



# STEADILY MOVING FORWARD



## 2018 ANNUAL REPORT

SPINNING  
OUR  
STORY  
SUCCESS

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## ABOUT THE REPORT

- 2018 Annual Report – Century Synthetic Fiber Corporation

Main title: Steadily moving forward

Sub-title: Spinning our success

Century Synthetic Fiber Corporation (“Century”), a manufacturer in textile industry with the mission of maximizing the value for its customers and partners, the Company has continuously been improving the core business, pioneering to catch opportunities from markets and industry trends, achieving sustainable development in term of economics, society and environmental protection.

After 18 years of establishment and development, from a small enterprise, the Company has asserted itself not only in local market but also on the global scale.

- Main components of the report

Annual Report

Sustainable Development Report

Audited Financial Statements

IFRS Audited Financial Statements

Annual Corporate Governance Report

- Scope and Divisions

The fiscal year is from January 1<sup>st</sup>, 2018 to December 31<sup>st</sup>, 2018.

The applied standards in the report:

- Circular No.155/2015/TT-BTC issued on 06/10/2015, guidance on information disclosure in the stock market.
- Vietnam Law on Enterprise, 2014
- GRI standards
- Vietnam accounting standards (VAS)
- International financial reporting standards (IFRS)
- ASEAN corporate governance scorecards
- GRS certificate, Oekotex-100
- Assurance responsibilities of the Board of Management (“BOM”)

**Table 1: Data sources used in the Annual Report**

Areas	Source
Finance	Audited financial statements from FY2012-2018
Macroeconomics: economic, forex exchange, local and foreign interest rates, global GDP...	World Economic Outlook issued in January 2019. World Bank, IMF The State Bank of Vietnam National Financial Supervisory Commission Report investing.com
Industry and sector databases	Vietnam Custom department Korean, Thailand, Japan custom department

	<p>“2019-The State of Fashion” issued by McKinsey Report.</p> <p>Polyester yarn Report issued by Fact.MR.</p> <p>The Fiber Year 2018</p> <p>Preferred-Fiber-Materials-Market-Report 2018 issued by Textile Exchange.</p>
HR databases	HR department, Century Corp.
Utilities, energy consumption, emission	Utilities, Century Corp.
Healthcare and working safety	Administration department, Century Corp.
BOD, BOS reports	2018 BOD, BOS reports
Shareholders, owner equity	Vietnam Security Depository

## I. COMPANY OVERVIEW

### I.1 About us

Company’s name: Century Synthetic Fiber Corporation

Trading name: Century Corp.

Stock code: STK

Headquarter: B1-1 North West Cu Chi Industrial Zone, Cu Chi District, Ho Chi Minh City

Branch: Street 8, Trang Bang Industrial Zone, Trang Bang District, TayNinh Province

Representative office: 102-104-106 Bau Cat, Ward 14, Tan Binh District, Ho Chi Minh City

Chartered Capital: VND 599,377,800,000

Telephone: + 84.8 3790 7565 / +84.66 389 9537

Fax: 84.8 3790 7566 / +84.66 389 9536

Email: csf@century.vn

Website: www.thekey.vn

Tax Registration Number: 0302018927

### I.2 2018 - Affirming the position – Growing significantly

#### ➤ Highlights



### I.3 Chairman's message

Dear esteemed shareholders and investors,

I am very pleased to share with you the STK Annual Report 2018. We hope this report will bring you useful information on STK's business performance in last year and the strategy and business plan in the upcoming years.

2018 is a successful year of Vietnam's apparel and textile industry in general and of STK in particular. Thanks to the recovery of the global textile industry (the average growth rate is 4-5% in 2018) and the continuous growth of apparel import demand during 2017-2018 in major markets such as the U.S., Japan and EU, Vietnam's apparel and industry has recorded the export turnover

of USD36.2 billion (2018), increasing by 16.4% as compared to 2017 and increased the market share in most major markets.

Being consistent with the sustainable development strategy towards green fashion, STK has successfully exploited the trend of using recycle yarns of international fashion brands, raising the proportion of this product from 6% in 2017 to 16.2% in 2018 of the total revenue. Thanks for increasing the proportion of high value added products as well as the success in enhancing product quality and lower costs, STK's operation efficiency has improved significantly in 2018. In detail, consolidated net sales reached VND2,408 billion, up 21% year on year and consolidated net profit was VND178.4 billion, increasing 79% over the same period. The company has exceeded its revenue target by nearly 2% and its profit target by more than 42%.

In 2018, the Company has completed Trang Bang 5 project, officially put into operation since early-2019 one wasted yarn recycling line with the designed capacity of 3,000 tons per annum and three DTY machines, contributing to the total capacity by 5% (up to 63,000 tones). In addition, STK is cooperating with the supplier Oerlikon Barmag in order to implement the digitalization project to establish the smart factory, build the foundation for the artificial intelligence's usage in production management and enhancing operational efficiency.

With the increasing business performance, the Company's financial position (indicated by the liquidity ratios, debt-to-equity ratio) has also improved considerably.

The Company's business achievements have brought many benefits to shareholders and employees. Besides, in order to enhance stakeholder's benefits, the Company has gradually improved the corporate governance.

The Company is also consistent in implementing environment protection policies, boosting the sustainable production and consumption.

Although the global economy and major textile markets (the U.S., EU, Japan) are forecasted to slow down in 2019 and the upcoming years, we consistently believe in the growth potential of Vietnam's textile industry in general and of STK in particular in the following years. The tariff advantages of Vietnam thanks to the FTAs between Japan, Korea and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP") which came into effect in early-2019 and the EU-Vietnam Free Trade Agreement ("EVFTA") which will be tentatively signed between Vietnam and EU by 2019 will attract the textile orders moving to Vietnam.

However, the short-term risks are always inherent and the Industrial Revolution 4.0 will bring many challenges to the business. In order to meet the demands of customers for more and more rigorous quality of products and services, the Company will have to continue to improve the production process in order to improve the quality of products and services and lower the cost.

In addition, the Company will continue to improve its management capacity by building internal audit and risk management systems. We hope that with the great efforts of the Board of Management and employees and the strong support of shareholders, STK will achieve sustainable development in the coming years.

Chairman

#### I.4 Vision-Mission-Value

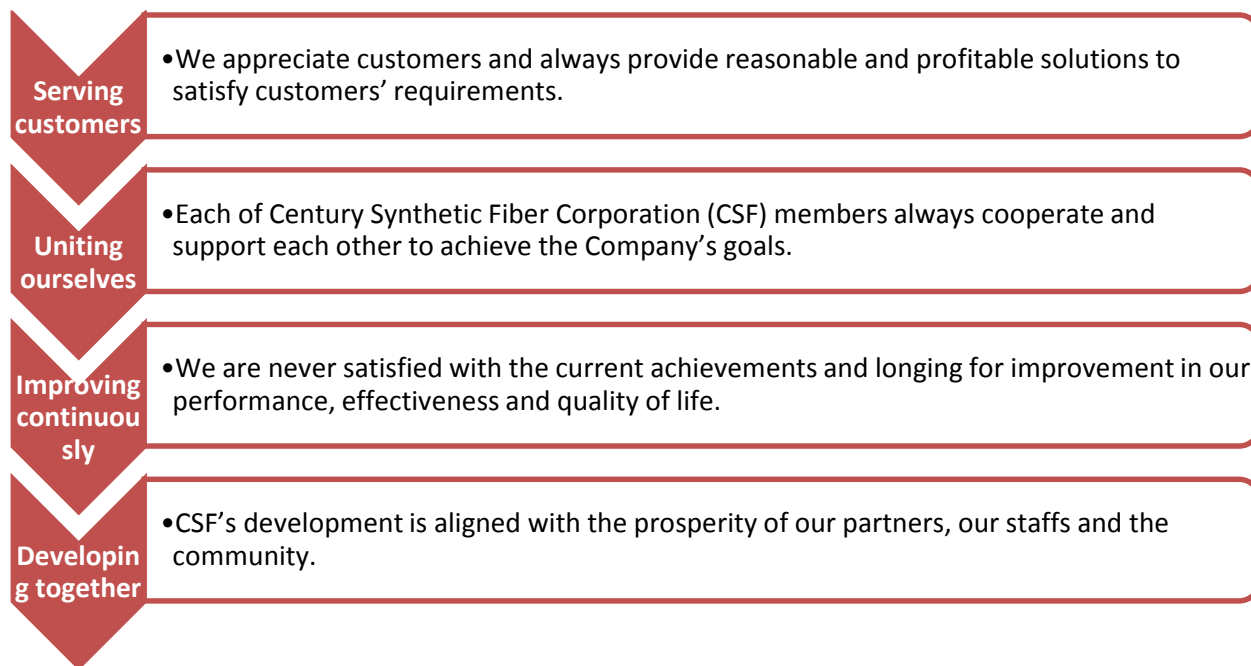
### VISION

To become a worldwide leading pioneer in the textile sector and developing into multi-business fields relevant with our core business.

## MISSION

We adopt an advanced and eco-friendly technology and modern management system, build up professional team and positive innovation corporate culture to contribute to our society, bring new and green products/services to the community by saving natural resource, energy and protecting natural environment.

## OUR VALUES



## OUR COMMITMENTS

We always appreciate our customers. We take responsibility and initiatives and cooperate with each other in carrying out the works.

### 1.5 Key milestones

#### **2000: Established first factory at Cu Chi District**

STK was established on the 1st June 2000

Main product: Draw Textured Yarn (DTY)

In the beginning, STK did not have a fully integrated production chain, but it must import Partially Oriented Yarn (POY) to produce DTY.

Initial designed capacity: 4,800 tons of DTY per year

#### **2003: Investment of capacity expansion**

STK continued investment to double capacity to 9,600 tons of DTY per year as it foresaw the strong increase in demand from the market as well as from the Company's customers.

### **2005: Converted into Joint Stock Company – A strategic reform**

On 11<sup>th</sup> April 2005, the Company was converted into a joint stock company and the name was changed to Century Synthetic Fiber Corporation. This strategic move enabled STK to diversify financing sources for its continuous expansion.

### **2008: Completed fully-integrated chain**

A POY workshop was put into operation in order to improve the company's value chain and enhance its profitability. Self-production of POY was also aimed to reduce the Company's reliance on imported POY and especially the volatility of POY price and supply. The investment in POY workshop was a turning point in STK's development as with this move, STK became the first Vietnamese company making microfilament from imported polyester chips.

The Company completed the expansion and its production capacity rose to 14,500 tons of POY per year & 15,000 tons of DTY per year.

### **2011: Developed new product FDY (Fully Drawn Yarn) & Implemented management system ERP-SAP All in one**

Construction of the new factory started on 28<sup>th</sup> Nov 2009 and it was put into the operation from 18<sup>th</sup> Jan 2011, adding an additional 11,000 tons of production capacity of DTY, POY per year.

Beside POY and DTY, STK also develop new product FDY to meet the demand of customer and market. This project raised the Company's entire capacity to 37,000 tons of DTY and FDY and 29,500 tons of POY per year.

In order to improve operating efficiency and business administration, since January 2012, STK implemented and put into operation an EPR provided by SAP for the Company's entire operation.

### **2014: Caught up the fiber world's trend & opportunities**

With an aim to catch the opportunities brought by inevitable relocation of garment and textile production from China to Vietnam and incremental growth brought by Free Trade Agreements (FTAs) as well as to optimize the Company's production scale, STK completed an expansion project for Trang Bang factory with a capital expenditure of USD34.2 million. The new factory was equipped with automatic DTY machines, which use the state-of-art technology from Oerlikon Barmag, a leading European group.

Smooth capital raising: Successful Initial Public Offering (IPO) by issuing 3 million shares valued of VND 75 billion to public to finance Trang Bang Factory – the third phase.

### **2015: Officially listed on Ho Chi Minh Stock Exchange (HOSE), successfully develop new product "Recycled yarn"**

Century shares were officially listed in HOSE on 30 December 2015. STK's brand reputation and market capitalization were enhanced;



On 18 September 2015, Trang Bang Factory – the third phase officially put into operation. The new factory has annual capacity of 15,000 tons of POY and 15,000 tons of DTY, raising the Company’s total annual capacity to 52,000 tons of DTY and FDY per year by 2016. Beside auto-doping texturized machines manufactured by Oerlikon Barmag, a leading European group, the new factory is also equipped with a Plant Operation Center (“POC”).

