and Red Cross Society of Thach That district attended the inauguration ceremony and presented a house of gratitude to Ms. Vu Thi Be's family in village 4, Dai Dong commune. This is a meaningful activity accompanying the Company's program to support poor and near-poor households to build and repair degraded houses in Thach That district in 2022 with funding of VND 100 million and VICOSTONE® quartz kitchen tables.

Currently in Thach That district, there are 122 poor households and 2,050 near-poor households in difficult economic circumstances, in which some households are seriously degraded. Vicostone's work to build gratitude houses and provide other support for the people in the district not only reflect its desire to support people with more stable and favorable living conditions but also highlight the values of sharing and conscious culture of the Company on its commitment to sustainable development.

Vicostone's kindergarten



A member of the Vicostone BODs and representative from Thach That District Hospital gave free medicines to policy beneficiaries in Thach That district, Hanoi.

### 2.5. Providing free medical examination and treatment for local beneficiaries

On the 75<sup>th</sup> anniversary of War Invalids and Martyrs' Day (July 27, 1947 - July 27, 2022), Phenikaa Group and Vicostone cooperated with Thach That District General Hospital and Kim Quan Commune People's Committee to provide free medical examination, medicines, and gifts to 155 disabled people, veterans, Agent Orange victims and relatives of martyrs in Kim Quan commune, Thach That district, Hanoi.

This activity with profound humanistic significance has contributed to the implementation of the Party and State's policy on "Reciprocation of gratitude", creating conditions for policy beneficiaries and people with meritorious services to the revolution to be provided with comprehensive care and support for their physical and mental health. Doctors and nurses conducted medical screening of health status through blood pressure measurement, clinical - otolaryngology - oral and maxillofacial examination, and provided tonic to all the people coming to the medical examination. The activity has demonstrated the Company's sense of responsibility and conscious business culture in building sustainable local communities.



The disabled, veterans and policy beneficiaries in the area of Thach That district received a general health check-up organized by the Company in collaboration with the District Hospital.

Through its CSR activities, Vicostone seeks to contribute to forming a business community with conscious business

thinking and a civilized, compassionate and knowledge-based society.

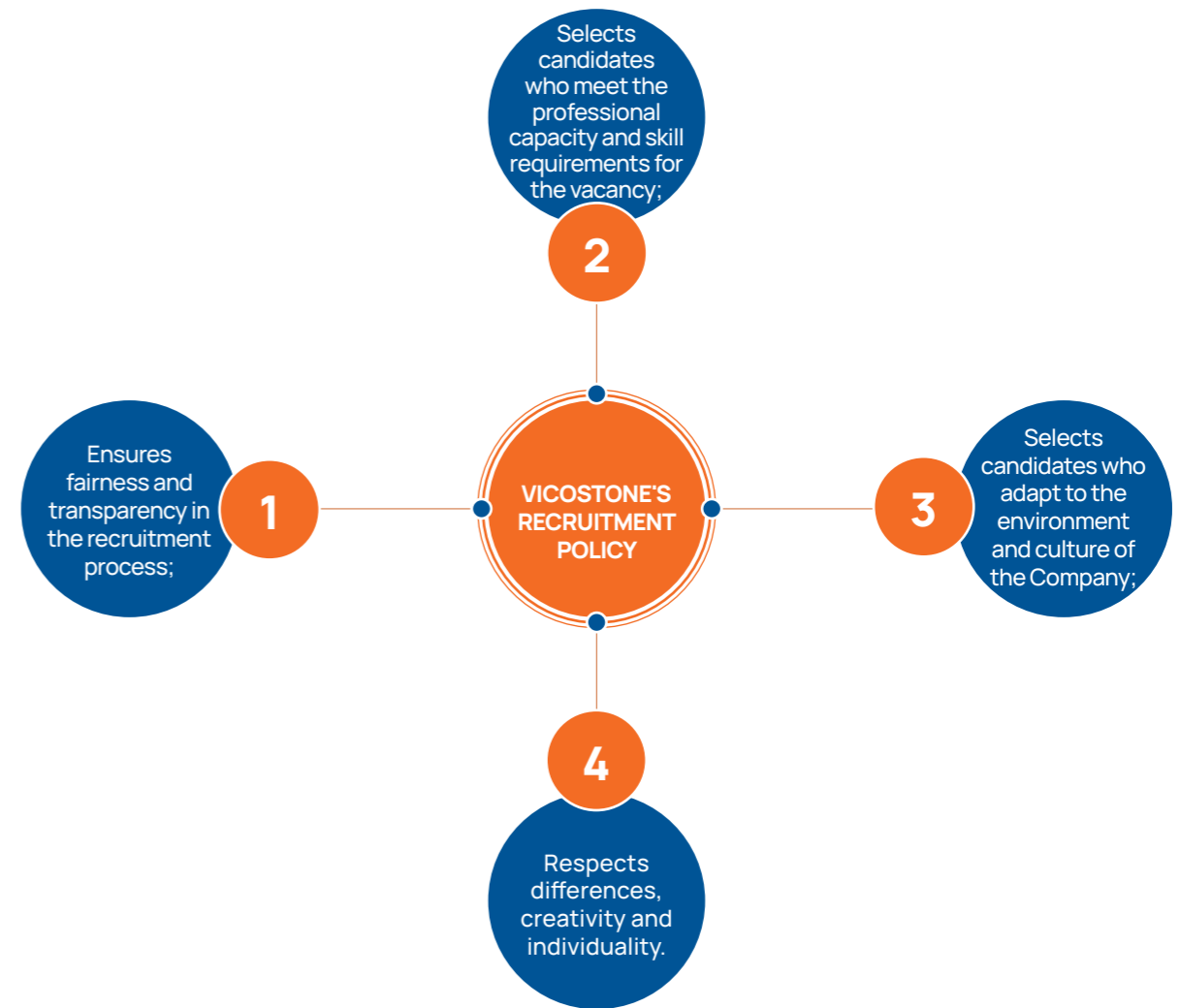


Employees of Vicostone in a discussion

## Sustainable human resources development

Vicostone currently employs a total of nearly 779 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



With two years under the impact of the COVID-19 pandemic, in 2022, domestic businesses were still significantly impacted by global economic fluctuations. Many businesses, especially exporters, were forced to reduce capacity and personnel or stop operating. However, Vicostone maintained a fair salary and bonus policy commensurate with employees' capabilities and competitive with the labor market as well as taking optimal measures to stabilize jobs for all employees. At the same time, a professional working environment, a clear promotion path, and a prestigious corporate brand are also the factors that retain key personnel and attract new employees at the Company. In 2022, Vicostone recruited 70 new

employees comprised of 84.3% as new hires and 15.7% as those rotated within Phenikaa Group.

Thanks to efforts to create jobs and a sustainable working environment for employees, in December 2022, Vicostone was rated as one of the 10 best workplaces in the construction materials industry in the Top 10 Best Workplaces Program published by Viet Research and Vietnam Investment Review (VIR)<sup>1</sup>.

<sup>1</sup> <https://vatlieuxaydung.org.vn/doanh-nghiep/top-10-noi-lam-viec-tot-nhat-nganh-xay-dung-vat-lieu-xay-dung-nam-2022-17382.htm>



A teamwork session among the Vicostone employees

## II Career development

### 1 Capacity building and training

In 2022, Vietnam implemented social distancing measures to minimize the impact of the COVID-19 pandemic and at the same time adapted to the new normal, such as moving to online working mode. Therefore, to maintain the operations, Vicostone deployed a hybrid training system to avoid interruption in training and capacity building activities for employees, increase employees' flexibility and proactiveness in learning as well as optimize training time and costs.

Vicostone also continued to develop and operate an E-learning training

system with diverse training materials, practical knowledge for each working position, and an easy-to-use and user-friendly interface. Learners could freely choose their own learning path with rich content in various formats such as text, video or games. Vicostone's E-learning training system also enables learners to track their learning progress and provides statistics on their learning effectiveness so they can set specific goals and apply suitable learning methods for themselves.

#### In 2022, 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 2022 was 85 with 4,857 trainees equating to 28,483 hours of training.

### 2 Planning and Appointment

With the economic and political volatility in recent years, Vicostone considers succession planning as a key task in HR development, contributing to building the Company's future leadership/management, reducing transition time and disruption in all aspects of operations, increasing employees' engagement with the Company, as well as creating career development opportunities for potential employees.

