

# Century Synthetic Fiber Corporation

Financial statements

31 December 2013

# Century Synthetic Fiber Corporation

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# Century Synthetic Fiber Corporation

## GENERAL INFORMATION

### THE COMPANY

Century Synthetic Fiber Corporation ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate ("BRC") No. 4103003288 issued by the Department of Planning and Investment of Ho Chi Minh City on 11 April 2005 and the following amended BRC:

<i>Amended BRC No.</i>	<i>Date</i>
4103003288 – 1 <sup>st</sup>	24 May 2007
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0302018927 – 8 <sup>th</sup>	19 October 2011
0302018927 – 9 <sup>th</sup>	6 July 2012
0302018927 – 10 <sup>th</sup>	19 July 2013

The Company has a branch incorporated pursuant to Investment Certificate No. 45211000130 issued by the Tay Ninh Province Industrial Zone Administration on 26 June 2009 and the following amended Investment Certificates:

<i>Amended Investment Certificate No.</i>	<i>Date</i>
45211000130 – 1 <sup>st</sup>	17 August 2009
45211000130 – 2 <sup>nd</sup>	27 May 2010
45211000130 – 3 <sup>rd</sup>	11 June 2010
45211000130 – 4 <sup>th</sup>	15 April 2011
45211000130 – 5 <sup>th</sup>	14 January 2014

The current principal activities of the Company and its branch are to manufacture synthetic yarn and knitting.

The Company's registered head office is located at North West Cu Chi Industry Zone, Cu Chi District, Ho Chi Minh City, Vietnam and its branch is located at Trang Bang Industry Zone, Trang Bang District, Tay Ninh Province, Vietnam.

### BOARD OF DIRECTORS

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

Mr. Dang Trieu Hoa	Chairman
Mr. Dang Huong Cuong	Member
Ms. Dang My Linh	Member
Mr. Lee Chien Kuan	Member
Mr. Jean-Eric Jacquemin	Member
Mr. Thai Tuan Chi	Member

### BOARD OF SUPERVISION

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

Mr. Nguyen Tu Luc	Head of the Board of Supervision	
Ms. Nguyen Thi Ngoc Linh	Member	
Ms. Phan Thi Hong Phuc	Member	resigned on 28 March 2013
Mr. Le Anh Tuan	Member	appointed on 28 March 2013

# Century Synthetic Fiber Corporation

## GENERAL INFORMATION (continued)

### **MANAGEMENT**

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

Mr. Dang Trieu Hoa  
Mr. Huang Wei Ling

General Director  
Deputy General Director

### **LEGAL REPRESENTATIVE**

The legal representative of the Company during the year and at the date of this report is Mr. Dang Trieu Hoa.

### **AUDITORS**

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

# Century Synthetic Fiber Corporation

## REPORT OF MANAGEMENT

Management of Century Synthetic Fiber Corporation ("the Company") is pleased to present its report and the financial statements of the Company for the year ended 31 December 2013.

### MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The management is responsible for the financial statements of each financial year which give a true and fair view of the state of affairs of the Company and of the results of its operation and its cash flows for the year. In preparing those 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

### STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2013 and of the results of its operations and its cash flows for the year then ended in accordance with the Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and with the statutory requirements relevant to preparation and presentation of financial statements.

For and on behalf of management *Rich*



Dang Trieu Hoa  
General Director

10 March 2014



Building a better  
working world

Ernst & Young Vietnam Limited  
28th Floor, Bitexco Financial Tower  
2 Hai Trieu Street, District 1  
Ho Chi Minh City, S.R. of Vietnam

Tel: +84 8 3824 5252  
Fax: +84 8 3824 5250  
ey.com

Reference: 60867230/16363913

## INDEPENDENT AUDITORS' REPORT

**To: The Shareholders of Century Synthetic Fiber Corporation**

We have audited the accompanying financial statements of Century Synthetic Fiber Corporation ("the Company") as prepared on 10 March 2014 and set out on pages 6 to 32, which comprise the balance sheet as at 31 December 2013, and the income statement and the cash flow statement for the year then ended and the notes thereto.

### *Management's responsibility*

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

### *Auditors' responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Company as at 31 December 2013, and of the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of financial statements.

**Ernst & Young Vietnam Limited**



Narciso H. Torres Jr.  
Deputy General Director  
Audit Practicing Registration Certificate  
No. 0868-2013-004-1

Le Vu Truong  
Auditor  
Audit Practicing Registration Certificate  
No. 1588-2013-004-1