The Company cooperated with US partner to successfully develop new product “Recycled yarn” from recycled chip, starting a first step of product diversification into value added products.

The Company started exploring opportunities from new markets which have preferential tariffs under FTAs.

### **2016: Building a platform for stable development**

STK continued investment to expand Trang Bang factory in phase 4, raising total capacity of company to 60,000 tons of DTY and FDY per year by Quarter 1-2017.

The Company was granted by Control Union GRS 3.0 Certificate on production of recycled yarn.

The Company was granted by SGS a certification, confirming that its products conform to REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) on using toxic chemical material as stipulated by European Chemical Agency.

### **2017: Embracing the opportunity toward remarkable growth**

Putting Trang Bang 4 into operation, which brought the total production capacity up to 60,000 tons per year.

Successfully exploited two markets: Korea and Japan.

Timely captured with the trend of using recycled fiber, STK has cooperated with Unifi Group to become a franchiser under REPREEVE brand to supply products to major brands in the world.

STK’s products are also certified OEKO-TEX 100 which is the certification of non-toxic products disposed into the environment under the ZDHC program.

The company collaborated to strategic partners to establish E.DYE Vietnam Joint Stock Company specializing in producing color fiber, which will not pollute to the environment and saving water.

### **2018: Taking advantage from markets, harvesting success**

Completed the implementation and trial run of Trang Bang 5 project, raising total capacity to 63,300 tons per year.

Achieved and exceeded the target of Recycled yarn’s proportion, therefore improving the overall profit margin.

Achieved the budget of revenue and exceeded the targeted profit remarkably.

Well-managed quality control and expenses.

## **I.6 History of chartered capital increase**

Unit: VND 1,000

**Table 2: History of chartered capital increase**

<b>Issuance time</b>	<b>Subjects released</b>	<b>Capital increase</b>	<b>Charter capital after release</b>
05/2005	Equitization: initial chartered capital		50,000,000
05/2007	Founding partners; Workers	15,000,000	65,000,000
09/2007	Existing shareholders; Strategic partnership	26,500,000	91,500,000
01/2008	Strategic partnership	8,500,000	100,000,000
12/2008	Existing shareholders (bonus shares: 12%)	12,000,000	112,000,000
11/2009	Existing shareholder (Additional issuance: 25%)	28,000,000	140,000,000
01/2010	Strategic partnership (Issued separately)	40,000,000	180,000,000
09/2010	Existing shareholders (Bonus shares: 10%)	17,326,400	197,326,400
06~07/2011	Existing shareholders (stock dividends: 15%); Workers (ESOP 2010)	32,561,940	229,888,340
05/2012	Existing shareholders (Stock dividends: 20%)	45,026,570	274,914,910
06/2013	Existing shareholders (Issued shares to increase equity from ownership equity: 15%)	40,510,930	315,425,840
06/2014	Existing shareholders (- stock dividends: 15%) (-Issues shares to increase equity from ownership equity: 10%)	77,627,520	393,053,360
12/2014	Auction to the public	30,000,000	423,053,360

12/2015	Existing shareholders (-Issues shares to increase equity from ownership equity: 10%)	42,304,990	465,358,350
06/2016	Existing shareholders (- stock dividends: 10%) (-Issues shares to increase equity from ownership equity: 05%)	69,801,890	535,160,240
09/2017	Existing shareholders (- stock dividends: 12%)	64,217,740	599,377,980

## I.7 Industry and Business Areas

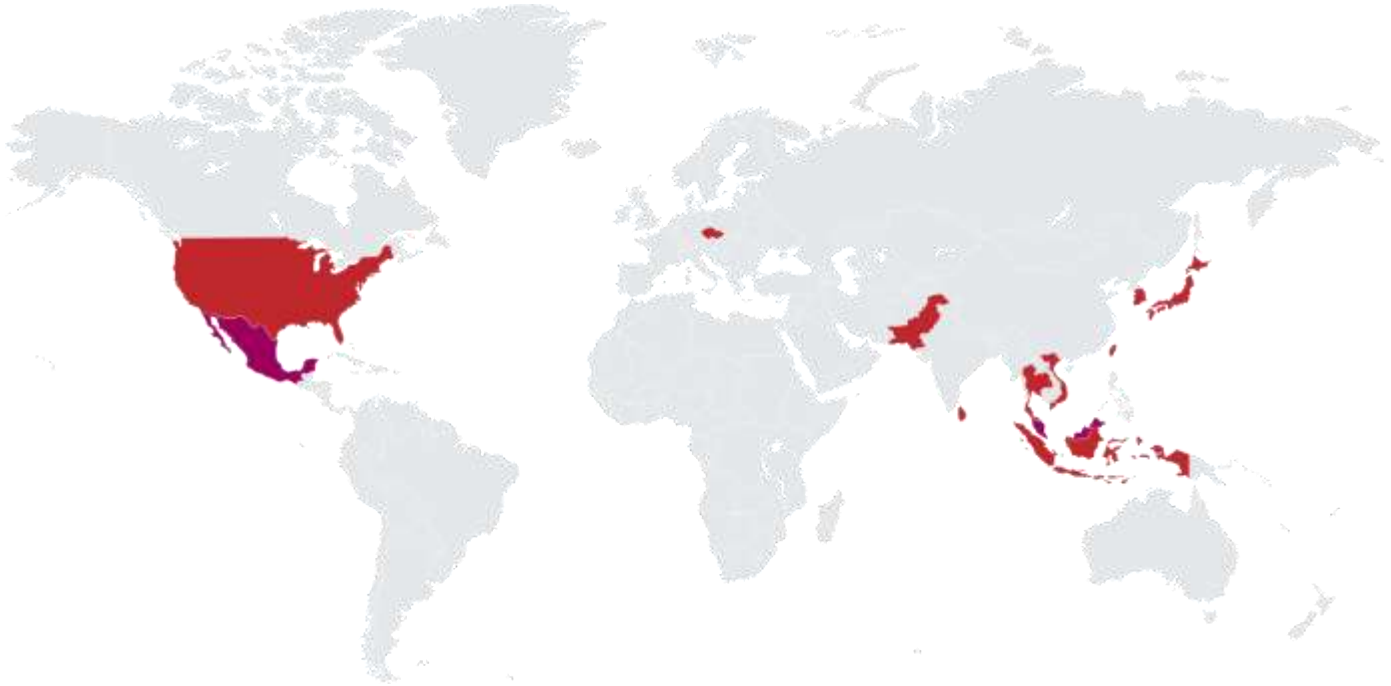
### I.7.1 Scope of business

STK manufactures and trades polyester filament yarns, including DTY and FDY.

### I.7.2 Production capacity

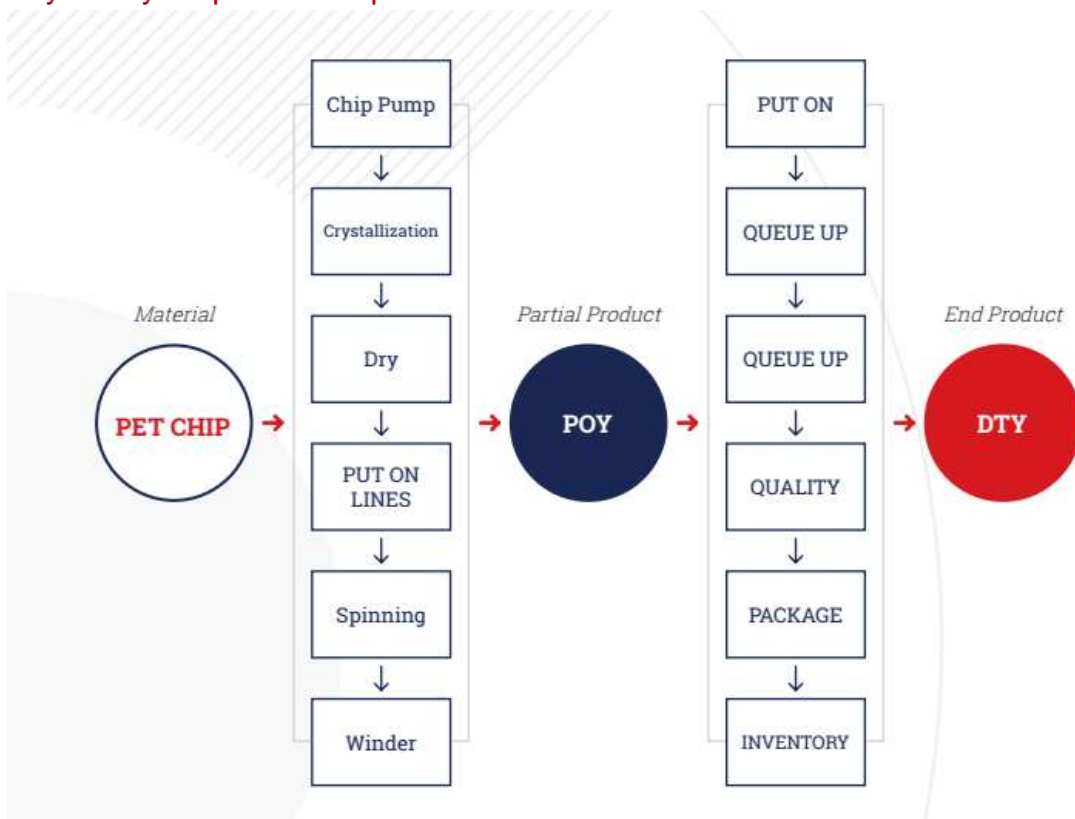
- The company has two factories located in Cu Chi and Trang Bang a total land area of 68,000 m<sup>2</sup>. With continuous expansion and increased capacity, at 31/12/2016, the total capacity of the Company is 52,000 tons of DTY and FDY.
- By the beginning of 2017, Trang Bang project phase 4 has officially come into operation, bringing the total capacity of the Company to 60,000 tons
- In late-2018, Trang bang 5 project completed the installation and trial run, raising the Company's total capacity to 63,300 tons of yarn per year. In addition, the Company also set up one production line recycling chip PET (Recycled Chip) with the capacity of 1,500 tons per year.

### 1.7.3 Global presence



Century's global footprint spreads throughout the world, focusing mainly in Pacific-Asia areas, including domestic and export markets such as: Thailand, Korea, Japan, Taiwan, and Pakistan...

### 1.7.4 Polyester yarn production process





DTY: Drawn Textured Yarn



FDY: Fully Textured Yarn

### 1.7.5 Main business model

#### STK's objectives



Since its inception in 2000, STK has defined the main business model which is called 4M

❖ Modern management platform using:



❖ State-of-art equipment supplies by: **oerlikon** barmag

❖ Strict quality control following:



❖ Modern management approaches on cutting waste whilst ensuring quality:



❖ Effective hedging for FX and price volatility risk through order selection and price matching mechanism.