In 2022, Vicostone continued to implement the training and personal capacity development program for the successor staff for 2021 - 2025. In addition to training courses designed for the capacity development of each individual, talented staff members were also rotated to different positions for on-the-job training and to be equipped with skills and knowledge to be able to take on future positions in the Company. During the staff's capacity building process, Vicostone still periodically evaluated the progress of the successor staff, and at the same time reviewed and added new members to the list of successors to motivate employees to actively engage in this process.

## III Fair Compensation

### 1 Salary and bonus policies

The Company's salary policy is based on job positions and the labor market trends. The details of this are as follows:

- For positions involved in direct production, salary is paid according to labor productivity;
- For production-supporting/office work positions, salary is paid based on job position, capacity and work efficiency of each individual and competitively with the market;
- For business and sales positions, salary is paid based on the sales of products/services.

The salary policy based on position, capacity and work results has played a role in the proactive and self-improvement spirits of employees. This policy continues to be improved based on the principle of fairness and reasonableness among job titles in the company.

To motivate employees to increase their productivity and quality of work, the Company offers various bonus policies such as: periodic bonuses (on Tet holiday and other holidays) and rewards (rewards for initiatives/innovations successfully applied in production, etc.) for individuals and groups. Bonuses and rewards are also based on the results of production and business activities of the Company.

The year 2022 is a big challenge for Vietnam and the world's economies due to the prolonged military conflict between Russia and Ukraine, high inflation, and contractionary monetary policy in many countries. Despite the challenges in the economic and export market, the Company still managed to ensure salary payment for the employees during their working time at the company and not downsize the labor scope. The average income per employee in 2022 reached VND 223,091,976.

### 2 Welfare policies

Vicostone implements welfare policies for employees in accordance with Vietnam Labor Code and the Company's Labor Regulations and Labor Agreements, ensuring all employees with social insurance and health insurance. The Company cooperates with unions to design and implement various programs to take care of and improve the spiritual and material life of employees. Employees in difficult circumstances, for example those themselves or those with family members with severe diseases are provided with prompt financial living and treatment support. Below are some key activities:

- Gifts to staff on International Women's Day (8 March), Vietnamese Women's Day (20 October); Vietnamese Family Day (28 June);
- Gifts to employees' children on International Children's Day (1 June), Mid-Autumn Festival;
- Gifts to the employees' children who gain high academic achievements;

- Annual vacations for employees;
- Periodical health checks for employees;
- Condolences and congratulations to employees on family occasions.
- Health care insurance and 24/24 accident insurance for 100% of employees;
- Contributing to the fee of health insurance for employees' family members;
- In addition, due to the complicated development of the COVID-19 pandemic, employees were provided an allowance of VND 1,000,000 / person when infected with COVID-19.

Vicostone employees during lunchbreak



Vicostone employees partake in a training class





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## CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended December 31, 2022*

<b>220</b>	General information
<b>222</b>	Report of management
<b>224</b>	Independent auditors' report
<b>226</b>	Consolidated balance sheet
<b>228</b>	Consolidated income statement
<b>229</b>	Consolidated cash flow statement
<b>231</b>	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 19<sup>th</sup> amendment dated August 25, 2022 as the latest.

On December 5, 2007, the Company's shares were listed on Hanoi Stock Exchange with the stock code VCS according to Decision No. 670/QĐ-TTGDHN issued by the Hanoi Stock Exchange.

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

The Company's head office is located at Hoa Lac Hi-Tech Park, Thach Hoa commune, Thach That district, Hanoi city, Vietnam.

## II Board of directors

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

Mr Ho Xuan Nang	Chairman
Mr Pham Anh Tuan	Member
Mr Nguyen Quang Hung	Member
Ms Nguyen Dieu Thuy Ngoc	Member
Ms Tran Lan Phuong	Member

## III Audit committee

Member of the Audit Committee during the year and at the date of this report are:

Mr Nguyen Quang Hung	Head of Audit Committee
Ms Nguyen Dieu Thuy Ngoc	Member

## IV Management

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

Mr Pham Tri Dung	General Director	Appointed on February 27, 2023
Mr Pham Anh Tuan	General Director	Resigned on February 27, 2023
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

## V Legal representative

The legal representative of the Company during the year and at the date of this report is Mr Ho Xuan Nang, Chairman. Mr Pham Tri Dung

is authorised by Mr Ho Xuan Nang to sign the accompanying consolidated financial statements for the year ended December 31, 2022 in accordance

with the Letter of Authorisation No. 2702/2023/UQ/VCS-CTHDQT dated February 27, 2023.

## VI Auditors



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

# Report of Management

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, 2022.

## I Management's responsibility in respect of the Consolidated Financial Statements

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Prepare the consolidated financial statements on the going concern

basis unless it is inappropriate to presume that the Company and its subsidiary will continue its business.

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.

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

## II Statement by Management

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, 2022 and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Vietnamese

Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of the consolidated financial statements.

For and on behalf of management:



The stamp is circular and red, containing the text: "M.S. CO. P. 0500459512 - C.T. C.P.", "CÔNG TY CỔ PHẦN VICOSTONE", and "H. THẠCH THẤT - TP. HỒ CHÍ MINH". A blue ink signature is written over the stamp.

**Pham Tri Dung**  
General Director  
March 22, 2023





# Independent auditors' report

Reference: 11658249/22965388 - HN



## 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, 2023 and set out on page 5 to 40 which comprise the consolidated balance sheet as at December 31, 2022, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

## 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 of December 31, 2022, and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Vietnamese

Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of the consolidated financial statements.

## Management's responsibility

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

## Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the 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 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.

## Ernst & Young Vietnam Limited



**TRAN PHU SON**

Deputy General Director  
Audit Practising Registration  
Certificate No. 6037-2023-004-1  
Hanoi, Vietnam  
March 22, 2023

**NGUYEN THU HANG**

Auditor  
Audit Practising Registration  
Certificate No. 3342-2021-004-1

# Consolidated balance sheet

as of December 31, 2022

Currency: VND

Code	Assets	Notes	Ending balance	Beginning balance
<b>100</b>	<b>A. CURRENT ASSETS</b>		<b>5,541,110,081,466</b>	<b>5,829,100,412,476</b>
<b>110</b>	<b>I. Cash and cash equivalents</b>	<b>IV</b>	<b>1,101,676,090,814</b>	<b>1,045,421,628,805</b>
111	1. Cash		215,476,090,814	426,821,628,805
112	2. Cash equivalents		886,200,000,000	618,600,000,000
<b>120</b>	<b>II. Short-term investments</b>	<b>V</b>	<b>-</b>	<b>60,000,000,000</b>
123	1. Held- to-maturity investments		-	60,000,000,000
<b>130</b>	<b>III. Current accounts receivable</b>		<b>1,750,028,465,700</b>	<b>2,448,451,558,208</b>
131	1. Short-term trade receivables	VI	1,754,675,793,052	2,406,105,347,822
132	2. Short-term advances to suppliers		8,377,198,328	42,468,184,250
135	3. Short-term loan receivables		50,129,329	50,129,329
136	4. Other short-term receivables		3,464,876,522	4,180,386,693
137	5. Provision for doubtful short-term receivables		(16,539,531,531)	(4,352,489,886)
<b>140</b>	<b>IV. Inventories</b>	<b>VII</b>	<b>2,577,658,997,132</b>	<b>1,990,065,772,716</b>
141	1. Inventories		2,594,611,461,152	1,997,243,301,566
149	2. Provision for obsolete inventories		(16,952,464,020)	(7,177,528,850)
<b>150</b>	<b>V. Other current assets</b>		<b>111,746,527,820</b>	<b>285,161,452,747</b>
151	1. Short-term prepaid expenses	XI	6,145,496,832	4,814,144,072
152	2. Value-added tax deductible	XIII	105,487,647,713	280,347,308,675
153	Tax and other receivables from the State		113,383,275	-
<b>200</b>	<b>B. NON-CURRENT ASSETS</b>		<b>1,048,794,759,498</b>	<b>1,063,813,155,887</b>
<b>210</b>	<b>I. Long-term receivables</b>		<b>30,000,000</b>	<b>30,000,000</b>
216	Other long-term receivables		30,000,000	30,000,000
<b>220</b>	<b>II. Fixed assets</b>		<b>975,280,835,505</b>	<b>1,036,694,489,298</b>
221	1. Tangible fixed assets	VIII	972,138,363,967	1,031,256,223,077
222	Cost		2,169,276,071,120	2,101,547,816,858
223	Accumulated depreciation		(1,197,137,707,153)	(1,070,291,593,781)
227	2. Intangible fixed assets	IX	3,142,471,538	5,438,266,221
228	Cost		28,466,568,497	28,212,923,497
229	Accumulated amortisation		(25,324,096,959)	(22,774,657,276)
<b>240</b>	<b>III. Long-term assets in progress</b>		<b>54,250,937,168</b>	<b>9,670,832,872</b>
242	Construction in progress	X	54,250,937,168	9,670,832,872
<b>260</b>	<b>IV. Other long-term assets</b>		<b>19,232,986,825</b>	<b>17,417,833,717</b>
261	1. Long-term prepaid expenses	XI	16,831,608,041	15,010,120,004
262	2. Deferred tax assets	XXIII.3	2,401,378,784	2,407,713,713
<b>270</b>	<b>TOTAL ASSETS</b>		<b>6,589,904,840,964</b>	<b>6,892,913,568,363</b>