Ho Chi Minh City, Vietnam

10 March 2014

## Century Synthetic Fiber Corporation

B01-DN

BALANCE SHEET  
as at 31 December 2013

VND

Code	ASSETS	Notes	Ending balance	Beginning balance
<b>100</b>	<b>A. CURRENT ASSETS</b>		<b>404,294,358,625</b>	<b>312,433,587,543</b>
<b>110</b>	<b>I. Cash and cash equivalents</b>	<b>4</b>	<b>75,562,455,154</b>	<b>24,098,834,109</b>
111	1. Cash		19,562,455,154	16,098,834,109
112	2. Cash equivalents		56,000,000,000	8,000,000,000
<b>130</b>	<b>II. Current accounts receivable</b>		<b>102,610,110,331</b>	<b>84,652,713,008</b>
131	1. Trade receivables	5	94,102,791,586	83,415,923,765
132	2. Advances to suppliers		6,497,190,493	824,445,981
135	3. Other receivables		2,010,128,252	412,343,262
<b>140</b>	<b>III. Inventories</b>	<b>6</b>	<b>210,311,803,168</b>	<b>194,751,638,645</b>
141	1. Inventories		210,311,803,168	194,751,638,645
<b>150</b>	<b>IV. Other current assets</b>		<b>15,809,989,972</b>	<b>8,930,401,781</b>
151	1. Short-term prepaid expenses		1,635,144,357	1,072,914,354
152	2. Value-added tax deductible		9,476,242,004	7,751,340,119
154	3. Tax and other receivables from the State		415,017,074	7,978,362
158	4. Other current assets		4,283,586,537	98,168,946
<b>200</b>	<b>B. NON-CURRENT ASSETS</b>		<b>621,176,784,110</b>	<b>704,144,686,663</b>
<b>210</b>	<b>I. Long-term receivable</b>		<b>500,000,000</b>	<b>800,000,000</b>
218	1. Other long-term receivable		500,000,000	800,000,000
<b>220</b>	<b>II. Fixed assets</b>		<b>577,642,203,873</b>	<b>659,630,526,845</b>
221	1. Tangible fixed assets	7	480,236,428,350	539,989,498,381
222	Cost		748,498,005,938	739,481,119,568
223	Accumulated depreciation		(268,261,577,588)	(199,491,621,187)
224	2. Finance leases	8	86,668,534,591	98,904,092,415
225	Cost		122,355,578,248	122,355,578,248
226	Accumulated depreciation		(35,687,043,657)	(23,451,485,833)
227	3. Intangible fixed assets	9	8,965,479,674	8,439,139,346
228	Cost		13,594,039,674	10,511,383,594
229	Accumulated amortisation		(4,628,560,000)	(2,072,244,248)
230	4. Construction in progress	10	1,771,761,258	12,297,796,703
<b>260</b>	<b>III. Other long-term assets</b>		<b>43,034,580,237</b>	<b>43,714,159,818</b>
261	1. Long-term prepaid expenses	11	36,717,669,411	36,947,407,564
262	2. Deferred tax assets	20.2	1,057,910,826	866,804,694
268	3. Other long-term assets		5,259,000,000	5,899,947,560
<b>270</b>	<b>TOTAL ASSETS</b>		<b>1,025,471,142,735</b>	<b>1,016,578,274,206</b>



BALANCE SHEET (continued)  
as at 31 December 2013

VND


Code	RESOURCES	Notes	Ending balance	Beginning balance
<b>300</b>	<b>A. LIABILITIES</b>		<b>522,407,728,355</b>	<b>547,330,639,970</b>
<b>310</b>	<b>I. Current liabilities</b>		<b>306,047,497,556</b>	<b>267,042,427,605</b>
311	1. Short-term loans	12	71,091,246,144	36,751,094,894
312	2. Trade payables		202,035,732,451	192,008,783,325
313	3. Advances from customers		5,310,643,377	7,424,116,587
314	4. Statutory obligations	13	13,102,356,638	13,060,147,961
315	5. Payables to employees		4,414,071,427	3,500,154,795
316	6. Accrued expenses	14	4,966,056,295	4,964,569,172
319	7. Other payables		2,458,721,302	1,555,954,441
323	8. Bonus and welfare fund		2,668,669,922	7,777,606,430
<b>330</b>	<b>II. Non-current liabilities</b>		<b>216,360,230,799</b>	<b>280,288,212,365</b>
333	1. Other long-term liabilities		353,326,959	372,055,917
334	2. Long-term loans and debts	15	216,006,903,840	279,916,156,448
<b>400</b>	<b>B. OWNERS' EQUITY</b>		<b>503,063,414,380</b>	<b>469,247,634,236</b>
<b>410</b>	<b>I. Capital</b>	<b>16.1</b>	<b>503,063,414,380</b>	<b>469,247,634,236</b>
411	1. Share capital		315,425,840,000	274,914,910,000
412	2. Share premium		-	40,145,500,800
414	3. Treasury shares		(11,826,900,000)	(11,753,620,000)
418	4. Financial reserve fund		1,219,011,000	1,219,011,000
420	5. Undistributed earnings		198,245,463,380	164,721,832,436
<b>440</b>	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>1,025,471,142,735</b>	<b>1,016,578,274,206</b>

## OFF BALANCE SHEET ITEM

ITEM	Ending balance	Beginning balance
Foreign currency: United Dollar (US\$)	692,819	680,296

  
Le Thi Mong Tuyen  
Preparer

  
Phan Nhu Bich  
Chief Accountant

  
Đặng Triệu Hoa  
General Director

10 March 2014


INCOME STATEMENT  
for the year ended 31 December 2013

VND

Code	ITEMS	Notes	Current year	Previous year
1	1. Revenue from sale of goods	17.1	1,454,452,384,377	1,099,306,642,309
2	2. Deductions	17.1	(1,405,012,430)	(96,466,061)
10	3. Net revenue from sale of goods	17.1	1,453,047,371,947	1,099,210,176,248
11	4. Cost of goods sold	19	(1,275,819,719,271)	(924,734,079,439)
20	5. Gross profit		177,227,652,676	174,476,096,809
21	6. Financial income	17.2	7,090,533,409	3,632,235,955
22	7. Financial expenses	18	(21,065,807,619)	(18,698,609,165)
23	- In which: Interest expense		(13,858,879,159)	(17,965,470,881)
24	8. Selling expenses	19	(34,306,328,995)	(28,078,886,988)
25	9. General and administration expenses	19	(33,520,287,799)	(34,124,514,109)
30	10. Operating profit		95,425,761,672	97,206,322,502
31	11. Other income		471,455,166	181,490,624
32	12. Other expenses		(656,598,197)	(627,130,379)
40	13. Other loss		(185,143,031)	(445,639,755)
50	14. Profit before tax		95,240,618,641	96,760,682,747
51	15. Current corporate income tax expense	20.1	(21,031,287,129)	(12,849,882,452)
52	16. Deferred income tax benefit	20.2	191,106,132	290,898,123
60	17. Net profit after tax		74,400,437,644	84,201,698,418
70	18. Basic and diluted earnings per share	22	2,396	2,710