❖ Experienced and devoted management team - headed by Mr. Dang Trieu Hoa, CEO (27 years experience in the sector)

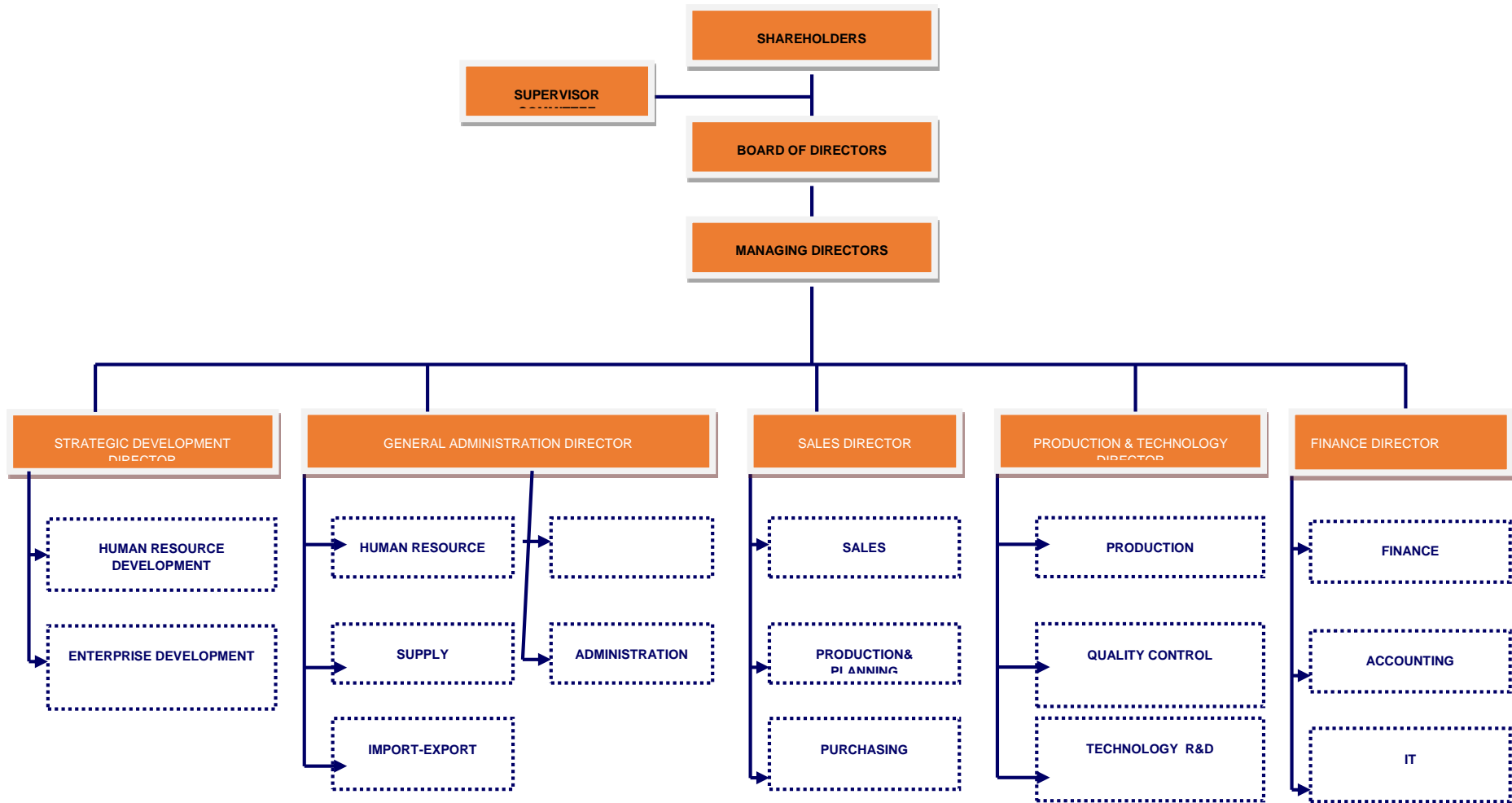
❖ Skillful & loyal workforces:

- ✓ High standards for recruitment;
- ✓ Continuous training;
- ✓ Competitive remuneration, bonus & welfare package;
- ✓ Promotion opportunities.

❖ Good quality materials  
✓ Strictly quality checking

## I.8 Organization chart – subsidiaries, affiliates

### I.8.1 Organization chart



[See more information at “Corporate Governance Model” section, page 60, Annual Report.](#)

## I.8.2 Subsidiaries - Affiliates

**Table 3: Subsidiaries**

ownership	Name of company	Address	% owning	Business	The beginning balance of contributing capital	The ending balance of contributing capital
Subsidiaries	UNITEX FIBER AND TEXTILE CO., LTD	Lot A17.1 C1, Thanh Thanh Industrial Zone, An Hoa Commune, Trang Bang District, Tay Ninh Province	100%	Production of synthetic fibers	VND 80 bil.	VND 80 bil.

At present, Unitex has not yet commenced operation, therefore it only recognizes the project development costs.

**Table 4: Unitex's Key Financial Indicators**

KPIs	2018	2017
Revenue from financial activities	157,074	35,025
Profit after tax	-18,452,926	874,975
Current assets	7,924,635,080	7,942,738,000
Long-term assets	78,727,944,535	78,727,944,541
Liabilities	6,690,065,781	6,689,715,781
Owner's equity	79,962,513,834	79,980,966,760
Total assets	86,652,579,615	86,670,682,541

**Table 5: Affiliates**

Type of ownership	Name of company	Addresses	% owning	Business	The beginning balance of contributing capital	The ending balance of contributing capital
Affiliates	e.Dye Vietnam JSC.	102-104-106 Bau Cat, Ward 14, Tan Binh District, HCM city	36%	Export, import, retail and wholesale distribution	VND27.05 bil.	VND2.38 bil.

In 2017, the company has invested in E.Dye Vietnam JSC at 102-204-106 Bau Cat, Ward 14, Tan Binh District, Ho Chi Minh City in the amount of VND 27,050,400,000 according to business certification number 0314352362 dated on 17/4/2017. On 31/05/2018 the Company received a part



of money amount of VND24,663,600,000 for two BCC projects, as this money cannot be disbursed from the capital account because the current banking law does not allow capital to be contributed before the issuance of investment licenses of the BCCs. Based on the guidance of the State Bank of Vietnam, the investors will contribute capital in accordance with the prevailing law. As e.Dye Vietnam has not commenced operation, it only recorded the establishment costs.

**Table 6: e.Dye Vietnam’s Key Financial Indicators**

<b>KPIs</b>	<b>2018</b>	<b>2017</b>
Revenue from financial activities	349,425,904	71,221,358
Net profit from operation	-1,052,387,895	-245,059,648
Profit before tax	-1,172,015,990	-245,059,648
Current assets	7,124,832,261	76,435,040,085
Long-term assets	92,920,976	17,500,000
Liabilities	1,899,213,875	360,629,733
Owner’s equity	5,318,539,362	76,091,910,352
Total assets	7,217,753,237,	76,452,540,085

## II. MACROECONOMIC AND MARKET OVERVIEW FOR 2018

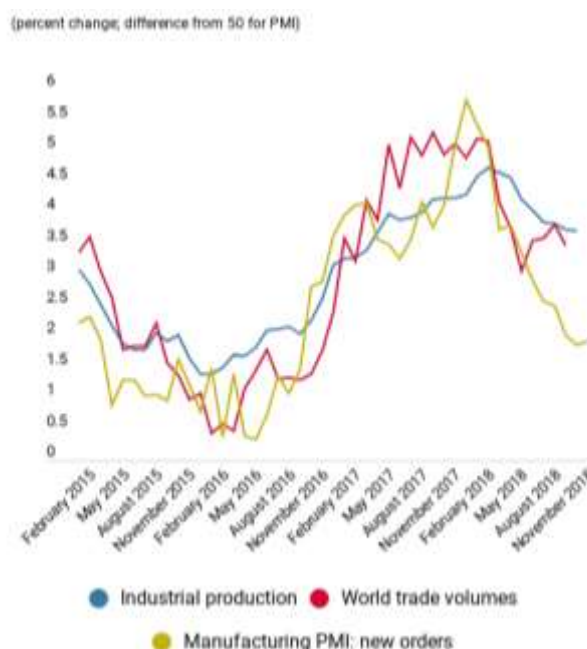
### II.1 Summary of the Economy and Market in 2018

#### II.1.1 The Global Economy

“Slowdown”, “Trade War”, “Rising interest rate” are key words to depict the global economy and market in 2018.

- After peaking at GDP growth rate of 3.8% in 2017 thanks to growth in manufacturing and trading sectors, the global GDP growth rate in 2018 was estimated at 3.7% by IMF, being lowered from initial forecast of 3.9% as the production and trade indicators have been decelerating while Business Confidence Index plummeted in 2018.

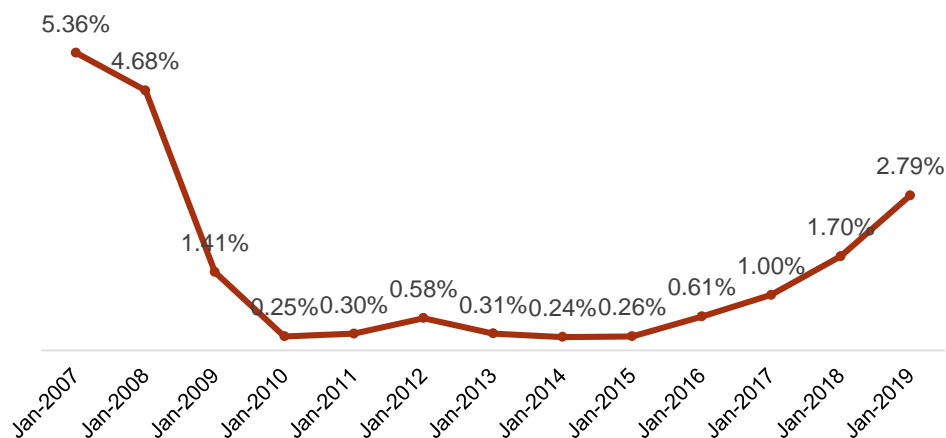
**Figure 1: Global Manufacturing indices 2015-2018**



Source: IMF

- One of reasons underlying the momentum loss of the global economy is the US' additional tariff imposition on imported goods from several major economies including China under the US trade protection policies which pose higher risks to trading as well as investment activities in the future.
- Nevertheless, the US still grown stronger in 2018 with estimated GDP growth rate of 2.7%, compared to its growth rate of 2.2% in 2017 according to IMF. With tightening monetary policies, the US Federal Reserve ("FED") will continue to raise interest rate and the US Dollar appreciated strongly during the last months.

**Figure 2: Movement of USD LIBOR 3 month rate during period 2008-2018**



Source: global-rates.com

According to the forecast of financial institutions, LIBOR will increase in 2019, as follows:

**Table 7: Forecasted LIBOR 3 month rate in 2019**

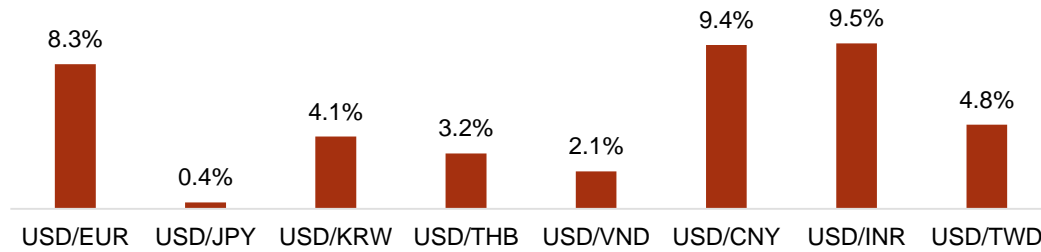
Libor-3-month (USD)	Last	Q1/19	Q2/19	Q3/19	Q4/19
Trading Economics	1.5	1.75	2	2	2.25
Long Forecast		2.845	3.241	3.241	3.418

**Table 8: Movement of USD against other currencies during period 2017-2018<sup>3</sup>**

	USD/EUR	USD/JPY	USD/KRW	USD/THB	USD/VND	USD/CNY	USD/INR	USD/TWD
% change	8.28%	0.36%	4.13%	3.16%	2.14%	9.38%	9.47%	4.81%

<sup>3</sup> USD: US Dollar  
 EUR: Euro  
 JPY: Japanese Yen  
 KRW: Korean Won  
 THB: Thai Bath  
 VND: Vietnamese Dong  
 CNY: Chinese Yuan  
 INR: Indian Rupee  
 TWD: Taiwanese Dollar

**Figure 3: Movement of currencies against USD during 2017-2018**

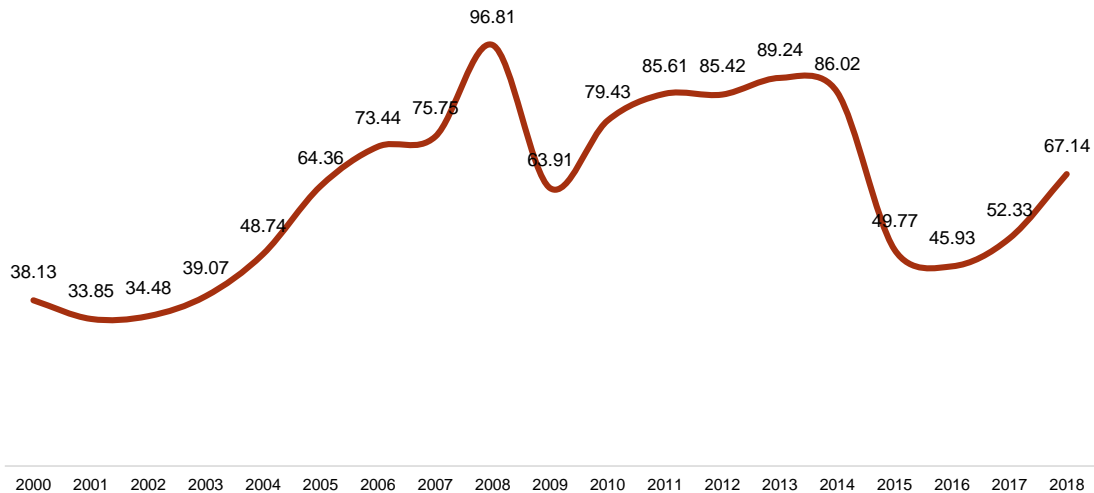


Source: investing.com

### II.1.2 World commodity prices

In 2018, energy prices, especially price of crude oil surged strongly. According to OPEC, IMF and World Bank (“WB”), Oil price rose by around 30% as compared to 2017, reached the average price of USD69/barrel.