Code	Resources	Notes	Ending balance	Beginning balance
<b>300</b>	<b>C. LIABILITIES</b>		<b>1,721,167,194,707</b>	<b>2,018,716,551,655</b>
<b>310</b>	<b>I. Current liabilities</b>		<b>1,628,068,914,249</b>	<b>1,872,419,253,793</b>
311	1. Short-term trade payables	XII	80,317,405,465	252,312,590,220
312	2. Short-term advances from customers		7,003,689,632	7,259,225,012
313	3. Statutory obligations	XIII	55,599,343,517	75,379,723,591
314	4. Payables to employees		8,331,696,224	8,195,199,636
315	5. Short-term accrued expenses		2,224,770,026	453,613,290
319	6. Other short-term payables		7,911,154,252	5,079,698,238
320	7. Short-term loans	XIV	1,341,331,424,122	1,479,310,860,822
322	8. Bonus and welfare fund	XV	125,349,431,011	44,428,342,984
<b>330</b>	<b>II. Non-current liabilities</b>		<b>93,098,280,458</b>	<b>146,297,297,862</b>
338	1. Long-term loans	XIV	93,098,280,458	146,297,297,862
<b>400</b>	<b>D. OWNERS' EQUITY</b>		<b>4,868,737,646,257</b>	<b>4,874,197,016,708</b>
<b>410</b>	<b>I. Capital</b>	<b>XVI</b>	<b>4,868,737,646,257</b>	<b>4,874,197,016,708</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	290,584,886
418	3. Investment and development fund		88,958,137,122	88,958,137,122
420	4. Other funds belonging to owners' equity		18,551,233,538	18,551,233,538
421	5. Undistributed earnings		3,160,937,690,711	3,166,397,061,162
421a	Undistributed earnings by the end of prior year		2,976,676,519,568	2,034,337,197,107
421b	Undistributed earnings of current year		184,261,171,143	1,132,059,864,055
<b>440</b>	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>6,589,904,840,964</b>	<b>6,892,913,568,363</b>

**TRAN THI HUONG THU**  
Preparer  
March 22, 2023

**NGUYEN PHUONG ANH**  
Chief Accountant



**PHAM TRI DUNG**  
General Director

# Consolidated income statement

for the year ended December 31, 2022

Currency: VND

Code	Items	Notes	Current year	Previous year
01	1. Revenue from sale of goods	XVIII.1	5,679,350,995,019	7,108,211,833,610
02	2. Deductions	XVIII.1	19,085,550,827	38,082,854,613
10	3. Net revenue from sale of goods (10 = 01 - 02)	XVIII.1	5,660,265,444,192	7,070,128,978,997
11	4. Cost of goods sold	XIX	3,917,293,715,601	4,607,624,494,397
20	5. Gross profit from sale of goods (20 = 10 - 11)		1,742,971,728,591	2,462,504,484,600
21	6. Finance income	XVIII.2	98,155,802,144	62,082,451,372
22	7. Finance expenses	XX	137,491,570,611	89,487,688,687
23	In which: Interest expense		50,419,208,909	56,876,350,423
25	8. Selling expenses	XXI	254,616,726,453	272,145,112,014
26	9. General and administrative expenses	XXII	66,807,125,334	47,348,871,942
30	10. Operating profit {30 = 20 + (21 - 22) - (25 + 26)}		1,382,212,108,337	2,115,605,263,329
31	11. Other income		3,533,428,873	4,433,747,988
32	12. Other expenses		8,528,561,965	22,637,976,339
40	13. Other loss (40 = 31 - 32)		(4,995,133,092)	(18,204,228,351)
50	14. Profit before tax (50 = 30 + 40)		1,377,216,975,245	2,097,401,034,978
51	15. Current corporate income tax expenses	XXIII.1	228,508,335,765	325,160,412,470
52	16. Deferred tax expense	XXIII.3	6,334,929	180,758,453
60	17. Net profit after tax (60 = 50 - 51 - 52)		1,148,702,304,551	1,772,059,864,055
70	18. Basic earnings per share	XXVI	6,425	9,890
71	19. Diluted earnings per share	XXVI	6,425	9,890

**TRAN THI HUONG THU**  
Preparer  
March 22, 2023

**NGUYEN PHUONG ANH**  
Chief Accountant



**PHAM TRI DUNG**  
General Director

# Consolidated cash flow statement

for the year ended December 31, 2022

Currency: VND

Code	Items	Notes	Current year	Previous year
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>				
01	Profit before tax		1,377,216,975,245	2,097,401,034,978
Adjustments for:				
02	Depreciation of tangible fixed assets and amortisation of intangible fixed assets		129,487,612,834	128,047,268,748
03	Provisions		21,961,976,815	5,842,631,586
04	Foreign exchange losses arisen from revaluation of monetary accounts denominated in foreign currency		24,700,782,263	10,856,954,333
05	Profits from investing activities		(21,545,941,417)	(14,038,583,398)
06	Interest expenses	XX	50,419,208,909	56,876,350,423
08	Operating profit before changes in working capital		1,582,240,614,649	2,284,985,656,670
09	Decrease/(increase) in receivables		808,672,783,599	(648,791,983,076)
10	(Increase)/decrease in inventories		(597,368,159,586)	22,499,984,941
11	Decrease in payables		(189,488,443,308)	(66,633,231,842)
12	(Increase)/decrease in prepaid expenses		(262,475,479)	979,403,959
14	Interest paid		(48,515,094,701)	(56,884,970,781)
15	Corporate income tax paid	XIII	(250,232,121,223)	(324,841,945,403)
17	Other cash outflows for operating activities		(113,240,586,975)	(116,703,598,796)
20	Net cash flows from operating activities		1,191,806,516,976	1,094,609,315,672
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>				
21	Purchase and construction of fixed assets and other long-term assets		(60,932,414,789)	(41,195,138,027)
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)
24	Loan recovery, resale of debt instruments of other entities		60,000,000,000	-
27	Interest received		21,820,782,295	14,464,239,826
30	Net cash flows from/(used in) investing activities		20,888,367,506	(86,632,898,201)

Currency: VND

Code	Items	Notes	Current year	Previous year
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>				
31	Capital contribution and issuance of shares		-	527,700,000
33	Drawdown of borrowings		2,560,367,223,816	2,826,063,241,011
34	Repayment of borrowings		(2,752,129,420,313)	(2,935,029,359,337)
36	Dividends paid to shareholders		(959,037,237,800)	(642,014,742,700)
40	Net cash flows used in financing activities		(1,150,799,434,297)	(750,453,161,026)
50	Net increase in cash for the year		61,895,450,185	257,523,256,445
60	Cash and cash equivalents at the beginning of the year		1,045,421,628,805	790,349,857,796
61	Impact of exchange rate fluctuation		(5,640,988,176)	(2,451,485,436)
70	Cash and cash equivalents at the end of the year	IV	1,101,676,090,814	1,045,421,628,805

**TRAN THI HUONG THU**  
Preparer  
March 22, 2023

**NGUYEN PHUONG ANH**  
Chief Accountant

**PHAM TRI DUNG**  
General Director

# Notes to the consolidated financial statements

as of December 31, 2022 and for the year then ended

## I Corporate information

Vicostone Joint Stock Company ("the Company") is a joint stock company incorporated under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate for joint stock company No. 0500469512 issued by the Department of Planning and Investment of Ha Tay Province (now known as Hanoi City) on June 2, 2005 and its subsequent amendments with the 19<sup>th</sup> amendment dated August 25, 2022 as the latest.

On December 5, 2007, the Company's shares were listed on Hanoi Stock Exchange with the stock code VCS according to Decision No. 670/QĐ-TTGDHN issued by the Hanoi Stock Exchange.

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

The Company and its subsidiary's normal course of business cycle is 12 months.

The Company's head office is located at Hoa Lac Hi-Tech Park, Thach Hoa commune, Thach That district, Hanoi city, Vietnam.

The Company's total number of employees as of December 31, 2022 is 957 (December 31, 2021: 980).