  
Le Thi Mong Tuyen  
Preparer

  
Phan Nhu Bich  
Chief Accountant

  
Đặng Triệu Hoa  
General Director

10 March 2014

CASH FLOW STATEMENT  
for the year ended 31 December 2013

VND

Code	ITEMS	Notes	Current year	Previous year
	<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
01	<b>Profit before tax</b>		<b>95,240,618,641</b>	<b>96,760,682,747</b>
	<i>Adjustments for:</i>			
02	Depreciation and amortisation	7,8,9	84,446,111,259	64,823,090,182
05	Profits from investing activities	17.2	(2,863,411,515)	(2,858,508,388)
06	Interest expense	18	13,858,879,159	17,965,470,881
08	<b>Operating profit before changes in working capital</b>		<b>190,682,197,544</b>	<b>176,690,735,422</b>
09	Increase in receivables		(19,927,923,036)	(17,296,001,474)
10	Increase in inventories		(15,560,164,523)	(51,487,449,644)
11	Increase (decrease) in payables		6,049,701,759	(19,253,807,502)
12	Decrease in prepaid expenses		450,920,852	4,584,305,428
13	Interest paid		(13,446,033,699)	(17,251,749,057)
14	Corporate income tax paid	20.1	(20,335,410,327)	(19,241,795,954)
15	Other cash inflows from operating activities		115,331,797,649	167,435,619,664
16	Other cash outflows from operating activities		(118,737,682,564)	(172,107,156,974)
20	<b>Net cash from operating activities</b>		<b>124,507,403,655</b>	<b>52,072,699,909</b>
	<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchase and construction of fixed assets		(2,483,443,489)	(186,988,411,144)
22	Proceeds from disposals of fixed assets		-	65,454,546
27	Interest received		2,863,411,515	2,793,053,842
30	<b>Net cash from (used in) investing activities</b>		<b>379,968,026</b>	<b>(184,129,902,756)</b>
	<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
32	Repurchase of treasury shares	16.1	(73,280,000)	(103,060,000)
33	Drawdown of borrowings		165,713,331,250	335,844,018,320
34	Repayment of borrowings		(131,813,308,000)	(229,939,011,944)
35	Payment of finance lease liabilities		(66,739,116,386)	(18,879,915,504)
36	Dividend paid		(40,511,377,500)	-
40	<b>Net cash (used in) from financing activities</b>		<b>(73,423,750,636)</b>	<b>86,922,030,872</b>

CASH FLOW STATEMENT (continued)  
for the year ended 31 December 2013

VND

Code	ITEMS	Notes	Current year	Previous year
50	Net increase (decrease) in cash and cash equivalents		51,463,621,045	(45,135,171,975)
60	Cash and cash equivalents at beginning of year		24,098,834,109	69,234,006,084
70	Cash and cash equivalents at end of year	4	75,562,455,154	24,098,834,109




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 Le Thi Mong Tuyen  
Preparer




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 Phan Nhu Bich  
Chief Accountant



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 Dang Trieu Hoa  
General Director

10 March 2014

NOTES TO THE FINANCIAL STATEMENTS  
as at and for the year ended 31 December 2013

## 1. CORPORATE INFORMATION

Century Synthetic Fiber Corporation ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate ("BRC") No. 4103003288 issued by the Department of Planning and Investment of Ho Chi Minh City on 11 April 2005 and the following amended BRC:

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The current principal activities of the Company and its branch are to manufacture synthetic yarn and knitting.

The Company's registered head office is located at North West Cu Chi Industry Zone, Cu Chi District, Ho Chi Minh City, Vietnam and its branch is located at Trang Bang Industry Zone, Trang Bang District, Tay Ninh Province, Vietnam.

The number of the Company' employees as at 31 December 2013 was 720 (31 December 2012: 661).

## 2. BASIS OF PREPARATION

### 2.1 Accounting standards and system

The financial statements of the Company, expressed in Vietnam dong ("VND"), are prepared in accordance with the Vietnamese Accounting System and Vietnamese Accounting Standards ("VAS") issued by the Ministry of Finance as per:

- Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 1);
- Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);
- Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4); and
- Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 5).

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013

**2. BASIS OF PREPARATION** (continued)

**2.1 Accounting standards and system** (continued)

The accompanying balance sheet, income statement, cash flow statement and related notes, including their utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

**2.2 Registered accounting documentation system**

The Company's registered accounting documentation system is the General Journal System.

**2.3 Fiscal year**

The Company's fiscal year starts on 1 January and ends on 31 December.

**2.4 Accounting currency**

The Company maintains its accounting records in VND.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash in 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 changes in value.

**3.2 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 - cost of purchase on a weighted average basis.
- Finished goods and work in progress - 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 (through diminution, damage, obsolescence, etc.) of raw materials, finished goods, and other inventories owned by the Company, based on appropriate evidence of impairment available at the balance sheet date.

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

**3.3 Receivables**

Receivables are presented in the financial statements at the carrying amounts due from customers and other debtors, along with the provision for doubtful debts.

The provision for doubtful debts represents the estimated loss due to non-collection of receivables that were outstanding at the balance sheet date. Increases and decreases to the provision balance are recorded as general and administration expense in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 Fixed assets**

Tangible and intangible fixed assets are stated at cost less accumulated depreciation and amortisation.

The cost of a fixed asset comprises its purchase price and any directly attributable costs of bringing the fixed asset to working condition for its intended use. Expenditures for additions, improvements and renewals are capitalised and expenditures for maintenance and repairs are charged to the income statement as incurred.

When fixed assets are sold or retired, their cost and accumulated depreciation or amortisation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the income statement.

**3.5 Leased assets**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised in the balance sheet at the inception of the lease at the fair value of the leased assets or, if lower, at the net present value of the minimum lease payments. The principal amount included in future lease payments under finance leases are recorded as a liability. The interest amounts included in lease payments are charged to the income statement over the lease term to achieve a constant rate on interest on the remaining balance of the finance lease liability.