**Figure 4: Movement of Crude Oil WTI during 2000-2018 (USD/barrel)**



Source: World Bank

## II.2 Impact of Vietnam’s macro-economic factors on STK in 2018

**GDP growth rate in 2018 reached highest level in the last 10 years, driven by excellent growth in manufacturing, service, agriculture and aquaculture sectors.**

- In 2018, Vietnam’s economy grown by 7.08%, being the highest growth rate since 2011.
- Average lending rate in 2018 was 8.91%<sup>4</sup> (2017: 8.86%).

Rising trend in interest rate can be mainly attributed to:

- higher inflationary expectations in the context of volatile commodity price in global market; and

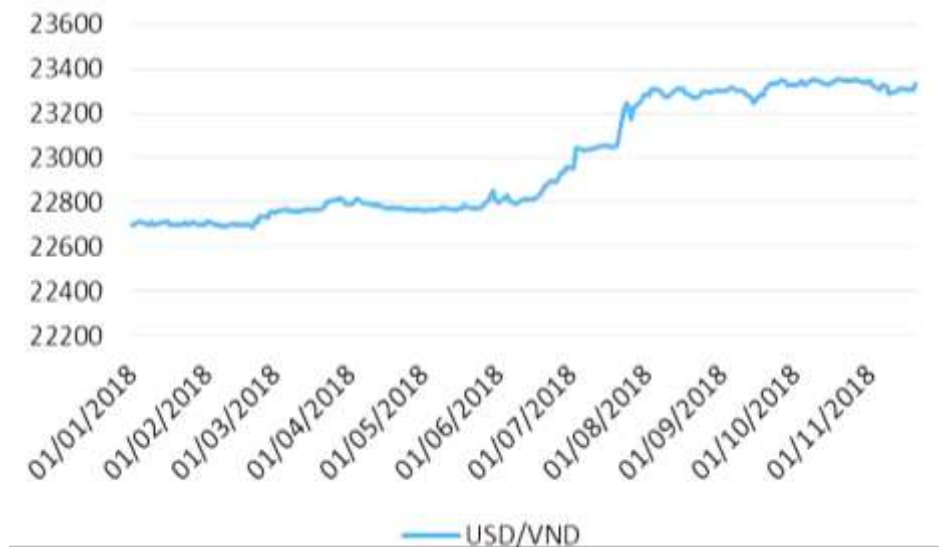
<sup>4</sup> Source: National Financial Supervisory Commission

- (ii) Credit institutions restructured their financing sources in order to ensure capital adequacy ratios, for example, the ratio of short-term capital to medium-long term loan was lowered to 40% and tier 2 capital will be increased according to Basel II.
- USD/VND exchange rate slightly increased. The central exchange rate rose by 1.5% while commercial banks' rate surged by 2.8% and the exchange rate in black market increased by 3.5% as compared to the beginning of the year.

Key drivers underlying depreciation of VND are:

- (i) regarding international factor, USD index surged by 5% as compared to the beginning of the year and by 9% if compared to the bottom in February 2018;
- (ii) regarding domestic fundamental factors, the exchange rate was still under pressure of inflation but it was also supported positively by balanced demand and supply for foreign currencies.

**Figure 5: Movement of Spot USD/VND in interbank market in 2018**

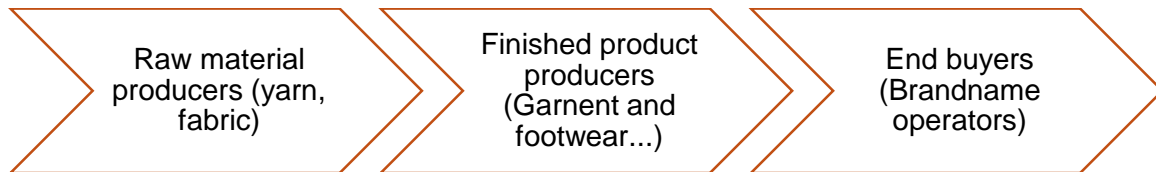


Source: Reuters

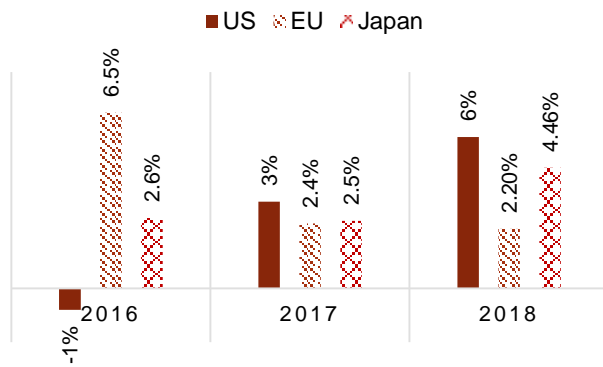
### II.3 Garment and Textile sector in 2018

#### II.3.1 Global garment and Textile Sector

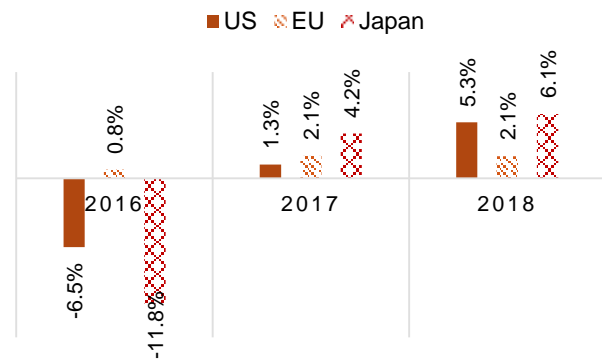
**Figure 6: The value chain in garment and textile sector**



**Figure 7: Growth in garment and textile import volume in US, EU and Japan during 2016-2018**



**Figure 8: Growth in garment and textile import value in US, EU and Japan during 2016-2018**



Source: OTEXA, MOF-JAPAN, EUROSTAT  
EUROSTAT data is up to November 2018.

In general, import volume and value of major garment and textile importing markets such as US, EU and Japan experienced positive growth as compared to 2017. Except Japan which experienced higher growth rate in value than in volume, US and EU had lower growth rate in value than in volume.

### II.3.2 Vietnam's garment and textile sector

Export turnover of the textile and garment industry in Vietnam in 2018 reached USD36.2 billion and increased by 16.4% as compared to 2017, exceeding the target of USD34 billion set in the early of this year. In which, textile and apparel export turnover reached USD28.78 billion, increased by 14.4% as compared to 2017; fabric exports reached \$ 1.66 billion, rising by 25.5%; yarn export turnover is estimated at USD3.95 billion. It is worth noting that, the trade surplus value reached USD17.86 billion, rose by 14.4% as compared to 2017. (Industry and Trade Newspaper).

**Table 9: Vietnam's garment and textile export in 2018**

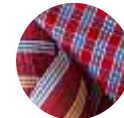
**Total garment & textile export: USD36.2 billion | +16.4%**



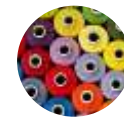
Garment: USD28.78 billion | +14.4%



Fabric: USD1.66 billion | +25.5%



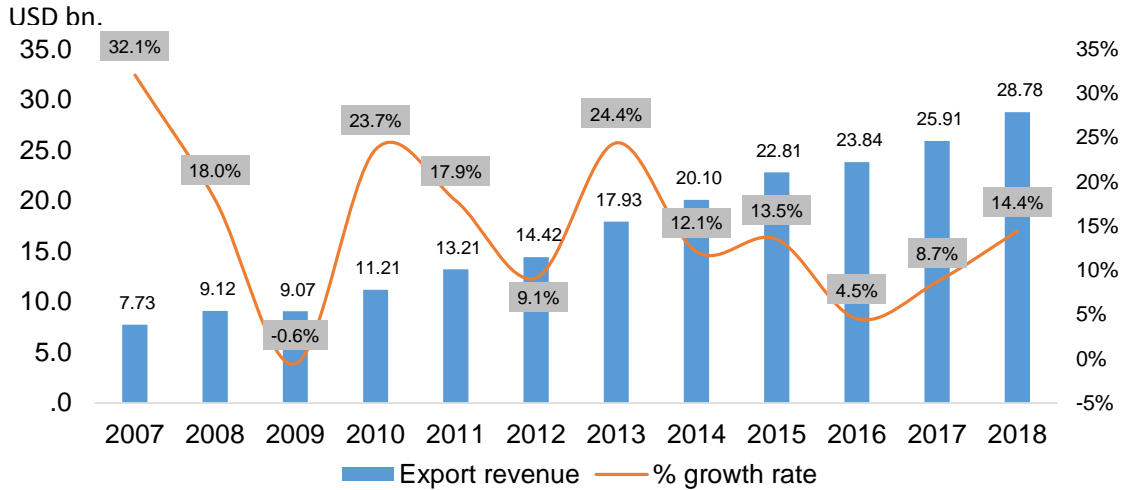
Yarn & fiber: USD3.95 billion | +9.9%



auxiliary material: USD1.23 billion | +14.6%



**Figure 9: Vietnam’s garment and textile export revenue during 2007-2018**



Source: VCOSA

**II.3.3 Prospect of the garment and textile sector in 2019 and opportunity – challenges to STK.**

Find “opportunities” in “challenges”, creating foundation for breakthrough development.

The global and domestic garment and textile sector reaped a lot of success in 2018. However, there will be a turning point in growth trajectory in 2019 with inherent threats and new risks to emerge in the market which require companies to change to quickly adapt to the situation and make breakthrough in the future. Companies should narrow the gap with market expectation and satisfy customer’s demand in the quickest manner by applying artificial intelligence (AI) and digitization... and most importantly to be aware of changes and able to cope with the changes.