## Corporate structure

As of December 31, 2022, the Company has a subsidiary which is Phenikaa Hue Investment and Processing Mineral One Member Company Limited ("Phenikaa Hue Company").

Phenikaa Hue Company is a one-member limited liability company incorporated under the Law on Enterprise of Vietnam pursuant to the Enterprise Registration Certificate No. 3301601070 issued by the Department of Planning and Investment of Thua Thien Hue province on 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 Company is located at Lot CN15 Zone B, Phong Dien Industry Park, Phong Hoa commune, Phong Dien district, Thua Thien Hue province. The principal activities of Phenikaa Hue Company are to invest and process minerals.

As of December 31, 2022, the Company holds a 100% equity interest in this subsidiary.

## II Basis of preparation

### 1 Accounting standards and system

The consolidated financial statements of the Company and its subsidiary, which are expressed in Vietnam Dong (“VND”), are prepared in accordance with the Vietnamese Enterprise Accounting System and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- Decision No. 149/2001/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 utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices

and furthermore are not intended to present the consolidated financial position and consolidated results of operations and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

### 2 Fiscal year

The Company and its subsidiary's fiscal year applicable for the preparation of its consolidated financial statements start on 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 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary for the year ended December 31, 2022.

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

The financial statements of the subsidiary are prepared for the same

reporting year as the Company, using consistent accounting policies.

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

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

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

## III Summary of significant accounting policies

### 1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and short-term, highly liquid investments with an original maturity of less than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

### 2 Inventories

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

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

Raw materials and merchandise goods  
Finished goods and work-in process

- Cost of purchase on a weighted average basis.
- Cost of direct materials and labour plus attributable manufacturing overheads based on the normal operating capacity on a weighted average basis.

### Provision for obsolete inventories

An inventory provision is created for the estimated loss arising due to the impairment of value (through diminution, damage, obsolescence, etc.) of raw materials, finished goods, and other inventories owned by the Company and its subsidiary, based on appropriate evidence of impairment available at the balance sheet date.

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

### 3 Receivables

Receivables are presented in the consolidated financial statements at the carrying amounts due from customers and other debtors, after provision for doubtful debts.

The provision for doubtful debts represents amounts of outstanding receivables at the consolidated balance sheet date which are doubtful of being recovered. Increases and decreases to the provision balance are recorded as general and administrative expense in the consolidated income statement.

## 4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

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

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

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

## 5 Leased assets

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

### Where the Company is the lessee

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

## 6 Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation.

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

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

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

## 7 Depreciation and amortisation

Depreciation of tangible fixed assets and amortisation of intangible fixed assets are calculated on a straight-

line basis over the estimated useful life of each asset as follows:

Buildings and structures	4 - 25 years
Machinery and equipment	3 - 20 years
Means of transportation	4 - 10 years
Office equipment	3 - 8 years
Other tangible fixed assets	5 - 10 years
Computer software	3 - 12 years
Other intangible fixed assets	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 expense during the year in which they are incurred, except to the extent that they are capitalized as explained in the following paragraph.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset

## 9 Prepaid expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses on the consolidated balance sheet and amortised over the year for which the amounts are paid or the year in which economic benefits are generated in relation to these expenses.

The following types of expenses are recorded as long-term prepaid expenses and are amortised to the consolidated income statement:

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

### Prepaid land rental

The prepaid land rental represents the unamortised balance of advance payment made in accordance with lease contract signed with Bac Phu Cat Industrial Zone on May 30, 2008 for

a period of 48 years 7 months 19 days and with Phong Dien Industrial Park, Thua Thien Hue province on March 24, 2017 for a period of 39 years 9 months 8 days. Such prepaid rental is classified as long-term prepaid expenses for allocation to the consolidated income statement over the remaining period of the lease contract, according to Circular 45/2013/TT-BTC dated April 25, 2013.

## 10 Business combinations and goodwill

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

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Company and its subsidiary's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. 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 amount. Any impairment loss incurred is recognised as expense in the consolidated financial statements and deducted against the value of such investments.

## 12 Payables and accruals

Payables and accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company and its subsidiary.

### 13 Foreign currency transactions

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

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

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

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

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

### 14 Treasury shares

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

### 15 Appropriation of net profits

Net profit after tax is available for appropriation to shareholders after approval in the Annual General Meeting, and after making appropriation to reserve funds in accordance with the Company and Vietnam's regulatory requirements.

The Company maintains the following reserve funds which are appropriated from the Company's net profit as proposed by the Board of Directors and subject to approval by shareholders at the Annual General Meeting.

#### Investment and development fund

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

#### Bonus and welfare fund

This fund is set aside for the purpose of pecuniary rewarding and encouraging, common benefits and improvement of the employees' benefits and presented as a liability on the consolidated balance sheet.

#### Scientific and technological development fund

This fund is set aside for the purpose of research, experimental of new material, chemical of its operation and trading.

### 16 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and its subsidiary and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return. The following specific recognition criteria must also be met before revenue is recognised:

#### Sale of goods

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

#### Interest

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

### 17 Taxation

#### Current income tax

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

Current income tax is charged or credited to the consolidated income statement, except when it relates to items recognised directly to equity, in which case the current income tax is also dealt with in equity.

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

#### Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit or loss;

- In respect of taxable temporarily differences associated with investments in subsidiary and associate, and interests in joint ventures where timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which is deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised, except:

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

The carrying amount of deferred tax assets is reviewed at consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Previously unrecognised deferred tax assets are re-assessed at the

consolidated balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted at the consolidated balance sheet date.

Deferred tax is charged or credited to the consolidated income statement, except when it relates to items recognised directly to equity, in which case the deferred tax is also dealt with in the equity account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right for the Company to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on

- Either the same taxable entity; or
- When the Company intends either settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**18 Earnings per share**

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

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

**19 Segment information**

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

Company's business segment is derived mainly from manufacturing and distributing quartz-based compound stone related products. Management defines the Company's geographical segments to be based on the location where the company sells its products.

**20 Related parties**

Parties are considered to be related parties of the Company and its subsidiary if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, or when the Company and its subsidiary and other party are under common control or under common significant influence. Related parties can be enterprise or individual, including close members of the family of any such individual.





## IV Cash and cash equivalents

Currency: VND

	Ending balance	Beginning balance
Cash on hand	6,397,931,841	6,142,218,798
Cash at banks	209,078,158,973	420,679,410,007
Cash equivalents (*)	886,200,000,000	618,600,000,000
<b>TOTAL</b>	<b>1,101,676,090,814</b>	<b>1,045,421,628,805</b>

(\*) Cash equivalents as at December 31, 2022 include deposits in VND at commercial banks, with term of 1 month and earn interest of 6% per annum (December 31, 2021: 3.1% - 4% per annum).

## V Held-to-maturity investments

Currency: VND

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

## VI Short-term trade receivables

Currency: VND

	Ending balance	Beginning balance
Trade receivables from customers	614,612,983,299	816,931,054,815
Architectural Surfaces Group LLC (previous known as Pental Surfaces, USA)	87,175,955,888	240,233,271,154
Vicostone Canada Inc	202,386,199,697	322,285,842,062
Other customers	325,050,827,714	254,411,941,599
Trade receivables from related parties (Note 25)	1,140,062,809,753	1,589,174,293,007
<b>TOTAL</b>	<b>1,754,675,793,052</b>	<b>2,406,105,347,822</b>
Provision for doubtful short-term trade receivables	(16,539,531,531)	(4,352,489,886)

## VII Inventories

Currency: VND

	Ending balance		Beginning balance	
	Cost	Provision	Cost	Provision
Goods in transit	168,845,760	-	55,128,619,661	-
Raw materials	195,522,460,766	-	218,885,783,716	-
Tools and supplies	115,368,884,645	-	98,503,048,680	-
Work in process	48,956,930,856	-	30,552,469,465	-
Finished goods	492,943,183,375	(1,072,732,302)	432,112,447,918	(1,498,144,616)
Merchandise goods	1,741,651,155,750	(15,879,731,718)	1,162,060,932,126	(5,679,384,234)
<b>TOTAL</b>	<b>2,594,611,461,152</b>	<b>(16,952,464,020)</b>	<b>1,997,243,301,566</b>	<b>(7,177,528,850)</b>

Detail of movements of provision for obsolete inventories:

Currency: VND

	Current year	Previous year
Beginning balance	(7,177,528,850)	(4,782,078,378)
Add: Provision created during the year	(10,200,347,484)	(5,712,370,791)
Less: Utilisation and reversal of provision during the year	425,412,314	3,316,920,319
Ending balance	(16,952,464,020)	(7,177,528,850)