Capitalised financial leased assets are depreciated using straight-line basis over the shorter of the estimated useful lives of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

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

**3.6 Depreciation and amortisation**

Depreciation of tangible fixed assets and finance lease 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	2 – 15 years
Motor vehicles	3 – 10 years
Office equipment	3 – 5 years
Computer software	3 – 5 years

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.7 Prepaid expenses**

Prepaid expenses are reported as short-term or long-term prepaid expenses on the balance sheet and amortised over the year for which the amounts are paid or the year in which economic benefits are generated in relation to these expenses.

**3.8 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.

**3.9 Foreign currency transactions**

The Company follows the guidance under Vietnamese Accounting Standard No. 10 - Effects of Changes in Foreign Exchange Rates and Circular No. 179/2012/TT-BTC providing guidance on recognition, measurement, treatment for foreign exchange differences issued by the Ministry of Finance on 24 October 2012 in relation to foreign currency transactions as applied consistently in prior year.

Transactions in currencies other than the Company's reporting currency of VND are recorded at the exchange rates ruling at the date of the transaction. At the end of the year, monetary assets and liabilities denominated in foreign currencies are translated at US\$/VND 21,036 (31 December 2012: 20,828 US\$/VND). All realised and unrealised foreign exchange differences are taken to the income statement.

**3.10 Appropriation of net profit**

Net profit after tax is available for appropriation to shareholders after approval in the shareholders' meeting and after making appropriation to reserve funds in accordance with the Company's Charter 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.

*Financial reserve fund*

This fund is set aside to protect the Company's normal operations from business risks or losses, or to prepare for unforeseen losses or damages for objective reasons and force majeure, such as fire, economic and financial turmoil of the country or elsewhere.

*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.

**3.11 Earnings per share**

Basic earnings per share amount is computed by dividing net profit for the period (before appropriation for bonus and welfare fund) attributable to ordinary shareholders 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.



NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.12 *Treasury shares*

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

#### 3.13 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return. The following specific recognition criteria must also be met before revenue is recognised:

##### *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.

#### 3.14 *Taxation*

##### *Current income tax*

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

Current income tax is charged or credited to the income statement, except when it relates to items recognised directly to equity, in which case the deferred current income tax is also dealt with in equity.

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

##### *Deferred income tax*

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

Deferred tax liabilities are recognised for all taxable temporary differences, except the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised, except 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Previously unrecognised deferred tax assets are re-assessed at each 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.14 Taxation (continued)***Deferred income tax (continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted at the balance sheet date.

Deferred income tax is charged or credited to the income statement, except when it relates to items recognised directly to equity, in which case the deferred income 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 set off current tax assets against current income 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 income 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.

**3.15 Financial instruments***Financial instruments – initial recognition and presentation*Financial assets

Financial assets within the scope of Circular No. 210/2009/TT-BTC issued by the Ministry of Finance on 6 November 2009 providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments ("Circular 210") are classified, for disclosures in the notes to the financial statements, as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at cost plus directly attributable transaction costs.

The Company's financial assets include cash and short-term deposits, trade and other receivables.

Financial liabilities

Financial liabilities within the scope of Circular 210 are classified, for disclosures in the notes to the financial statements, as financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at cost plus directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings.

*Financial instruments – subsequent re-measurement*

There is currently no guidance in relation to subsequent re-measurement of financial instruments. Accordingly, the financial instruments are subsequently re-measured at cost.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the income balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013

## 4. CASH AND CASH EQUIVALENTS

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Cash on hand	48,528,807	52,912,906
Cash in banks	19,513,926,347	16,045,921,203
Cash equivalents	56,000,000,000	8,000,000,000
<b>TOTAL</b>	<b><u>75,562,455,154</u></b>	<b><u>24,098,834,109</u></b>

Cash equivalents represent short-term bank deposits with original maturity of less than 3 months, and earn an applicable deposit interest.

## 5. TRADE RECEIVABLES

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Due from third parties	93,088,227,929	80,013,643,680
Due from a related party (Note 21)	1,014,563,657	3,402,280,085
<b>TOTAL</b>	<b><u>94,102,791,586</u></b>	<b><u>83,415,923,765</u></b>

As disclosed in Note 12, the Company has pledged the accounts receivable to secure the bank loan facilities.

## 6. INVENTORIES

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Raw materials	62,431,029,368	34,750,073,172
Finished goods	94,978,469,307	105,748,459,901
Goods in transit	52,902,304,493	54,253,105,572
<b>TOTAL</b>	<b><u>210,311,803,168</u></b>	<b><u>194,751,638,645</u></b>

As disclosed in Note 12, the Company has pledged the inventories to secure the bank loan facilities.

# Century Synthetic Fiber Corporation

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013

## 7. TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Total	VND
<b>Cost:</b>						
Beginning balance	140,647,005,312	538,141,767,018	60,342,304,884	350,042,354	739,481,119,568	
Newly purchased	-	83,312,000	-	-	83,312,000	
Transferred from construction in progress	9,951,251,256	-	-	-	9,951,251,256	
Transferred to prepaid expenses (*)	-	(667,946,123)	(165,897,087)	(183,833,676)	(1,017,676,886)	
Ending balance	150,598,256,568	537,557,132,895	60,176,407,797	166,208,678	748,498,005,938	
<i>In which:</i>						
Fully depreciated	12,311,542,400	41,867,430,872	2,980,265,475	31,868,992	57,191,107,739	
<b>Accumulated depreciation:</b>						
Beginning balance	41,306,672,076	144,477,683,094	13,426,955,731	280,310,286	199,491,621,187	
Depreciation for the year	12,736,519,658	50,268,799,374	6,622,050,714	26,867,937	69,654,237,683	
Transferred to prepaid expenses (*)	-	(562,670,455)	(165,897,087)	(155,713,740)	(884,281,282)	
Ending balance	54,043,191,734	194,183,812,013	19,883,109,358	151,464,483	268,261,577,588	
<b>Net carrying amount:</b>						
Beginning balance	99,340,333,236	393,664,083,924	46,915,349,153	69,732,068	539,989,498,381	
Ending balance	96,555,064,834	343,373,320,882	40,293,298,439	14,744,195	480,236,428,350	
<i>In which:</i>						
Pledged as loan security (Note 15)	96,555,064,834	343,373,320,882	40,293,298,439	-	480,221,684,155	