**Table 10: Main trends in the garment and textile sector in 2019**

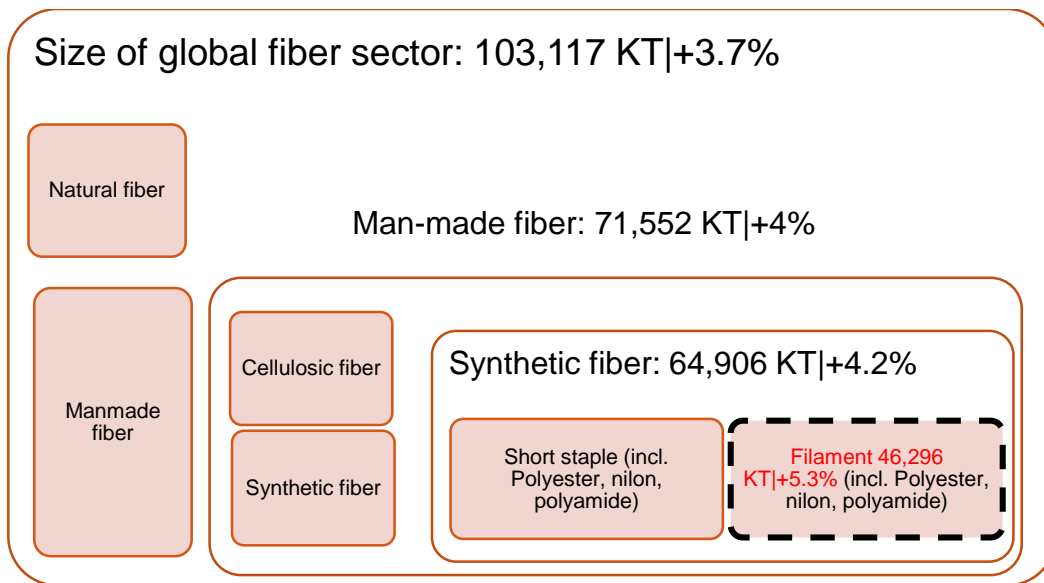
Trend	Explanation	STK’s strategic direction	Opportunities	Challenges
Global economic growth is forecasted to slow down in 2019	According to IMF forecast, the global economy slow down until 2020	Determine the Company’s competitive advantages, thereby to strengthen the competitive advantage in order to improve efficiency. Focus on profitability improvement rather than revenue augmentation	☆☆☆	☆☆☆

Changes in trade policies	Ratification of CPTPP enables Vietnam's garment & textile sector to expand export to markets which account for 13% of Global GDP; Tension due to US-China trade war Market entry by new rivals given the sector's low entry barriers	US-China trade war may bring opportunities for Vietnam's garment & textile sector, thereby raising demand for Vietnam made yarn in both Vietnam and US market. Vietnam is the 2 <sup>nd</sup> largest garment exporter to US, just behind China and accounted for 15% market share in US garment import in 2018. Besides, that US replacing Chinese import by those from Canada and Mexico will benefit Vietnam in general and STK in particular since Mexico and Canada are CPTPP membering countries.	☆☆☆☆	☆☆☆
Fiercer competition in the sector	The company's customer base may shrink if the Company fails to improve its competitiveness	Explore new markets, find new customers, develop new products, exploit favourable treatment brought by FTAs; Cost cutting to improve the	☆☆☆☆	☆☆☆☆

		Company's price competitiveness		
Apparent trend of sustainable development	"Green" products for environmental protection will be preferred, forcing branded customers to change to meet customers' demand	Changes in upstream of the value chain will have impact on the downstream; Recycled yarn will be focal point in STK's strategy during period 2017-2022; At the same time, quality assurance is priority in order to protect existing market share as well as to acquire market share.	☆☆☆☆	☆☆

### II.3.4 Classification of Polyester Filament

Figure 10: Structure of Fiber sector in 2 017 – growth rate vs. 2016



Source: The Fiber Year 2018

Polyester Filament yarn – a type of Synthetic Fiber, accounted the biggest share in the total fiber consumption (37.05% in 2017).

According to a report by Fact.MR<sup>5</sup>, by the end of 2018, revenue of the global filament subsector may surpass USD87 billion. The main driver comes from growth in demand for apparel and home furnishing as well as automotive textile. The filament subsector will maintain a compounded annual

<sup>5</sup> Source: factmr.com; Polyester Filament Market Forecast, Trend Analysis & Competition Tracking - Global Market Insights 2018 to 2027



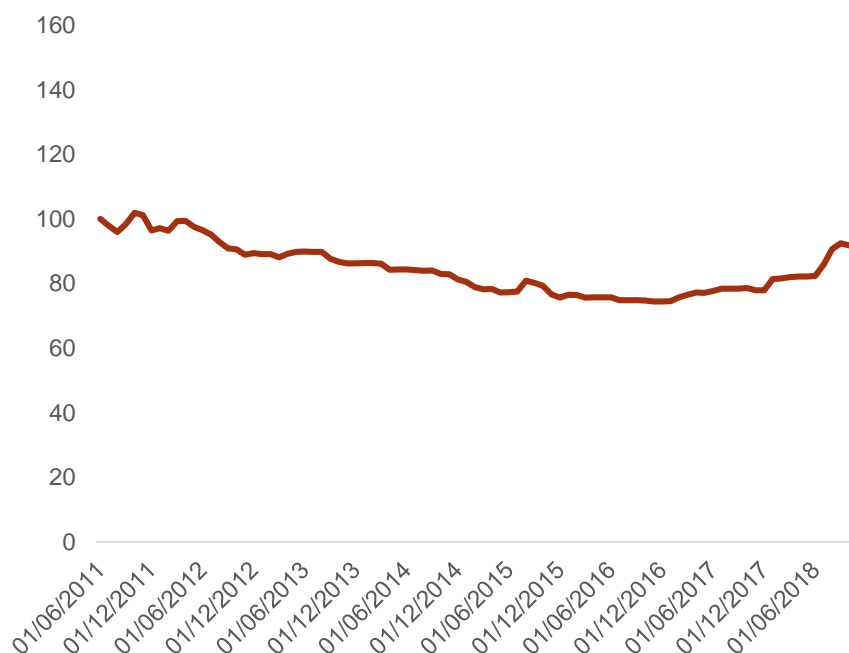
growth rate of 4.9% during period 2018-2027. In the future, demand for FDY which is used for high-end sport-wear, undergarments and home textile will grow strongly.

Demand for DTY and FDY will accelerate in the coming years. With technology development and cost cutting ability by manufacturers, demand for filament will rapidly increase and gradually replace cotton in several areas thank to its wide application as well as cost advantage.

**Table 11: Application of filament by end-use industry**

<b>Textile industry</b>	<b>Automotive industry</b>	<b>Medical industry</b>
Apparel	- Car decorative textile	- Orthopedic bandage
- Protective outfit;	- Air bag	- Non-biodegradable shutter
- Sport-wear...	- Mechanical rubber goods	- Uniform
Home furnishing	- Tire cord	- Protective outfit
Decorative textile		- Medical operation uniform...
...		

**Figure 11: PPI Producer Price Index for Polyesters fiber**

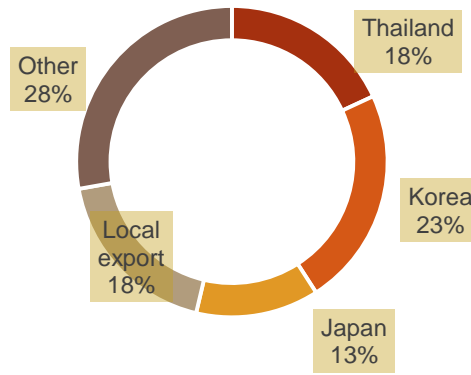


Source: Fact.MR

From 2011 to Oct. 2018, filament has good growth trajectory (gradually and slightly increase). In the future, as the demand for polyester filament will increase thank to its wide application as well as improvement in functionality as result of R&D activities, price of filament will keep rising in the long run.

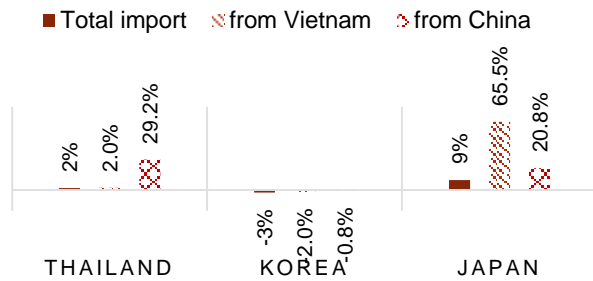
By geographic markets, Asia Pacific is the fastest growing market in term of consumption (mainly in China, India, Indonesia and Thailand), with estimated size (excluding Japan) of USD14 billion in 2018.

**Figure 12: Vietnam's polyester export by geographic markets in 2018**

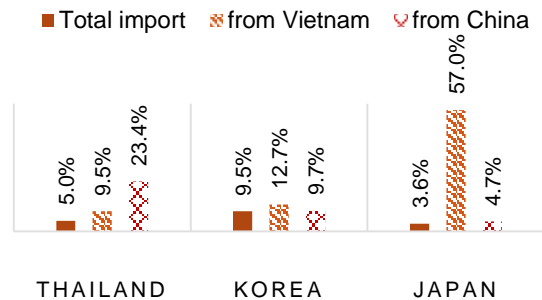


Source: Vietnam's Custom department

**Figure 13: Growth in import volume of polyester filament in Thailand, Korea and Japan and Vietnam's and China's export growth in these markets in 2017-2018**

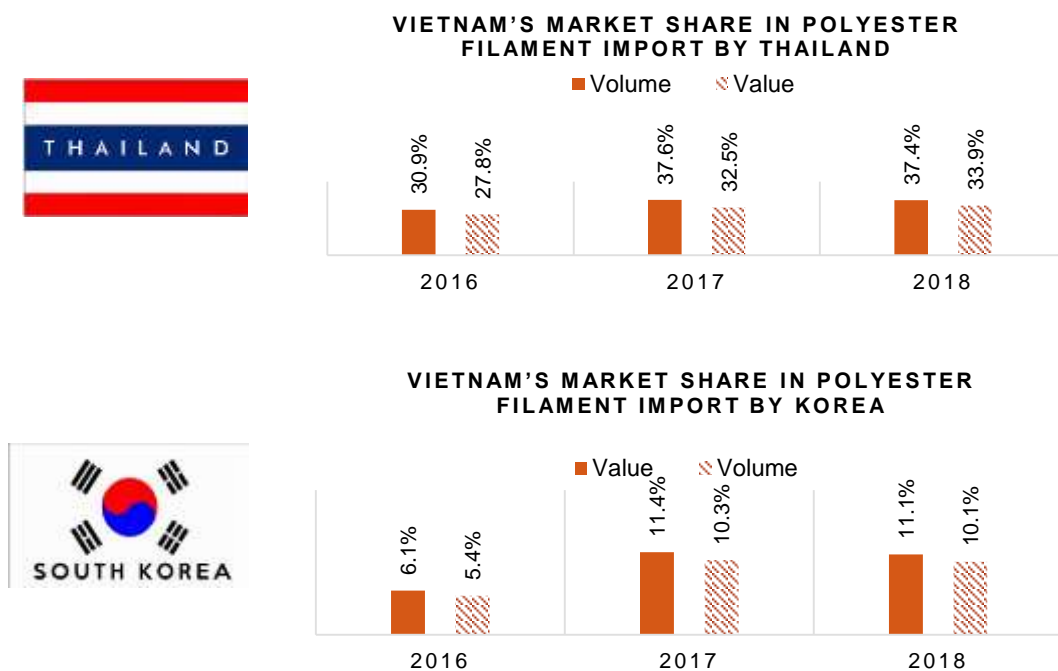


**Figure 14: Growth in import value of polyester filament in Thailand, Korea and Japan and Vietnam's and China's export growth in these markets in 2017-2018**



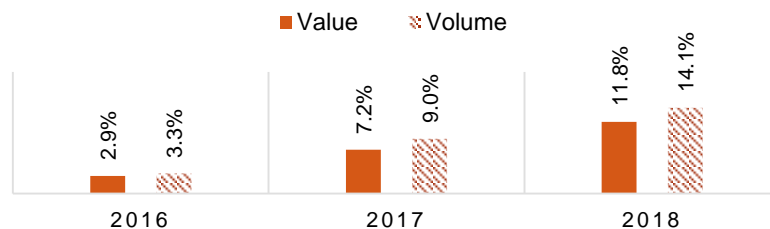
Source: Custom Offices of Thailand, Korea, Japan

**Figure 15: Vietnam's market share in polyester filament import by Thailand, Korea, and Japan during 2016-2018**





### VIETNAM'S MARKET SHARE IN POLYESTER FILAMENT IMPORT BY JAPAN



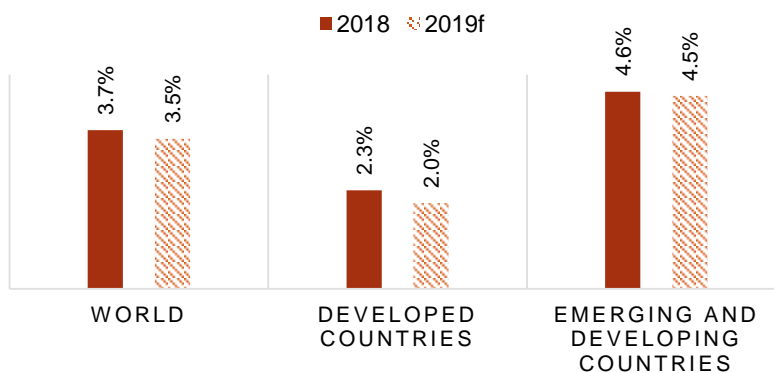
Source: Custom Offices of Thailand, Korea, Japan

## II.4 Development Direction for fiscal year 2019

### II.4.1 World Economic Outlook for 2019

- According to IMF's World Economic Outlook Update in Jan. 2019, the global GDP growth is projected to grow at 3.5% in 2019 and 3.6% in 2020. IMF also forecast that economic uncertainty will be higher due to US-China trade war and Brexit.