## VIII Tangible fixed assets

Currency: VND

	Buildings and structures	Machinery and equipment	Means of transportation	Office equipment	Other fixed assets	Total
<b>Cost:</b>						
Beginning balance	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
New purchase for the year	391,214,713	6,211,003,292	705,000,000	315,407,001	-	7,622,625,006
Transfer from construction in progress	1,941,535,199	58,545,031,078	-	-	-	60,486,566,277
Disposal	-	(380,937,021)	-	-	-	(380,937,021)
Ending balance	297,238,280,141	1,807,298,531,115	44,651,460,450	19,094,653,306	993,146,108	2,169,276,071,120
In which:						
Fully depreciated	61,613,908,050	329,291,216,864	26,337,304,616	14,734,229,496	-	431,976,659,026
<b>Accumulated depreciation:</b>						
Beginning balance	150,716,024,689	870,379,392,160	32,244,830,361	16,599,607,323	351,739,248	1,070,291,593,781
Depreciation for the year	16,573,228,855	106,926,299,022	2,466,905,129	847,596,881	124,143,264	126,938,173,151
Disposal	-	(92,059,779)	-	-	-	(92,059,779)
Disposal	167,289,253,544	977,213,631,403	34,711,735,490	17,447,204,204	475,882,512	1,197,137,707,153
<b>Net carrying amount:</b>						
Beginning balance	144,189,505,540	872,544,041,606	11,701,630,089	2,179,638,982	641,406,860	1,031,256,223,077
Ending balance	129,949,026,597	830,084,899,712	9,939,724,960	1,647,449,102	517,263,596	972,138,363,967

Phenikaa Hue Company mortgaged all machineries, equipments, 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 449 billion as at December 31, 2022 (December 31, 2021: VND 503 billion) for long-term bank loans as presented in Note 14.

## IX Intangible fixed assets

Currency: VND

	Computer software	Others	Total
<b>Cost:</b>			
Beginning balance	28,174,923,497	38,000,000	28,212,923,497
New purchase for the year	253,645,000	-	253,645,000
Ending balance	28,428,568,497	38,000,000	28,466,568,497
<b>In which:</b>			
Fully amortised	1,923,150,635	38,000,000	1,961,150,635
<b>Accumulated amortisation:</b>			
Beginning balance	22,736,657,276	38,000,000	22,774,657,276
Amortisation for the year	2,549,439,683	-	2,549,439,683
Ending balance	25,286,096,959	38,000,000	25,324,096,959
<b>Net carrying amount:</b>			
Beginning balance	5,438,266,221	-	5,438,266,221
Ending balance	3,142,471,538	-	3,142,471,538

## X Construction in progress

Currency: VND

	Ending balance	Beginning balance
Purchase	53,522,616,720	8,968,654,332
Construction in progress	728,320,448	584,681,084
Overhaul cost of fixed assets	-	117,497,456
<b>TOTAL</b>	<b>54,250,937,168</b>	<b>9,670,832,872</b>

## XI Prepaid expenses

Currency: VND

	Ending balance	Beginning balance
<b>Short-term</b>		
Tools and supplies	2,293,892,697	3,367,670,016
Maintenance fee	1,964,904,279	41,065,268
Others	1,886,699,856	1,405,408,788
<b>TOTAL</b>	<b>6,145,496,832</b>	<b>4,814,144,072</b>
<b>Long-term</b>		
Prepaid land rental	5,563,331,122	5,838,063,523
Tools and supplies	6,296,207,133	7,553,039,702
Overhaul cost of fixed assets	1,433,434,195	786,891,555
Others	3,538,635,591	832,125,224
<b>TOTAL</b>	<b>16,831,608,041</b>	<b>15,010,120,004</b>

## XII Short-term trade payables

Currency: VND

	Ending balance		Beginning balance	
	Amount	Amount payable	Amount	Amount payable
Chemipac PTE Ltd.	10,968,955,200	10,968,955,200	15,449,913,600	15,449,913,600
Vietnam LPG Trading Joint Stock Co.,	8,469,966,996	8,469,966,996	-	-
Payables to other suppliers	54,200,024,548	54,200,024,548	199,223,568,060	199,223,568,060
Trade payables to related parties (Note 25)	6,678,458,721	6,678,458,721	37,639,108,560	37,639,108,560
<b>TOTAL</b>	<b>80,317,405,465</b>	<b>80,317,405,465</b>	<b>252,312,590,220</b>	<b>252,312,590,220</b>

## XIII Statutory obligations

Currency: VND

	Beginning balance	Increase in the year	Payment received in the year	Ending balance
<b>Receivables/ Deductible</b>				
Value added tax deductible	280,347,308,675	224,394,998,689	(399,254,659,651)	105,487,647,713
Personal income tax	-	113,383,275	-	113,383,275
<b>TOTAL</b>	<b>280,347,308,675</b>	<b>224,508,381,964</b>	<b>(399,254,659,651)</b>	<b>105,601,030,988</b>

	Beginning balance	Payable for the year	Payment made in the year	Ending balance
<b>Payables</b>				
Corporate income tax	74,066,418,462	228,508,335,765	(250,232,121,223)	52,342,633,004
Value added tax of imported goods	-	94,772,259,577	(94,772,259,577)	-
Import, export duties	124,659,325	7,948,395,556	(8,063,939,375)	9,115,506
Personal income tax	1,188,645,804	13,119,939,491	(14,272,259,334)	36,325,961
Other taxes	-	14,889,217,172	(11,677,948,126)	3,211,269,046
<b>TOTAL</b>	<b>75,379,723,591</b>	<b>359,238,147,561</b>	<b>(379,018,527,635)</b>	<b>55,599,343,517</b>

	Beginning balance	Movement during the year		Ending balance
	Amount and amount payable	Increase	Decrease	Amount and amount payable
<b>Short-term loans</b>				
Loans from banks (Note 14.1)	1,426,111,843,418	2,561,172,937,382	2,699,152,374,082	1,288,132,406,718
Current portion of long-term loans (Note 14.2)	53,199,017,404	53,199,017,404	53,199,017,404	53,199,017,404
	1,479,310,860,822	2,614,371,954,786	2,752,351,391,486	1,341,331,424,122
<b>Long-term loans</b>				
Loans from banks (Note 14.2)	146,297,297,862	-	53,199,017,404	93,098,280,458
	146,297,297,862	-	53,199,017,404	93,098,280,458
<b>TOTAL</b>	<b>1,625,608,158,684</b>	<b>2,614,371,954,786</b>	<b>2,805,550,408,890</b>	<b>1,434,429,704,580</b>

### 1 Short-term loans from banks

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

Bank	Ending balance (VND)	Original amount (USD)
Indovina Bank Ltd	344,716,511,070	14,496,069
Joint stock Commercial Bank for Investment and Development of Viet Nam	260,266,531,472	10,988,665
Asia Commercial Joint Stock Bank	190,822,706,700	8,051,591
Vietnam International Commercial Joint Stock Bank	117,891,847,440	4,943,054
United Oversea Bank Ltd	97,224,135,725	4,093,648
Malayan Banking Berhad	91,379,546,755	3,845,941
Military Commercial Joint Stock Bank	85,425,387,883	3,597,616
Joint Stock Commercial Bank for Foreign Trade of Vietnam	52,853,213,443	2,227,274
HSBC Bank Vietnam Ltd	12,915,122,913	544,574
<b>TOTAL</b>	<b>1,253,495,003,401</b>	<b>52,788,432</b>

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

Bank	Ending balance (VND)	Original amount (VND)
HSBC Bank Vietnam Ltd	34,637,403,317	34,637,403,317
<b>TOTAL</b>	<b>34,637,403,317</b>	<b>34,637,403,317</b>

Loans as of December 31, 2022 are short-term unsecured loans with interest rates ranging from 1.95% to 5.2% per annum for USD loans, 5.0% per annum for VND loans, interest is paid monthly.