(\*) During the year, the Company has reclassified those assets that no longer satisfy recognition criteria of fixed assets as required by Circular No. 45/2013/TT-BTC issued by the Ministry of Finance on 25 April 2013 guiding the management, use and depreciation of fixed assets ("Circular 45") to long-term prepaid expenses.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013

## 8. FINANCE LEASES

VND  
*Machinery and equipment*

### Cost:

Beginning and ending balances	<u>122,355,578,248</u>
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### Accumulated depreciation:

Beginning balance	23,451,485,833
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Depreciation for the year	<u>12,235,557,824</u>
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Ending balance	<u>35,687,043,657</u>
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### Net carrying amount:

Beginning balance	<u>98,904,092,415</u>
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Ending balance	<u>86,668,534,591</u>
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The Company leases machinery used in its production line. Under the terms of the finance lease dated 25 February 2011, the Company has the option to purchase the machinery at the expiry of the lease on 25 February 2016. Commitments for future lease payments under this lease are set out in Note 15.2.

## 9. INTANGIBLE FIXED ASSETS

VND  
*Computer software*

### Cost:

Beginning balance	10,511,383,594
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Newly purchased	<u>3,082,656,080</u>
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Ending balance	<u>13,594,039,674</u>
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### In which:

<i>Fully amortised</i>	113,300,000
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### Accumulated amortisation:

Beginning balance	2,072,244,248
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Amortisation for the year	<u>2,556,315,752</u>
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Ending balance	<u>4,628,560,000</u>
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### Net carrying amount:

Beginning balance	<u>8,439,139,346</u>
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Ending balance	<u>8,965,479,674</u>
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## 10. CONSTRUCTION IN PROGRESS

Construction in progress represents the construction cost and machinery under installation of phase 2 at the Company's Trang Bang branch.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013

## 11. LONG-TERM PREPAID EXPENSES

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Land rental (land use rights) (*)	29,772,544,513	30,596,769,909
Others	6,945,124,898	6,350,637,655
<b>TOTAL</b>	<b><u>36,717,669,411</u></b>	<b><u>36,947,407,564</u></b>

(\*) As disclosed in Note 15.1, the Company has pledged the land use rights to secure the bank loan facilities.

## 12. SHORT-TERM LOANS

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Short-term loan	41,634,451,200	17,870,424,000
Current portion of finance lease (Note 15)	29,456,794,944	18,880,670,894
<b>TOTAL</b>	<b><u>71,091,246,144</u></b>	<b><u>36,751,094,894</u></b>

The Company obtained these loans for the purpose of financing its working capital requirements. Details are as follows:

	<i>Ending balance</i>	<i>Original amount</i>	<i>Term and Interest maturity date</i>	<i>Interest rate</i>	<i>Description of collateral</i>
	VND	US\$		(p.a)	
<b>Vietnam Export and Import Joint Stock Commercial Bank</b>					
No. 201325775	6,941,880,000	330,000	From 12 September 2013 to 6 September 2014	2%	Inventories and accounts
No. 201326308	4,207,200,000	200,000	From 16 December 2013 to 16 December 2014	2%	receivable as at 31
No. 201326621	6,310,800,000	300,000	From 19 December 2013 to 19 December 2014	2%	December 2013
No. 201326791	6,310,800,000	300,000	From 23 December 2013 to 23 December 2014	2%	
No. 201327194	3,470,940,000	165,000	From 26 December 2013 to 26 December 2014	2%	
	<b><u>27,241,620,000</u></b>	<b><u>1,295,000</u></b>			
<b>Chinatrust Commercial Bank</b>					
907ILSN130 0314	403,891,200	19,200	From 10 October 2013 to 8 February 2014	2%	Unsecured
907ILSN130 0303	13,988,940,000	665,000	From 5 September 2013 to 2 February 2014	2%	Unsecured
	<b><u>14,392,831,200</u></b>	<b><u>684,200</u></b>			

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013

## 13. STATUTORY OBLIGATIONS

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Corporate income tax (Note 20.1)	9,372,343,472	8,676,466,670
Value-added tax	47,518,956	3,936,722,033
Import and export duties	3,500,125,020	196,608,756
Personal income tax	160,358,850	180,893,002
Other	22,010,340	69,457,500
<b>TOTAL</b>	<b><u>13,102,356,638</u></b>	<b><u>13,060,147,961</u></b>

## 14. ACCRUED EXPENSES

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Utilities	2,254,506,912	2,016,895,069
Sale commission	1,472,819,441	1,738,286,505
Interest expense	412,845,460	713,721,824
Professional services fee	195,526,151	436,202,574
Others	630,358,331	59,463,200
<b>TOTAL</b>	<b><u>4,966,056,295</u></b>	<b><u>4,964,569,172</u></b>

## 15. LONG-TERM LOANS

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Loans from banks	209,001,537,192	239,010,089,416
Finance lease	36,462,161,592	59,786,737,926
<b>TOTAL</b>	<b><u>245,463,698,784</u></b>	<b><u>298,796,827,342</u></b>
<i>In which</i>		
<i>Current portion (Note 12)</i>	29,456,794,944	18,880,670,894
<i>Non-current portion</i>	216,006,903,840	279,916,156,448