Figure 16: GDP Growth forecast for 2019



Source: IMF.

### II.4.2 Global commodity price

Oil price is projected to be stable or increase slightly by 3% as compared to 2018, around USD60/barrel.

### II.4.3 Exchange rate and interest rate

Tightening of monetary policies is expected to continue in developed countries but it will be more cautious and conservative. In the US, FED may make one more interest rate hike instead of 3 times as previously forecasted. Therefore, USD is projected to appreciate moderately or even depreciate according to some institutions (such as Citigroup, Goldman Sachs)

### II.4.4 Vietnam's Economic Outlook for 2019

- National Financial Supervisory Commission forecasts that GDP growth rate may reach 7% in 2019.
- Inflation rate is projected to be the same as 2018 (below 4%). According to the Ministry of Trade and Industry, average electricity price will be raised by 8.36%, in which, the price for manufacturing entities will increase by 7.58% as compared to 2018. This price hike will raise electricity price for manufacturing entities to VND1,692/kWh (equivalent to USD0.0726/kWh).

- VND denominated interest rate: interest rate is in rising trend mainly due to inflationary expectation in the context of volatile commodity price and capital restructuring by credit institutions to ensure capital adequacy ratios in 2019.
- USD/VND exchange rate in 2019:
- In 2019 pressure on exchange will be lessened as domestic and international factors are in favourable trends: (i) USD may not appreciate much or even depreciate; (ii) domestic inflation may be reined in within 4% as the global commodity price will not rise much, hence less pressure on inflation.

## II.4.5 Outlook of Garment and Textile Sector

### II.4.5.1 Global garment and textile sector

According to McKinsey’s State of Fashion 2019 report, the sector’s growth rate is lowered to 3.5%-4.5%

Figure 17: Garment and Textile Growth Forecast for 2019 by geographic regions



Figure 18: Growth by product categories



Source: McKinsey

### II.4.5.2 Recycled Polyester Filament

Currently, as sustainable development is the main trend in the garment and textile sector, demand for recycled polyester filament is growing dramatically as the branded fashion companies (especially in sport-wear subsector) are making stronger commitment for environmental protection.

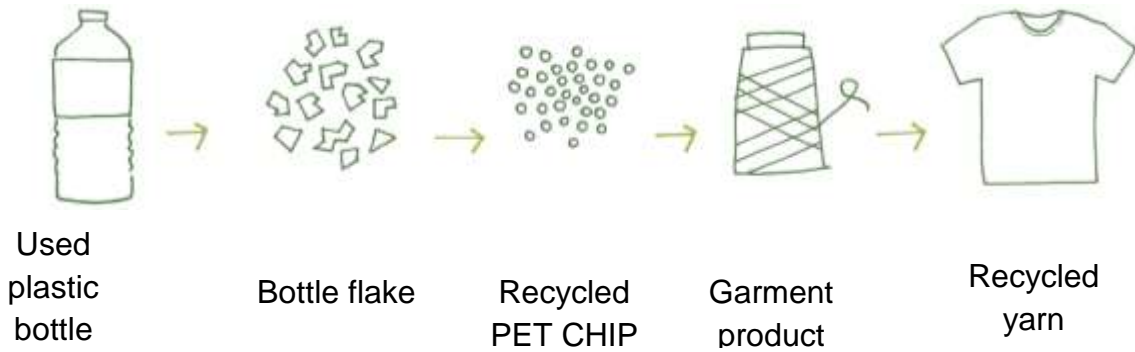


Figure 19: Polyester Output of Polyester yarn

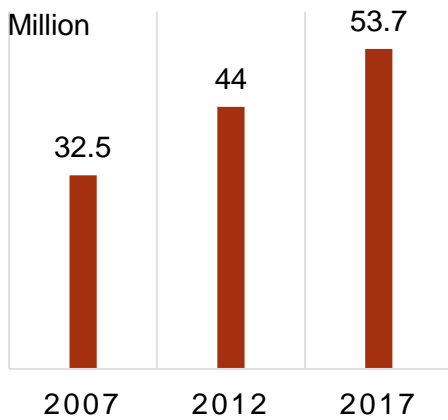
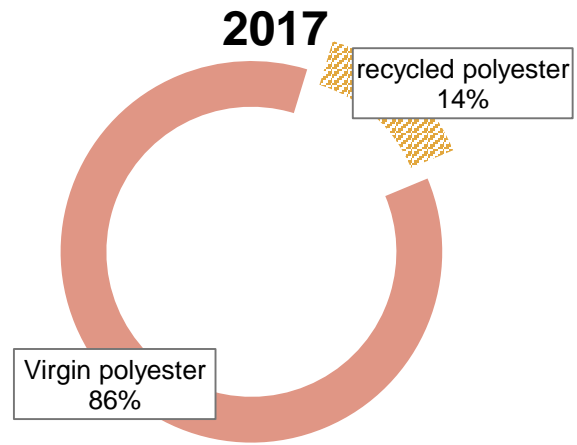


Figure 20: Share of Recycled Polyester

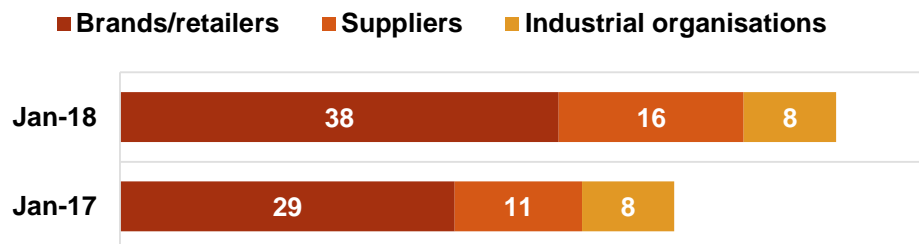


Source: Textile Exchange

Over the last 10 years, the output of polyester yarn rose from 32.5 million tons to 53.7 million tons. However, recycled polyester only accounts for 14% in total usage. Therefore, the growth potential is tremendous. (Source: Textile Exchange)

According to a survey by Textile Exchange, from October 2017 to October 2018 number of brand-names making commitment to raise the proportion of recycled polyester to at least 25% by 2020 increased from 29 to 38. In particular:

Figure 21: Number of brand-names committed to raise proportion of Recycled yarn to at least 25% by 2020



## II.5 SWOT Analysis

Table 12: Adopting SWOT Analysis to STK

Strengths	Weaknesses
-----------	------------

<p>Vision, mission, core value, strategy is clearly determined;</p> <ul style="list-style-type: none"> <li>• Modern facilities with the state of art technology and equipment provided by Oerlikon Barmag (Germany);</li> <li>• Applying modern computerized technologies such as SAP-ALL –in-one and Plant Operation Center (“POC”) in production procedure, to enhance productivity and quality of products;</li> <li>• Skillful and loyal employees;</li> <li>• Experienced and devoted management team</li> <li>• Modern management system; and healthy business culture;</li> <li>• Ability to transform the above mentioned factors into high quality product and services to meet high requirements of high-end markets as Thailand, Japan, and Korea.</li> <li>• Well recognized brand name in domestic and international markets;</li> <li>• Good relationship with suppliers and diversified customer base;</li> <li>• Good relationship with suppliers and diversified customer base;</li> <li>• Pioneer and proactive in developing new products and new markets.</li> </ul>	<ul style="list-style-type: none"> <li>• Research and development needs to be further enhanced through technology transfer from international experts;</li> <li>• Lack of senior management who have experiences in production management.</li> <li>• Newly set up internal audit system needs further training in order to become more efficient.</li> <li>• The financial situation of the Company is still dependent on exchange rate and interest policies since the Company’s debts are mainly in USD denomination.</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Global textile demand continues to maintain sustainable growth rate of 3%-4%;</li> <li>• Polyester filament yarn is expected to continue to grow fast thanks to its superior properties and competitive prices;</li> <li>• Vietnamese textile sector will strongly grow, thanks to relocation of orders from China which no longer maintains low production costs in China as before;</li> <li>• US-China trade war will bring opportunities for Vietnamese companies, especially those in upstream segment;</li> <li>• The multilateral and bilateral free trade agreements are boosting the FDI to Vietnam in order to utilize the favorable tariff treatment.</li> <li>• The tendency of using eco-friendly products as well as fiber with new function such as anti-UV, highly stretch is one the fastest growing trend followed by big fashion brand names.</li> </ul>	<ul style="list-style-type: none"> <li>• Unstable legal environment may cause legal risk for the business (i.e rising tax, loss of favourable tax incentives or rising operating costs);</li> <li>• US- China trade war may pose risks as Chinese companies may dump its products to Vietnam, Bangladesh or commit fraud by shipping their products to Vietnam then export to US to avoid additional tariff;</li> <li>• Risk of rising electricity and labour costs;</li> <li>• As the sector’s entry barrier is not high, FDI enterprises (including textile and garment companies) that enters Vietnam market may probably become future competitors of the Company.</li> </ul>

## II.6 STK's market position

With the vision to pioneer in the textile sector and become a global leader in the sector, STK has been leading in domestic market and expanding internationally, providing the best quality products and services and meeting the utmost stringent requirements of customers.

Figure 22: Vietnamese polyester filament producers by capacity and quality standard

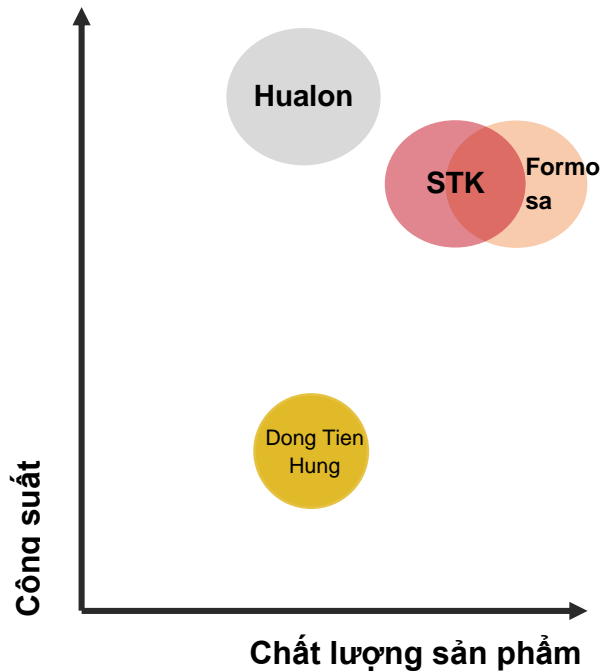


Table 13: Capacity of Vietnamese polyester filament producers

Company name	Capacity	Targeted market segment	Business strategies
STK	60,000 tons of DTY & FDY	Middle - High End	High quality product - reasonable price
Formosa	72,000 tons of DTY & FDY	Middle - High End	High quality product - reasonable price
Hualon	84,000 tons of DTY	Middle - Low End	Low quality product - low price
Dong Tien Hung	20,400 tons of DTY	Middle Low End	Low quality product - low price
PVTex	28,800 tons of DTY	N/A	N/A

STK has high competitiveness in Vietnam fiber market in respect of production capacity and product quality.