### 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 per annum	Description of collateral
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Thanh Cong Branch	146,297,297,862	Interest is paid monthly. Principal is payable on December 15, 2025.	10,1%	Entire building 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
<b>TOTAL</b>	<b>146,297,297,862</b>			
In which:				
Current portion of long-term loans	53,199,017,404			
Long-term loans	93,098,280,458			

### XV Bonus and welfare funds

	Current year	Previous year
Beginning balance	44,428,342,984	44,920,323,644
Appropriated during the year (Note 16.1)	194,161,675,002	116,211,618,136
Utilized during the year	(113,240,586,975)	(116,703,598,796)
Ending balance	125,349,431,011	44,428,342,984

## XVI Owners' equity

### 1 Increase and decrease in owners' equity

Currency: VND

	Issued share capital	Share premium	Treasury share	Investment and development fund	Other funds belonging to owners' equity	Other funds belonging to owners' equity	Total
<b>Previous year</b>							
Beginning balance	1,600,000,000,000	129,549,102	(293,331,372,873)	88,958,137,122	18,551,233,538	2,443,513,523,900	3,857,821,070,789
Paying dividends in treasury shares	-	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 for the year 2021	-	-	-	-	-	(640,000,000,000)	(640,000,000,000)
Net profit for the year	-	-	-	-	-	1,772,059,864,055	1,772,059,864,055
Ending balance	1,600,000,000,000	290,584,886	-	88,958,137,122	18,551,233,538	3,166,397,061,162	4,874,197,016,708
<b>Current year</b>							
Beginning balance	1,600,000,000,000	290,584,886	-	88,958,137,122	18,551,233,538	3,166,397,061,162	4,874,197,016,708
Bonus and welfare funds appropriation (*)	-	-	-	-	-	(194,161,675,002)	(194,161,675,002)
Dividend advanced for the year 2022 (**)	-	-	-	-	-	(960,000,000,000)	(960,000,000,000)
Net profit for the year	-	-	-	-	-	1,148,702,304,551	1,148,702,304,551
Ending balance	1,600,000,000,000	290,584,886	-	88,958,137,122	18,551,233,538	3,160,937,690,711	4,868,737,646,257

(\*) During the year, the Company appropriated the bonus and welfare funds from the profit after tax of the year 2021 according to the Resolution No.01/2022/NQ/VCS-DHDCD dated April 28, 2022 of the Annual General Shareholders' Meeting for the year 2021. The Company's subsidiary appropriated the bonus and welfare funds from the profit after tax of the year 2021 according to Resolution No. 02/2022/NQ-HDTV dated January 24, 2022 of this subsidiary's Members' Council.

(\*\*) During the year, the Company also advanced a cash dividend at the rate of 60% per share with a total amount of VND 960 billion according to Resolution No. 06/2022/NQ/VCS-HDQT dated May 24, 2022 and Resolution No. 10/2022/NQ/VCS-HDQT dated November 22, 2022 of the Board of Directors.

## 2 Capital transactions with owners

Currency: VND

	Current year	Previous year
<b>Capital contributed by owners</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

## 3 Dividends

Currency: VND

	Current year	Previous year
<b>Dividends declared during the year</b>	<b>960,000,000,000</b>	<b>933,331,372,873</b>
Dividends on ordinary shares	960,000,000,000	933,331,372,873
1 <sup>st</sup> advance cash dividends for 2022 (VND 3,000 per share)	480,000,000,000	-
2 <sup>nd</sup> advance cash dividends for 2022 (VND 3,000 per share)	480,000,000,000	-
1 <sup>st</sup> advance cash dividends for 2021 (VND 2,000 per share)	-	320,000,000,000
2 <sup>nd</sup> 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
<b>Dividends paid during the year</b>	<b>959,037,237,800</b>	<b>642,014,742,700</b>
<b>Dividends declared after closing date of financial year and not yet recognised as liability</b>	<b>-</b>	<b>-</b>

## 4 Shares

	Ending balance	Beginning balance
	Quantity	Quantity
<b>Authorized shares</b>	<b>160,000,000</b>	<b>160,000,000</b>
<b>Issued shares</b>	<b>160,000,000</b>	<b>160,000,000</b>
Ordinary shares	160,000,000	160,000,000
Preference shares	-	-
<b>Shares in circulation</b>	<b>160,000,000</b>	<b>160,000,000</b>
Ordinary shares	160,000,000	160,000,000
Preference shares	-	-

Par value of outstanding share: VND 10,000 per share  
(December 31, 2021: VND 10,000 per share).

## XVII Off consolidated balance sheet items

	Ending balance	Beginning balance
Foreign currencies		
- United States Dollar (USD)	5,801,817	12,387,750
- Euro (EUR)	229,467	715,780
- Canadian Dollar (CAD)	1,974,252	5,415,710

## XVIII Revenue

### 1 Revenue from sale of goods

Currency: VND

	Current year	Previous year
<b>Gross revenue</b>	<b>5,679,350,995,019</b>	<b>7,108,211,833,610</b>
Sale of finished goods and merchandises	5,679,350,995,019	7,108,211,833,610
<b>Sales deductions</b>	<b>19,085,550,827</b>	<b>38,082,854,613</b>
Trade discount	19,085,550,827	37,784,414,793
Sale return	-	298,439,820
<b>Net revenue</b>	<b>5,660,265,444,192</b>	<b>7,070,128,978,997</b>
In which:		
Sale to related parties (Note 25)	2,804,026,506,344	3,060,381,353,408
Sale to other parties	2,856,238,937,848	4,009,747,625,589

### 2 Finance income

Currency: VND

	Current year	Previous year
Foreign exchange gain	76,335,019,849	47,618,211,546
Interest income from bank deposits and loan receivables	21,820,782,295	14,464,239,826
<b>TOTAL</b>	<b>98,155,802,144</b>	<b>62,082,451,372</b>

## XIX Cost of goods sold

Currency: VND

	Current year	Previous year
Cost of finished goods, merchandises sold	3,907,518,780,431	4,605,229,043,925
Provision for obsolete devaluation of inventories	9,774,935,170	2,395,450,472
<b>TOTAL</b>	<b>3,917,293,715,601</b>	<b>4,607,624,494,397</b>

## XX Finance expenses

Currency: VND

	Current year	Previous year
Foreign exchange losses	87,072,361,702	32,611,338,264
Loan interest	50,419,208,909	56,876,350,423
<b>TOTAL</b>	<b>137,491,570,611</b>	<b>89,487,688,687</b>

## XXI Selling expenses and general and administrative expenses

Currency: VND

	Current year	Previous year
<b>Selling expenses</b>		
- Loading and delivery costs	184,891,208,777	186,340,561,653
- Packaging costs	21,179,094,809	25,619,243,869
- Labour costs	9,933,537,894	5,429,284,656
- Labour costs	38,612,884,973	54,756,021,836
<b>TOTAL</b>	<b>254,616,726,453</b>	<b>272,145,112,014</b>
<b>General and administrative expenses</b>		
- Labour costs	23,683,233,040	10,888,642,586
- Provision for doubtful debts	12,187,041,645	3,447,181,114
- Depreciation	7,453,030,051	7,580,001,312
- Others	23,483,820,598	25,433,046,930
<b>TOTAL</b>	<b>66,807,125,334</b>	<b>47,348,871,942</b>

## XXII Production and operating costs

Currency: VND

	Current year	Previous year
Raw materials and merchandises	3,702,013,086,055	4,363,117,389,624
Labor costs	104,344,092,308	103,834,947,326
Depreciation and amortization of fixed assets	129,487,612,834	128,047,268,748
Expenses for external services	340,450,846,974	385,620,921,198
Other expenses	39,060,556,993	34,868,127,047
<b>TOTAL</b>	<b>4,315,356,195,164</b>	<b>5,015,488,653,943</b>

## XXIII Corporate income tax

The Company and its subsidiary are obliged to pay corporate income tax ("CIT") as follows:

### Vicostone Joint Stock Company

In regard to sale of finished goods of Factory No.1 as the initial investment project:

The CIT rate applied for activities in this year is 20% of taxable profits.

In regard to sale of finished goods of Factory No.2 as the investment expansion project:

The Factory No.2 project meet the conditions as business expansion as circulated in Circular 96/2015/TT-BTC issued by the Ministry of Finance on June 22, 2015 ("Circular 96"). Accordingly, the Company is entitled to CIT exemption, reduction as the same as a new project located in the same area, which is exemption from CIT for 4 years commencing from the first year of earning taxable profits and a 50% CIT reduction in the following 9 years. The first year of earning taxable profits of the Factory No. 2 is 2014. However, Circular 96 is only applied to the CIT tax year 2015 onwards, thus, the Company is entitled to an exemption from CIT from 2015 to 2017 and a 50% CIT reduction in the following 9 years (from 2018 to 2026). Accordingly, CIT rate applied for income of this activity during the current year is 10% of taxable profit.

In regard to sale of merchandise:

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

### Phenikaa Hue Company, subsidiary

CIT rate applied for Phenikaa Hue Company is 17% of taxable profit in 10 years commencing from the first year in which this company has revenue from its investment project. Phenikaa Hue Company is entitled to an exemption from CIT for 2 years from the first year of earning taxable income (2019 to 2020) and 50% CIT reduction in the following 4 years (from 2021 to 2024). Accordingly, the CIT applicable to Phenikaa Hue Company 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 amounts reported in the consolidated financial statements could change at a later date upon final determination by the tax authorities.