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013

**15. LONG-TERM LOANS** (continued)

**15.1 Long-term loans from banks**

	<i>Ending balance</i>	<i>Original amount</i>	<i>Term and maturity date</i>	<i>Interest rate</i>	<i>Description of collateral</i>
	VND	US\$		(p.a)	
<b>Dong A Joint Stock Commercial Bank</b>					
H.0217-13	137,493,862,392	6,536,122	From 1 March 2012 to 1 March 2019	3.2%	Assets funded by loans including imported machinery and equipment (stage 2). Total assets value is US\$ 12,100,000
<b>Vietnam Export and Import Joint Stock Commercial Bank</b>					
No. 200908121	58,879,764,000	2,799,000	From 20 July 2010 to 20 April 2018	3.2%	Land use right, building and structures, motor vehicles and machineries at Trang Bang, Tay Ninh Province
<i>In which:</i>					
<i>Current portion</i>					
<i>(Note 12)</i>	<u>12,627,910,800</u>	<u>600,300</u>			
<b>TOTAL</b>	<b><u>196,373,626,392</u></b>	<b><u>9,335,122</u></b>			

**15.2 Finance lease**

The Company leases machineries under a finance lease arrangement on 25 February 2011. Future obligations due under finance lease agreement as at 31 December 2013 were as follows:

	<i>Ending balance</i>			<i>VND</i>
	<i>Total minimum lease payments</i>	<i>Finance charges</i>	<i>Lease liabilities</i>	<i>Beginning balance</i>
				<i>Lease liabilities</i>
<b>Current liability</b>				
Less than 1 year				
<i>(Note 12)</i>	18,664,882,243	1,835,998,099	16,828,884,144	22,244,483,912
<b>Non-current liability</b>				
From 1 to 5 years	20,561,148,061	927,870,613	19,633,277,448	43,798,126,475
<b>TOTAL</b>	<b><u>39,226,030,304</u></b>	<b><u>2,763,868,712</u></b>	<b><u>36,462,161,592</u></b>	<b><u>66,042,610,387</u></b>



# Century Synthetic Fiber Corporation

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013

## 16. OWNERS' EQUITY

### 16.1 Increase and decrease in owners' equity

	Share capital	Share premium	Treasury shares	Financial reserve fund	Undistributed earnings	VND Total
<b>Previous year:</b>						
Beginning balance	229,888,340,000	40,145,500,800	(11,650,560,000)	1,219,011,000	130,576,264,494	390,178,556,294
Increase in capital	45,026,570,000	-	-	-	(45,026,570,000)	-
Treasury shares	-	-	(103,060,000)	-	-	(103,060,000)
Net profit for the year	-	-	-	-	84,201,698,418	84,201,698,418
Profit appropriation	-	-	-	-	(5,029,560,476)	(5,029,560,476)
Ending balance	274,914,910,000	40,145,500,800	(11,753,620,000)	1,219,011,000	164,721,832,436	469,247,634,236
<b>Current year:</b>						
Beginning balance	274,914,910,000	40,145,500,800	(11,753,620,000)	1,219,011,000	164,721,832,436	469,247,634,236
Increase in capital	40,510,930,000	(40,145,500,800)	-	-	(365,429,200)	-
Treasury shares	-	-	(73,280,000)	-	-	(73,280,000)
Net profit for the year	-	-	-	-	74,400,437,644	74,400,437,644
Dividend paid	-	-	-	-	(40,511,377,500)	(40,511,377,500)
Ending balance	315,425,840,000	-	(11,826,900,000)	1,219,011,000	198,245,463,380	503,063,414,380

On 28 March 2013, the Company's shareholders approved at the Annual General Meeting to pay cash dividends at 15% of par value (equivalent to VND 1,500 per share) and issue new shares of 4,051,093 shares from share premium and undistributed earnings. The Company issued 4,051,093 shares at par value of VND 10,000/share or equivalent to VND 40,510,930,000 to its existing shareholders on 13 June 2013. Accordingly, the share capital of the Company increased to VND 315,425,840,000 as at 31 December 2013 which was approved by the Department of Planning and Investment of Ho Chi Minh City through issuance of the amended Business Certificate on 19 July 2013.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013

## 16. OWNERS' EQUITY (continued)

## 16.2 Capital transactions with owners

	VND	
	Current year	Previous year
<b>Issued share capital</b>		
Beginning balance	274,914,910,000	229,888,340,000
Share issuance	40,510,930,000	45,026,570,000
Ending balance	<u>315,425,840,000</u>	<u>274,914,910,000</u>
Dividends declared	(40,511,377,500)	-
Dividends paid	(40,511,377,500)	-

## 16.3 Shares

	VND	
	Current year	Previous year
	Shares	Shares
Shares authorised to be issued	31,542,584	27,491,491
Shares issued and fully paid	31,542,584	27,491,491
Ordinary shares	31,542,584	27,491,491
Preference shares	-	-
Treasury shares	(491,234)	(483,906)
Ordinary shares	(491,234)	(483,906)
Preference shares	-	-

## 17. REVENUES

## 17.1 Revenue from sale of goods

	VND	
	Current year	Previous year
Gross revenue	1,454,452,384,377	1,099,306,642,309
Less:		
Sales returns	(1,405,012,430)	(96,466,061)
Net revenue	<u>1,453,047,371,947</u>	<u>1,099,210,176,248</u>

## 17.2 Financial income

	VND	
	Current year	Previous year
Interest income	2,863,411,515	2,793,053,842
Realised foreign exchange gains	4,226,625,113	839,023,585
Others	496,781	158,528
TOTAL	<u>7,090,533,409</u>	<u>3,632,235,955</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013

## 18. FINANCIAL EXPENSES

	<i>Current year</i>	<i>Previous year</i>
	<i>VND</i>	
Interest expense	13,858,879,159	17,965,470,881
Realised foreign exchange losses	7,206,928,460	733,138,284
<b>TOTAL</b>	<b><u>21,065,807,619</u></b>	<b><u>18,698,609,165</u></b>