## III. STRATEGIC DIRECTION AND RISK GOVERNANCE

### III.1 Strategic direction for period 2019-2021

With the vision of becoming a leader in fiber industry, the Company has set up the goals and action plans in period between 2019 and 2021 as followed:

#### III.1.1 The Company's focal targets

To provide high quality product with competitive prices.	To join top tier in the market.	To achieve high growth rate while maintaining healthy financial standing.
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#### III.1.2 The Company's medium-long term objectives are aligned with environmental, social and community objectives

Table 14: The Company's medium and long-term objective

Objective	Providing high quality and eco-friendly products	Maintaining sustainable growth rate in revenue and profit	Bringing highest value to society and the community (state, customers, suppliers, shareholders,	Ensuring environmental protection in production and
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			<b>employees and community)</b>	<b>trading activities</b>
<b>Strategies</b>	<p>Developing “green – safe – eco-friendly” products which can have wide application</p> <ul style="list-style-type: none"> <li>- (Recycled yarn): using used recycled PET chip (from used bottles) to reduce waste and carbon footprint.</li> <li>- Dope Dyed yarn: Colour batch is mixed with melting polymer to create colour yarn, hence reduce the need for fabric dyeing, clean water and waste water treatment.</li> </ul>	<ul style="list-style-type: none"> <li>- Expanding Company's size: increasing capacity, expanding market territories.</li> <li>- Developing market and customer base to acquire market shares both domestically and internationally</li> <li>- Developing high end products which have high profit margin.</li> <li>- Adopting modern management model to ensure stable high quality products while reducing production costs. Enhancing quality of customer services, quickly meeting customers' requirements.</li> <li>- Maintain experienced labour forces, reduce unnecessary cost created by unqualified staffs and reliance on few persons.</li> <li>- Strictly control external risks such as market risk, price risk, interest rate risk, foreign exchange rate risk and completion</li> </ul>	<ul style="list-style-type: none"> <li>- With respect to the State: strictly complying to the laws, always fulfilling tax obligations</li> <li>- Suppliers: fulfilling contractual obligations and ensuring win-win cooperation.</li> <li>- Customers: providing the best quality products and customer services (pre- and post-sales), meeting customers' requirements regarding delivery, reasonable pricing policies.</li> <li>- Shareholders: providing transparent and accurate information, ensuring shareholder rights, never tolerating share price manipulation; conducting media communication to raise investors' awareness of the company's share, need for trading and hence liquidity of the shares; balancing between dividend policies and reinvestment policies.</li> <li>- Employees: creating healthy and stable working environment, offering them opportunity to develop their capacity, competitive remuneration policies, aligning the company's interest with the employees' benefit, taking care of employees.</li> <li>- Community: developing local economy, creating jobs, supporting local training institutions.</li> </ul>	<ul style="list-style-type: none"> <li>- Innovation to protect environment.</li> <li>- Measuring and keeping records on utility usage (water, electricity, carbon footprint) in order to have reasonable consumption.</li> </ul>



<p><b>Achievements in 2018</b></p>	<ul style="list-style-type: none"> <li>- Proportion of recycled yarn in total revenue reached 16.2% in 2018 (compared to 4% in 2016 and 6% in 2017)</li> <li>- Signing contracts with equipment and raw material suppliers to prepare for colour yarn production.</li> <li>- Signing contract with a strategic partner to develop a special yarn which is environmental friendly and implementing the next step in cooperation.</li> </ul>	<ul style="list-style-type: none"> <li>- Completed Trang Bang 5 project, raising capacity by 5% to 63,300 tons p.a.</li> <li>- In 2018, beside development and exploitation of existing markets, the Company also started penetrating new markets such as US, Mexico, Indonesia. At present, the Company is exporting to 21 markets and have 335 frequent customers.</li> <li>- The proportion of high value added product in total revenue increased by 2.6% as compared to 2017.</li> <li>- Applied modern management methods such as Lean Production, Kaizen, ERP-SAP-All- According to customer survey result, number of customer complaints felt from 52 (2017) to 36 (2018)</li> <li>- No. of employees with 5 year-service length was 22% in total number of employees in 2018. In addition, the percentage of high skilled workers was 30% in 2018</li> <li>- In 2018 price gap rose by 24% as compared to 2017 and 13% as compared to the budget. Interest expenses and foreign exchange rate loss were within the budget. The company also maintained its market share and position.</li> </ul>	<ul style="list-style-type: none"> <li>- State: fulfilled tax obligation. Total tax payment in 2018 was VND20 billion. The company also fully complied with laws and regulations.</li> <li>- In 2018, total value of raw material and equipment purchase was VND1,856 billion.</li> <li>- The Company always cared of customers' requirements by sending survey questionnaire twice a year, offering reasonable pricing policies and credit terms. The portion of default products was reduced by 4.4% in 2018.</li> <li>- The Company already paid dividends, issued shares to existing shareholders at a price lower than market price. The Company fulfilled its information disclosure obligations (timely and fully disclosed). Related party transactions and trading by internal persons were fully disclosed. The share's average daily trading volume was improved from 30,000 shares per day (2017) to 43,000 shares per day (2018). EPS reached nearly VNS3,000 (rose 80% as compared to 2017) and ROE reached 19.8% in 2018 (vs. 12.8% in 2017).</li> <li>- In 2018, average income of employees rose by 10% while the inflation rate of the year was 3.54%. The Company also gave</li> </ul>	<ul style="list-style-type: none"> <li>- Consumption of electricity, water and carbon footprint per unit product reduced as compared to 2017 (<a href="#">Please refer to the Sustainability Development Report, page 87 of the Annual report</a>)</li> </ul>
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			<p>promotion opportunities to 16 employees (equivalent to 1.6% of total employees) in 2018. The Company also raised bonus to employees (including increase in Tet bonus and payment of extraordinary bonus). In addition, in 2018, the Company also prepared for favourable share issuance to staffs. The Company also took care of staffs by giving 500 gift baskets to staffs' children on Children's Day (1<sup>st</sup> June) and 96 gifts for children with excellent academic results, Tet gifts to 54 employees with financial difficulties.</p> <p>- Community: in 2018, STK created more jobs in Cu Chi and Tay Ninh areas.</p>	
<b>2019 action plan</b>	<ul style="list-style-type: none"> <li>- The Company sets target to raise the portion of recycled yarn in total revenue to 26%.</li> <li>- Regarding colour yarn: will be launched in Q2-Q3/2019.</li> </ul>	<ul style="list-style-type: none"> <li>- Taking advantage brought by CPTPP, STK will raise the share in revenue from Mexico, Indonesia and the US. Given the flow of FDI in textile and dyeing sector, the Company will raise the portion of local export in total sales.</li> <li>- STK also got GRS certificate for Cu Chi factory, creating foundation to raise the portion of recycled yarn in total revenue. The Company also raised the quality standard for virgin yarn</li> <li>- Another objective of STK in 2019 is to reduce production cost, enhancing the Company's</li> </ul>	<ul style="list-style-type: none"> <li>- State: maintain compliance with the regulation.</li> <li>- Suppliers: make assessments, classify and maintain relationship on basis of transparency.</li> <li>- Customers: the Company set target to reduce customers' complaints as compared to 2018. Sales team also set targeted number of meetings with customers, stimulating demand and maintaining closeness to customers.</li> <li>- Shareholders: in addition to ensuring shareholders' rights, STK will proactively conduct communication activities, contacting</li> </ul>	<p>Given the achievements in 2018, STK will continue to implement innovation to reduce impact on the environment.</p>

		<p>competitive advantage and acquiring lower market segments. It is expected that the waste yarn recycling line will help increasing profit by 6%.</p> <ul style="list-style-type: none"> <li>- In addition, the Company is building foundation for smart factory – applying artificial intelligence, hence reducing the substandard rate, lowering production costs and enhancing the Company's prestige in customers' eyes.</li> <li>- The Company also aimed to recruit more qualified staffs, provide training to build capacity for managers and staffs: at least twice a year.</li> <li>- Being aware of the softening global economy, the Management team has prepared several business plans to cope with changing environments.</li> </ul>	<p>existing and potential investors.</p> <ul style="list-style-type: none"> <li>- Employees: the Company continues to supports its employees. In addition, the company also raise remuneration package. Average salary is projected to increase by 5%-10% in 2019.</li> <li>- Community: Continuing to create stable jobs for Cu Chi and Trang Bang areas; fully complying with the regulations, ensuring transparent in communication, proactively fighting against corruption and bribery.</li> </ul>	
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**Figure 23: Increasing demand on using Recycled yarn**



## III.2 Risk Governance

### III.2.1 Objectives of Risk Governance

Realizing the importance of risk governance in the Company's business operation, STK has built up its risk governance framework in order to:

- Recognize the internal and external risks of the Company in order to actively control risks, minimize potential damage and take advantage of opportunities which may arise from the risks.
- Ensure stability and sustainability of the Company's operations and maintain growth and achieve the Company's targets.
- Instill risk awareness and the mindset that it is better to prevent and control risks rather than solve its aftermath.

### III.2.2 STK's risk governance structure

STK's risk governance structure is comprises of "3 lines of defense" as follows:

Figure 24: Three lines of defense

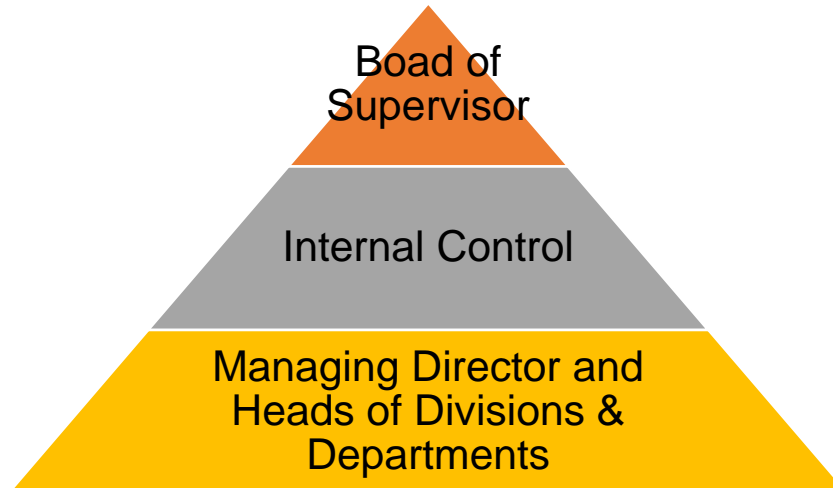
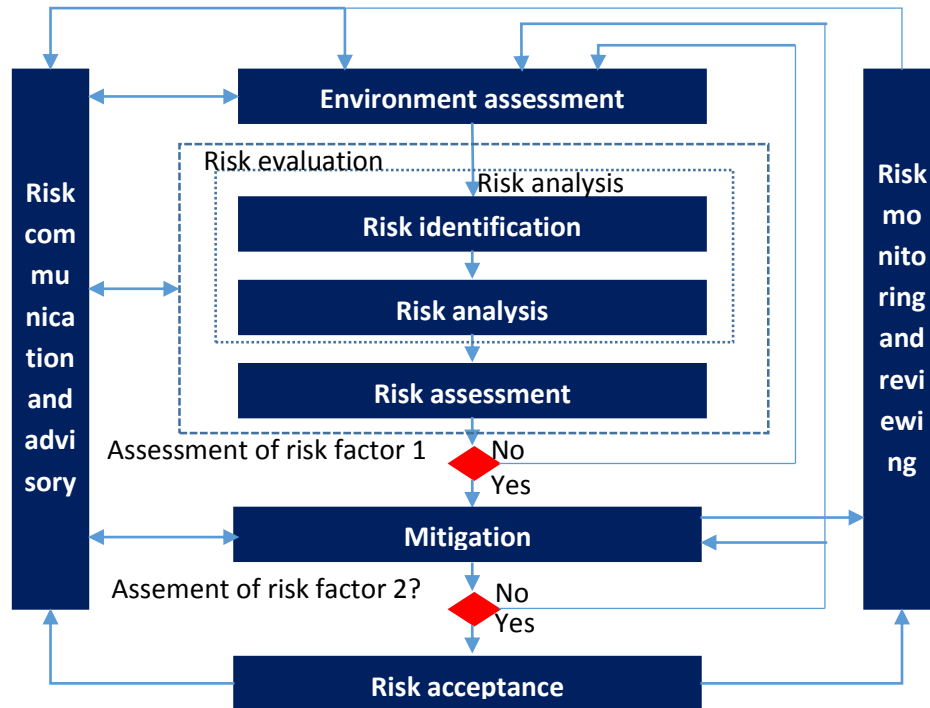