## 1 CIT expenses

Currency: VND

	Current year	Previous year
Current CIT expenses	228,444,523,330	323,882,680,785
Adjustment for under accruals of CIT in prior years	63,812,435	1,277,731,685
Deferred tax expense	6,334,929	180,758,453
<b>TOTAL</b>	<b>228,514,670,694</b>	<b>325,341,170,923</b>

## 2 CIT expenses

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

Currency: VND

	Current year	Previous year
<b>Accounting profit before tax</b>	<b>1,377,216,975,245</b>	<b>2,097,401,034,978</b>
At CIT rate of 20%	271,770,375,505	415,781,361,472
<b>Adjustment:</b>		
Unrealised foreign exchange loss in the current year	4,880,715,562	1,799,651,696
Non-deductible expenses	4,540,149,946	1,336,460,139
Provision for devaluation of inventories and doubtful receivables during the year	1,884,074,559	1,900,344,259
Adjustment for under accrual of tax from prior year	30,868,490	1,277,731,685
Adjustment for business consolidation	6,334,929	180,758,453
Penalty for late payment	3,207,934	463,523,564
Unrealised foreign exchange of previous year realized in the current year	(1,777,785,124)	606,856,157
Reversal of provision in previous year	(68,433,878)	(650,953,152)
Tax exemption, reduction	(52,754,837,229)	(97,354,563,350)
<b>CIT expense</b>	<b>228,514,670,694</b>	<b>325,341,170,923</b>



## 2 Current CIT expense (continued)

The current CIT payable is based on the estimated taxable profit for the current year. The taxable profit of the Company and its subsidiary for the year differs from the profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes

items that are not taxable or deductible. The Company and its subsidiary's liability for current tax is calculated using tax rates that have been enacted by the consolidated balance sheet date.

## 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	2,401,378,784	2,407,713,713	6,334,929	180,758,453
	2,401,378,784	2,407,713,713		
<b>Net deferred tax charge to consolidated income statement</b>			<b>6,334,929</b>	<b>180,758,453</b>



## XXIV 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 its products.

The operating businesses are organized and managed separately according to the locations where the Company and its subsidiary operates, with each segment representing a strategic business unit that offers different products.

### Geographical segment

The following table presents revenue, expenditure and certain asset information regarding the Company and its subsidiary's geographical segments:

Currency: VND

	Domestic activities	Export activities	Total
<b>As at December 31, 2022 and for the year then ended</b>			
<b>Revenue</b>			
Sales to external customers	2,140,793,644,462	3,519,471,799,730	5,660,265,444,192
Inter-segment sales	-	-	-
Total revenue	2,140,793,644,462	3,519,471,799,730	5,660,265,444,192
<b>Results</b>			
Segment gross profit	480,920,493,764	1,296,394,525,268	1,777,315,019,032
Unallocated cost of sale	-	-	(34,343,290,441)
Gross profit	-	-	1,742,971,728,591
Unallocated income, expense	-	-	(365,754,753,346)
Net profit before corporate income tax	-	-	1,377,216,975,245
Corporate income tax expense	-	-	(228,514,670,694)
Net profit for the year	-	-	1,148,702,304,551
<b>Assets and liabilities</b>			
Segment assets	985,871,242,986	752,265,018,535	1,738,136,261,521
Unallocated assets	-	-	4,946,407,405,255
Total assets	-	-	6,589,904,840,964
Unallocated liabilities	-	-	1,721,167,194,707
Total liabilities	-	-	1,721,167,194,707
<b>Others segment information</b>			
Capital expenditure of fixed assets	-	-	68,362,836,283
Depreciation & amortisation	-	-	129,395,553,055

The following table presents revenue, expenditure and certain asset information regarding to the Company and its subsidiary's geographical segments (continued):

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 cost of sale	-	-	(5,594,596,860)
Gross profit	-	-	2,462,504,484,600
Unallocated income, expense	-	-	(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 & amortisation	-	-	128,143,604,400

Income and expense except for cost of goods sold, assets except for trade receivables and provision for those trade receivables, and payables, are not allocated into geographical segment as they are not clearly identified for each segment.

## XXV Transactions with related parties

The list of related parties as at 31 December 2022 is as follows:

Related parties	Relationship
A&A Green Phoenix Group Joint Stock Company (Phenikaa Group)	Parent company
Style Stone Joint Stock Company	Fellow subsidiary ("Phenikaa Group")
Vietnam Stone Work - Top Fabrication Joint Stock Company	Fellow subsidiary
Tran Long Industry Joint Stock Company	Fellow subsidiary
Phenikaa University	Fellow subsidiary
Junior High School Le Quy Don – Tay Do	Fellow subsidiary
Sec G3 Center Joint Stock Company	Fellow subsidiary
Vinh Thien Medical Joint Stock Company	Fellow subsidiary
Nam Hung Joint Stock Company	Fellow subsidiary
Hanoi - VPM Project Management Consulting Joint Stock Company	Fellow subsidiary
Phenikaa Education Investment Joint Stock Company	Fellow subsidiary
Yersin Vietnam Joint Stock Company	Fellow subsidiary
Phenikaa Institute of Research and Technology	Fellow subsidiary
Phenikaa Maas Technology Joint Stock Company	Fellow subsidiary
Phenikaa Electronic Joint Stock Company	Fellow subsidiary
Phenikaa Chemical Co., Ltd	Fellow subsidiary
Phenikaa Trading and Technology Transfer Joint Stock Company	Fellow subsidiary
Advanced Technology Joint Stock Company	Fellow subsidiary
Phenikaa X Joint Stock Company	Fellow subsidiary

AQP Research and Control Pharmaceuticals Joint Stock Company	Fellow subsidiary
Phenikaa Technology and Lighting Solutions Joint Stock Company	Fellow subsidiary
Bao Toan A Joint Stock Company	Fellow subsidiary
Phenikaa Smart Device Development Joint Stock Company	Fellow subsidiary
PHX Education Technology Solutions and Services Joint Stock Company	Fellow subsidiary
Stylenquaza LLC	Associate of parent company
Mr Ho Xuan Nang	Chairman of the Board of Directors
Mr Nguyen Quang Hung	Member of the Board of Directors, Head of the Audit Committee
Ms Nguyen Dieu Thuy Ngoc	Member of the Board of Directors, Member of the Audit Committee
Mr Pham Anh Tuan (**)	Member of the Board of Directors
Ms Tran Lan Phuong	Member of the Board of Directors
Mr Nguyen Huu Chuong	Member of the Board of Directors of Subsidiary
Mr Pham Tri Dung (*)	General Director
Mr Luu Cong An	Vice General Director
Mr Nguyen Chi Cong	Vice General Director
Mr Dong Quang Thuc (***)	Vice General Director
Mr Hoang Anh Trung Son	Director of Subsidiary

(\*) Appointed on February 27, 2023

(\*\*) Resigned on February 27, 2023

(\*\*\*) Appointed on May 7, 2023

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

Currency: VND

Related parties	Relationship	Transactions	Current year	Previous year
A&A Green Phoenix Group Joint Stock Company	Parent company	Sales of materials, consumables	846,622,213,058	921,573,077,090
		Purchase of merchandises, services	1,502,248,969,168	1,390,035,537,074
		Dividend payable	807,882,492,000	538,588,328,000
		Dividend paid	807,882,492,000	538,588,328,000
Style Stone Joint Stock Company	Fellow subsidiary	Sales of materials, consumables	168,352,212,739	166,437,326,472
		Purchase of merchandises, services	846,697,345,811	767,436,614,219
Stylenquaza LLC	Associate of parent company	Sales of finished goods, consumables	982,677,166,859	1,492,500,202,132
Vietnam Stone Work - Top Fabrication Joint Stock Company	Fellow subsidiary	Sales of finished goods, consumables	571,119,177,136	418,849,195,835
		Purchase of merchandise, services	436,128,715,684	376,185,811,541
Tran Long Industry Joint Stock Company	Fellow subsidiary	Sales of finished goods, consumables	66,107,493,744	51,214,022,260
		Purchase of merchandise, services	153,001,991,306	92,575,487,552
Sec G3 Center Joint Stock Company	Fellow subsidiary	Purchase of stationery, merchandises, food	9,295,479,390	12,560,900,015
		Land rental fee, utilities, other services charge	2,054,654,764	2,061,138,561
Phenikaa University	Fellow subsidiary	Sales of finished goods	32,665,400,570	5,376,393,864
Junior High School Le Quy Don – Tay Do	Fellow subsidiary	Sales of finished goods	3,532,783,334	4,431,135,755
Vinh Thien Medical Joint Stock Company	Fellow subsidiary	Sales of finished goods	74,615,339,391	-
Nam Hung Joint Stock Company	Fellow subsidiary	Sales of finished goods	58,334,719,513	-

Terms and conditions of transactions with related parties

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

Receivables, payable due from/to related parties as at the balance sheet date are unsecured, interest free and will be settled in cash or offsetting with receivable and payable accounts. Receivables from related parties as disclosed in

Note 6 have the payment terms from 3 to 12 months. For the year ended December 31, 2022, the Company and its subsidiary have not made any provision for doubtful debts relating to amounts owed by related parties.