## 19. PRODUCTION AND OPERATING COSTS

	<i>Current year</i>	<i>Previous year</i>
	<i>VND</i>	
Raw materials	1,031,279,242,985	720,304,930,035
Labour costs	55,497,512,326	51,728,492,205
Depreciation and amortisation (Notes 7, 8, and 9)	84,446,111,259	64,823,090,182
Expenses for external services	153,131,381,851	133,592,534,432
Other expenses	19,292,087,644	16,488,433,682
<b>TOTAL</b>	<b><u>1,343,646,336,065</u></b>	<b><u>986,937,480,536</u></b>

## 20. CORPORATE INCOME TAX

The Company has the obligation to pay corporate income tax ("CIT") at rate of 15% of taxable profit for 12 years starting from its commercial operations (2000) and 25% for the years thereafter.

The Company is entitled to an exemption from CIT for 1 year which was 2009 and a 50% reduction for the following 4 years in respect of income generated from its investment in the new production line in 2008.

The tax returns filed by the Company are subject to examination by the tax authorities. As the application of tax laws and regulations is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the tax authorities.

### 20.1 Current CIT

The current tax payable is based on taxable profit for the year. The taxable profit of the Company for the year differs from the profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013

## 20. CORPORATE INCOME TAX (continued)

### 20.1 Current CIT (continued)

A reconciliation between the accounting profit before tax reported in the income statement and taxable profit for the year is presented below:

	VND	
	Current year	Previous year
<b>Net profit before tax</b>	<b>95,240,618,641</b>	<b>96,760,682,747</b>
<i>Adjustments:</i>		
Accrued expenses	(265,467,064)	(57,398,057)
Provision for severance allowance	(18,728,958)	(29,487,333)
Unrealised profit of Branch	1,625,662,822	27,423,992
Non-deductible expenses	1,364,161,690	1,214,435,145
<b>Estimated current taxable profit</b>	<b>97,946,247,131</b>	<b>97,915,656,494</b>
Estimated current CIT from manufacturing activities	13,400,176,094	14,297,132,447
Estimated current CIT from other activities (25%)	7,031,831,882	4,874,280,066
CIT reduction in accordance with the Circular No. 140/2012/TT-BTC	-	(2,830,667,526)
<b>Estimated current CIT</b>	<b>20,432,007,976</b>	<b>16,340,744,987</b>
Adjustment for under-accrual (reduction) from previous year	599,279,153	(3,490,862,535)
<b>Current CIT expense</b>	<b>21,031,287,129</b>	<b>12,849,882,452</b>
CIT payable at beginning of year	8,676,466,670	15,068,380,172
CIT paid during the year	(20,335,410,327)	(19,241,795,954)
<b>CIT payable at end of year (Note 13)</b>	<b>9,372,343,472</b>	<b>8,676,466,670</b>

### 20.2 Deferred CIT

The followings are the deferred tax assets recognized by the Company, and the movements thereon, during the current year and previous year.

	VND			
	Balance sheet		Income statement	
	Ending balance	Beginning balance	Current year	Previous year
<b>Deferred tax assets</b>				
Unrealised profit	656,158,618	339,219,089	316,939,529	6,855,999
Accrued expenses	324,020,277	434,571,626	(110,551,349)	165,218,942
Provision for severance allowance	77,731,931	93,013,979	(15,282,048)	32,782,491
Unrealised foreign exchange gains	-	-	-	86,040,691
	<b>1,057,910,826</b>	<b>866,804,694</b>		
<b>Net deferred income tax credit to income statement</b>			<b>191,106,132</b>	<b>290,898,123</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013**21. TRANSACTION WITH RELATED PARTIES**

Significant transaction with related parties during the year was as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transaction</i>	<i>VND Amount</i>
P.A.N Asia Limited Company	Related party	Sale of goods	6,096,263,237
LIANTEX Co., Ltd.	Related party	Sale of goods	19,886,452,506

Details of remuneration of the Board of Directors and Supervision during the year are as set out below:

	<i>Current year</i>	<i>VND Previous year</i>
Salaries and related expenses	<u>621,000,000</u>	<u>594,000,000</u>

Amount due from related parties at the balance sheet date was as follows:

	<i>Relationship</i>	<i>Transaction</i>	<i>VND Amount</i>
<b>Trade receivable (Note 5)</b>			
P.A.N Asia Limited Company	Related party	Sale of goods	1,014,563,657
LIANTEX Co., Ltd.	Related party	Sale of goods	-
			<u><b>1,014,563,657</b></u>

**22. 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 by the weighted average number of ordinary shares outstanding during the year.

	<i>Current year</i>	<i>VND Previous year</i>
Net profit after tax for the year	74,400,437,644	84,201,698,418
Weighted average number of ordinary shares during the year	<u>31,057,594</u>	<u>31,065,106</u>
Earnings per share ( <i>par value of VND 10,000/share</i> )	<u>2,396</u>	<u>2,710</u>

The weighted average number of ordinary shares takes into account the treasury shares and the share dividend made during the year.

The weighted average number of shares for the year ended 31 December 2012 was adjusted to reflect the 4,051,093 shares issued during the current year from share premium and undistributed earnings.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013

## 23. COMMITMENTS

### *Operating lease commitment*

The Company leases assets under operating lease arrangements. The minimum lease commitment as at 31 December 2013 under the operating lease agreements is as follows:

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Less than 1 year	386,220,960	382,402,080
From 1 to 5 years	1,931,104,800	1,529,608,320
More than 5 years	16,827,215,288	17,530,800,648
<b>TOTAL</b>	<b><u>19,144,541,048</u></b>	<b><u>19,442,811,048</u></b>

### *Capital commitments*

As at 31 December 2013, the Company had outstanding commitments of VND 915,497,924 (31 December 2012: VND 1,428,840,849) principally relating to construction for its branch at Trang Bang, Tay Ninh Province, Vietnam.