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

Currency: VND

Related parties	Relationship	Transactions	Ending balance	Beginning balance
<b>Short-term trade receivables (Note 6)</b>				
Vietnam Stone Work - Top Fabrication Joint Stock Company (*)	Fellow subsidiary	Receivables from sales of finished goods, consumables	609,638,281,144	561,534,340,366
Stylenquaza LLC	Associate of parent company	Receivables from sales of finished goods, consumables	286,780,915,193	410,321,188,109
Vinh Thien Medical Joint Stock Company (*)	Fellow subsidiary	Receivables from sales of finished goods	80,584,566,542	-
Tran Long Industry Joint Stock Company (*)	Fellow subsidiary	Receivables from sales of finished goods, consumables	63,574,017,804	204,598,408,729
Nam Hung Joint Stock Company (*)	Fellow subsidiary	Receivables from sales of finished goods	63,001,497,074	-
Phenikaa University (*)	Fellow subsidiary	Receivables from sales of finished goods	35,321,370,996	257,755,201,619
Style Stone Joint Stock Company	Fellow subsidiary	Receivables from sales of materials, consumables	1,162,161,000	10,322,545,640
Junior High School Le Quy Don - Tay Do	Fellow subsidiary	Receivables from sales of finished goods	-	128,796,592,583
A&A Green Phoenix Group Joint Stock Company	Parent company	Receivables from sales of materials, consumables	-	15,846,015,961
			1,140,062,809,753	1,589,174,293,007

(\*) Receivables from these related parties have payment term of 1 year and are guaranteed for payment by Green Phoenix A&A Group Joint Stock Company in case these parties fail to fulfil any debt repayment obligations due to the Company.

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

Currency: VND

Related parties	Relationship	Transactions	Ending balance	Beginning balance
Short-term trade payables (Note 12)				
A&A Green Phoenix Group Joint Stock Company	Parent company	Purchase of merchandises, services	3,199,093,038	6,702,744,138
Sec G3 Center Joint Stock Company	Fellow subsidiary	Purchase of merchandises, services	2,071,246,295	3,610,332,314
Style Stone Joint Stock Company	Fellow subsidiary	Purchase of merchandises, services	1,408,119,388	27,290,232,234
Vietnam Stone Work - Top Fabrication Joint Stock Company	Fellow subsidiary	Purchase of merchandises, services	-	35,799,874
			<b>6,678,458,721</b>	<b>37,639,108,560</b>
Other short-term trade payables (Code 319)				
A&A Green Phoenix Group Joint Stock Company	Parent company	Other short-term trade payables	1,762,390,000	-
			<b>1,762,390,000</b>	-

### Transaction with other related parties

Remuneration to members of the Board of Directors and Management:

Currency: VND

Name	Position	Remuneration	
		Current year	Previous year
Mr Ho Xuan Nang	Chairman of the Board of Directors	3,922,901,283	4,147,931,558
Mr Pham Anh Tuan (**)	Member of the Board of Directors	2,985,868,571	2,921,022,428
Mr Nguyen Quang Hung	Member of the Board of Directors, Head of the Audit Committee	170,000,000	167,500,000
Ms Nguyen Dieu Thuy Ngoc	Member of the Board of Directors, Member of the Audit Committee	120,100,000	110,000,000
Ms Tran Lan Phuong	Member of the Board of Directors	60,000,000	60,000,000
Mr Pham Tri Dung (*)	General Director	3,010,919,767	2,883,220,200
Mr Luu Cong An	Vice General Director	2,953,179,767	2,799,787,800
Mr Nguyen Chi Cong	Vice General Director	2,739,710,000	2,564,403,036
Mr Dong Quang Thuc (***)	Vice General Director	1,609,341,207	771,273,885
Ms Pham Thi Bich Thuy (****)	Vice General Director	-	86,247,018
		<b>17,572,020,595</b>	<b>16,511,385,925</b>

(\*) Appointed on February 27, 2023

(\*\*) Resigned on February 27, 2023

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

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

## XXVI Earnings per share

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

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

The Company used the following information to compute basic and diluted earnings per share.

Currency: VND

	Current year	Previous year
Net profit after tax	1,148,702,304,551	1,772,059,864,055
Appropriation in bonus and welfare funds (*)	(120,780,809,394)	(189,720,541,595)
<b>Net profit attributable to ordinary equity holders adjusted for the effect of dilution</b>	<b>1,027,921,495,157</b>	<b>1,582,339,322,460</b>
<b>Weighted average number of ordinary shares adjusted for basis earnings per share</b>	<b>160,000,000</b>	<b>160,000,000</b>
<b>Earnings per share</b>		
- Basic earnings per share	6,425	9,890
- Diluted earnings per share	6,425	9,890

(\*) Profits used to calculate earnings per share for the year ended 31 December 2022 have been adjusted to reduce the temporary deduction of bonus and welfare funds for the year ended 31 December 2022 in accordance with Resolution No. 01/2022/NQ/VCS-DHDCD of the Company's General Meeting of Shareholders dated 28 April 2022 and the deduction for bonus and welfare fund from 2022 undistributed profit after tax of the subsidiary in accordance with Resolution No. 02/2022/NQ-HDTV dated January 24, 2022 of this subsidiary's Members' Council.

No transactions of ordinary shares or potential ordinary shares have occurred between the balance sheet date and the date of completion of the consolidated financial statements.

## XXVII Commitments and contingencies

### 1 Operating lease commitments

The Company and its subsidiary lease land under operating lease arrangements. As at December 31, 2022, payables for rental fee in the future under the operating lease agreements is as follows:

Currency: VND

	Ending balance	Beginning balance
Less than 1 year	937,335,450	937,335,450
From 1-5 years	3,749,341,800	3,749,341,800
More than 5 years	21,883,016,550	22,820,352,000
<b>TOTAL</b>	<b>26,569,693,800</b>	<b>27,507,029,250</b>

Additionally, the Company also leases 27,451 m<sup>2</sup> land area at Plot 2A, Bac Phu Cat Industrial Zone under the operating lease contract No. 10/VC/HDKT-TLTKCNBPC dated 30 May 2008 with the lease term of 48 years, 7 months and 19 days commencing from the contract date. The fees of land rental are VND 10,000/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 Zone management in subsequent discussions.

Phenikaa Hue Company leases 37,300 m<sup>2</sup> land area at Plot CN15 Zone B, Phong Dien Industry Park, Phong Hoa Commune, Phong Dien District, Thua Thien Hue Province under the operating lease contract No. 2403/2017/HDTD/PHXH-TP dated March 24, 2017 with the lease term of 39 years, 9 months and 8 days commencing from the contract date. The fees of land rental are VND 15,015/m<sup>2</sup> per annum and management service charge of VND 4,050/m<sup>2</sup> per annum (Land rent and management fee above do not include VAT). Land rental and management fee is paid annually as specified under this contract.

### 2 Commitment related to operating lease contract

The Company and subsidiary lease land under the operating lease contracts. According to the signed land lease contracts, the Company is obliged to remove all construction works, architectural objects, equipment,

materials on the leased land and restore the site to its original conditions as at the time of receiving the land at the end of the lease period. The Company's management believes that the effect of this obligation on the current year's financial statements is immaterial. Accordingly, no provision for site restoration obligation has been made in the financial statements.

## XXVIII Events after the balance sheet date

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

**TRAN THI HUONG THU**  
Preparer  
22 March 2023

**NGUYEN PHUONG ANH**  
Chief Accountant

**PHAM TRI DUNG**  
General Director





## VICOSTONE JOINT STOCK COMPANY

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

☎ Tel: +84.24 3368 5826

📠 Fax: +84.24 3368 6652

✉ Email: [quanhecodong@vicostone.com](mailto:quanhecodong@vicostone.com)

🌐 Website: <https://vicostone.com>