## 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise loans and borrowings, trade payables and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company has loan and other receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. The Company does not hold or issue derivative financial instruments.

The Company is exposed to market risk, credit risk and liquidity risk.

Management reviews and agrees policies for managing each of these risks which are summarized below.

### *Market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, and deposits.

The sensitivity analyses in the following sections relate to the position as at 31 December 2013 and 31 December 2012.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

In calculating the sensitivity analyses, management assumed that the statement of the balance sheet relates to available-for-sale debt instrument; the sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2013 and 31 December 2012.

### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk for changes in interest rate relates primarily to the Company's long-term debts with floating interest rate.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013

**24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

**Market risk** (continued)

*Interest rate risk* (continued)

The Company manages interest rate risk by keeping close watch on the relevant market situation contemplate and adapt its level as well as financing strategies to the prevailing situation.

A sensitivity analysis is not performed for interest rate risk as the Company's exposure to interest-rate risk is minimal at reporting date.

*Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's accounting currency).

*Foreign currency sensitivity*

The following table demonstrates the sensitivity to a reasonably possible change in the US\$ exchange rate, with all other variables held constant, of the Company's profit before tax.

	<i>Change in US\$ rate</i>	<i>VND Effect on profit before tax</i>
<b>For the year ended 31 December 2013</b>	+2%	(9,237,509,575)
	-2%	9,237,509,575
<b>For the year ended 31 December 2012</b>	+2%	(9,672,135,158)
	-2%	9,672,135,158

**Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions.

*Trade receivables*

Customer credit risk is managed by the Company based on its established policy, procedures and control relating to customer credit risk management.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit. The Company seeks to maintain strict control over its outstanding receivables. In view of the aforementioned and the fact that the Company's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

*Bank deposits*

The Company's bank balances are mainly maintained with well-known banks in Vietnam. Credit risk from balances with banks is managed by the Company's treasury department in accordance with the Company's policy. The Company's maximum exposure to credit risk for the components of the balance sheet at each reporting dates are the carrying amounts as illustrated in Note 4. The Company evaluates the concentration of credit risk in respect to bank deposit as low.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013**24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Liquidity risk**

The liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligation due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities.

The Company monitors its liquidity risk by maintain a level of cash and cash equivalents and bank loans deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

The table below summarizes the maturity profile of the Company's financial liabilities:

	<i>Less than 1 year</i>	<i>From 1 to 5 years</i>	<i>VND Total</i>
<b>31 December 2013</b>			
Loans and borrowings	71,091,246,144	216,006,903,840	287,098,149,984
Trade payables	202,035,732,451	-	202,035,732,451
Other payables and accrued expenses	7,424,777,597	-	7,424,777,597
	<u><b>280,551,756,192</b></u>	<u><b>216,006,903,840</b></u>	<u><b>496,558,660,032</b></u>
<b>31 December 2012</b>			
Loans and borrowings	36,751,094,894	279,916,156,448	316,667,251,342
Trade payables	192,008,783,325	-	192,008,783,325
Other payables and accrued expenses	6,520,523,613	-	6,520,523,613
	<u><b>235,280,401,832</b></u>	<u><b>279,916,156,448</b></u>	<u><b>515,196,558,280</b></u>

Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

**Collateral**

The Company has pledged part of its tangible fixed assets and land use right in order to fulfil the collateral requirements for the long-term loan obtained from Banks (*Note 15*). At 31 December 2013 and 31 December 2012, the net carrying values of the fixed assets pledged were VND 480,221,684,155 and VND 403,033,130,810 respectively. There are no other significant terms and conditions associated with the use of collateral.

The Company did not hold any collateral at 31 December 2013 and 31 December 2012.



NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013

## 25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements.

	Carrying amount		Fair value		VND
	Ending balance	Beginning balance	Ending balance	Beginning balance	
<b>Financial assets</b>					
Trade receivables	93,088,227,929	80,013,643,680	93,088,227,929	80,013,643,680	
Receivable from related party	1,014,563,657	3,402,280,085	1,014,563,657	3,402,280,085	
Other receivables	2,010,128,252	412,343,262	2,010,128,252	412,343,262	
Other financial assets	10,042,586,537	6,798,116,506	10,042,586,537	6,798,116,506	
Cash and cash equivalents	75,562,455,154	24,098,834,109	75,562,455,154	24,098,834,109	
<b>Total</b>	<b>181,717,961,529</b>	<b>114,725,217,642</b>	<b>181,717,961,529</b>	<b>114,725,217,642</b>	
<b>Financial liabilities</b>					
Loans and borrowings	287,098,149,984	316,667,251,342	287,098,149,984	316,667,251,342	
Trade payables	202,035,732,451	192,008,783,325	202,035,732,451	192,008,783,325	
Other current liabilities	7,424,777,597	6,520,523,613	7,424,777,597	6,520,523,613	
<b>Total</b>	<b>496,558,660,032</b>	<b>515,196,558,280</b>	<b>496,558,660,032</b>	<b>515,196,558,280</b>	

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of the financial assets and liabilities had not yet been formally assessed and determined as at 31 December 2013 and 31 December 2012. However, it is the management's assessment that the fair values of these financial assets and liabilities are approximately the same as their carrying value as at balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2013

**26. EVENTS AFTER THE BALANCE SHEET DATE**

There have been no significant events occurring after the balance sheet date which would require adjustments or disclosures to be made in the financial statements.



Le Thi Mong Tuyen  
Preparer



Phan Nhu Bich  
Chief Accountant



CÔNG TY  
CỔ PHẦN  
sợi  
THẾ KỶ  
Dang Trieu Hoa  
General Director

10 March 2014