Table 15: Functions of each line of defense

Line of Defense	Person in charge	Functions
1 <sup>st</sup> line of defense	MD and Heads of Divisions and Departments	<ul style="list-style-type: none"> <li>- Understand the function of each division/department and Company's activities, based on this understanding, identify risks that may occur from procedures, activities, develop a risk matrix for each department/division and the Company.</li> <li>- Assess and classify risks after evaluate the impact of risks to the Company.</li> <li>- Outline measures to improve risk control in each day to day activity of the Company.</li> </ul>
2nd line of defense	Internal Control	<ul style="list-style-type: none"> <li>- Evaluate risk control mechanism of each department/division, then develop evaluation criterion.</li> <li>- Monitor operations and evaluate based on set criterion.</li> <li>- Timely prevent and handle violations or inherent risks.</li> </ul>
3rd line of defense	BOS	<ul style="list-style-type: none"> <li>- Evaluate the effectiveness and timeliness of internal control department</li> <li>- Outline measures to improve the risk governance mechanism</li> </ul>

### III.2.3 Risk governance process

Figure 25: Risk governance process



### III.2.4 Risk identification

Risks are identified based on the Company’s strategic objectives and major risks inherent to the Company’s strategic objectives are:

- Economic risk
- Demand reduction risk
- Competition risk
- Market risk
- Credit risk
- Liquidity risk
- Operational risk
- Asset risk
- Operating risk
- Legal risk
- Policy risk
- Antidumping risk at exporting markets
- Environmental risk
- Information security risk
- Human resource quality risk

### III.2.5 Evaluation of risks–Risk matrix

**Seriousness of Risk = Consequence \* Likelihood**

Table 16: Risk matrix

		Likelihood					
		Scale	Not likely to happen	Rarely happen	Likely to happen	Happen sometimes	Happen regularly
Impact of risk			1	2	3	4	5
	Very Low	1	1	2	3	4	5

Low	2	2	4	6	8	10
Moderate	3	3	6	9	12	15
Big	4	4	8	12	16	20
Very big	5	5	10	15	20	25

**Classification of risk base on the seriousness of risk**

Risk < 6	6 ≤ Risk ≤ 9	Risk > 9
Low	Moderate	High

**III.2.6 Analysis and evaluation of important risks**

**Table 17: Analysis and evaluation of important risks**

Type of risk	Explanation	Level of risk	Mitigation	Identified opportunities emerging from risk
▶Operational risk	Staffs' failure to comply with operational procedures may affect the quality of products and services.	High risk (20) = Happen frequently (5) x big impact (4).	- STK pays great intention to training of staffs, frequent update of standard operating procedures ("SOPs") and the quality assurance's strictly control of the production's compliance to SOPs - Increase the roles of functional division in self controlling the risks during operational process.	Identify unreasonable things in production process, then apply technology or renovate the procedures to minimize the occurring of the risks.
▶Quality risk	Being a raw material manufacturer, the Company's final products is the input material of another production stage, therefore, disqualified products will have negative impacts on customers, causing customer complaints or compensations	High risk (20) = Happen frequently (5) x big impact (4).	-The Company sets up the procedures, cross-checking mechanism in each production stage. -Skillful and extensively experienced production team always strictly control the quality before shipments.	-Being aware of quality control is a challenge due to the nature of polyester filament sector, the product quality is the top priority and core competitive advantage, consistent product quality also makes the customer base stable, enhances its brand-name on markets.

Type of risk	Explanation	Level of risk	Mitigation	Identified opportunities emerging from risk
▶ Price risk	Fluctuation of prices in global market can affect STK's raw material purchasing price and selling prices of finished product.	High risk (16) = Happen sometimes (4) x big impact (4).	However, thanks to its policies to diversify suppliers and customers as well as the price fixing mechanism between raw material purchase and sales of finished products, STK can maintain its target price gap between selling price and polyester chip price.	When raw material price increases, the selling prices also increase, potentially raising the Company's profit. When raw material price falls, there is opportunity to reduce production cost.
▶ Foreign exchange risk	Polyester chip accounts for 55% - 60% of cost of goods sold and STK has to pay for this material importation in USD. In addition, STK's long-term loans are in USD denomination.	High risk (12) = Likely to happen (3) x big impact (4).	- In order to minimize realized forex loss, the Company maintain the portion of export revenue around 60% to create USD inflow to pay for raw material importation and debt repayment. Regarding unrealized forex loss related to revaluation of USD denominated loans at the end of period. <sup>6</sup> -Forecast the potential exchange rate in order to have timely solutions.	N/A
▶ Material risk	Currently, the Company has been importing the main raw material, therefore the insufficient and disqualified supply will have negative	High risk (12) = Likely to happen (3) x big impact (4).	-The Company always diversifies its suppliers and periodically evaluates them. -Depending on market conditions, a definite amount of	

<sup>6</sup>This provisioning affects STK's reported earnings but it does not impact STK's cash flow.

Type of risk	Explanation	Level of risk	Mitigation	Identified opportunities emerging from risk
	impacts on production such as late shipments, disqualified products...		raw materials always in storage in order to meet the production demand.	
▶ Demand reduction risk	Global economic crisis may affect demand for garment and textile products and hence affecting the Company's sales.	Moderate risk (9) = Likely to happen (3) x moderate impact (3).	- STK has been making efforts to diversify customer base, develop new markets. In addition, the Company continuously enhance product quality and customer services, strictly control costs in orders to retain customers.  -In addition, the Company also focused on R&D activities to develop product with special functionality which are preferable by sport-wear brand names.	
▶ Risk of competition	: The relocation trend of garment and textile production from China, Taiwan and Korea to Vietnam together with the investment wave to catch the opportunities brought by FTAs will lead to more competition in the yarn subsector.	Moderate risk (9) = Likely to happen (3) x moderate impact (3).	With the business model focusing on modern facilities, skillful and professional workforce and modern management system, STK believes that it will be able to maintain competitiveness in providing high quality products at competitive price.	When competition in the sector rises, it's opportunity for STK to assert its position and get more market shares. Outstanding product and service quality can enhance the customers' loyalty to STK.
▶ Risk of anti-dumping investigation in exporting markets	In the context of free trade throughout global markets, trade safeguard measures	Moderate risk (8) = less likely to happen (2) x big impact (4).	STK apply reasonable selling price policies for domestic and exporting markets and maintain a	



Type of risk	Explanation	Level of risk	Mitigation	Identified opportunities emerging from risk
	<p>(including anti-dumping, anti-subsidy investigations) are frequently used by the governments of importing countries in order to protect their local producers. The requests for application of those trade safeguard measures are sometime absurd and it will take times and efforts to reject those absurd requests.</p>		<p>good reporting system to help proving that STK does not dump prices. In addition, the Company also keeps frequent contacts with its peers and Vietnam Cotton and Spinning Association in order to regularly update the market information as well as to protect legitimate rights of STK and its peers in exporting markets.</p>	
<p>► Environmental risk</p>	<p>The main raw material of the Company is PET chip which is the derivative of oil while the auxiliary materials are paper tubes and paper boxes. Therefore, the global policies and regulations on environment, especially the ones regarding oil and forest resources exploration will significantly influence the supply of these materials, thereby causing a strong impact on production and business of STK.</p>	<p>Moderate risk (8) = It Likely to happen (2) x big impact (4).</p>	<p>In order to reduce these risks, STK has researched and developed new products such as Recycled yarns (using Recycled PET chip recycled from polyester plastic bottles in order to reduce oil exploration), dope dyed yarn (reducing the water usage and not using toxic chemicals) and cooperated with suppliers in order to enhance quality of POY paper tubes. In addition, the Company has made commitments, issued environmental handbook and management guidelines and toxic chemicals</p>	<p>Increase market share via recycled and color yarns, air covering yarn which have higher selling price, expand customer base as STK is pioneer in launching these products.</p>

Type of risk	Explanation	Level of risk	Mitigation	Identified opportunities emerging from risk
			policies so as to reduce the bad influence of production and business process on the surrounding environments.	
▶ Interest rate risk	Fluctuation of interest rates (USD and VND) can affect STK's financial expenses as the Company's loans in both VND and USD have variable interest rates.	Moderate risk (6) = Likely to happen (3) x low impact (2).	As STK maintains prudent borrowing policies and has abundant cash flows, it can repay loans when interest rates increase.	Rising interest rate can help raising the Company's interest income on its deposits.
▶ Cash flow risk	A deficit in the Company's cash flow will be insufficient to pay loans and finance for new investment projects.	Moderate risk (6) = Likely to happen (3) x low impact (2).	The Company always be conservative in borrowing loans and ensure sufficient cash flow for loan principal and interest payments.	
▶ Risks to assets	Natural disasters (earthquake, storms, and floods) or fire and explosion or intentional destruction may cause damage to the Company's assets.	Moderate risk (6) = less Likely to happen (2) x moderate impact (3).	STK already bought insurances for all of these risks as well as business disruption insurance.	
▶ Policy risk	Changes in laws regarding to tax, customs, environmental protection and labor may cause increase in operating expenses.	Moderate risk (6) = Likely to happen (3) x low impact (2).	STK has set up a system to frequently monitor, update the information in order to have the best adaptation to these changes.	The government policies to support development of textile sector will benefit STK, especially those on import duty, corporate income tax

Type of risk	Explanation	Level of risk	Mitigation	Identified opportunities emerging from risk
► Information Security risk:	<p>Risk of Information incident (loss of information due to transmission interruption, malware, fire) may cause disruption of operation, economic damage and negatively impact the Company's image.</p> <p>Risk of loss of confidential information (business strategies, customer list, supplier list, knowhow) may cause economic damage to the Company</p>	Moderate risk (6) = Likely to happen (3) x low impact (2).	<p>Establish and apply ISO/IEC 27001:2013 and get certification "for information security in production and trade of polyester filament".</p> <p>Apply safety measures such as investment in automatic fire fighting system, back up system, installation of anti-virus, training staffs, development and implementation of policies on information security.</p>	
► Human resource quality risk	Risk of failure to meet the Company's need for human resources in term of quality: the staffs are lack of necessary qualification and experience, affecting the Company's operation.	Low risk (4) = Less likely to happen (2) x low impact (2).	<p>Set criteria for recruitment, provide training and develop the quality of human resources to meet the job requirements.</p> <p>Provide the best salary, benefit and remuneration policies as well as working environment for the staffs.</p> <p>Provide trainings to enhance skills and knowledge for staffs, develop succession planning.</p>	

### III.2.7 Summarize of risk evaluation

Table 18: Company's risk ranking

Maj	Quality risk	High
	Operational risk	

	Price risk	High
	Exchange rate risk	
	Material risk	
	Demand reduction risk	
	Competition risk	
	Risk of antidumping investigation	Moderate
	Environmental risk	
	Interest rate risk	
	Risk to asset	
	Cash flow risk	
	Policy risk	Low
	Information security risk	
	HR quality risk	

## IV. THE BUSINESS PERFORMANCE EVALUATION BY BOARD OF MANAGEMENT

### IV.1 Introduction of the Board of Management (“BOM”)

			
<p><b>Mr. Dang Trieu Hoa</b></p> <p><i>Chairman/ Managing Director</i></p> <p><b>Year:</b> 1969</p> <p><b>Education:</b> Business Administration</p> <p><b>Working experience:</b>  <b>06/2010 to present:</b> Chairman/Managing Director, STK.  <b>1995-2000:</b> Director, Hoan A Trading &amp; Services Co., Ltd.  <b>1991-1995:</b> Director, Viet Phu Trading &amp; Services Co., Ltd.</p>	<p><b>Mdm. Nguyen Phuong Chi</b></p> <p><i>Chief Strategic Officer (CSO)</i></p> <p><b>Year:</b> 1972</p> <p><b>Education:</b> Master of Applied Finance</p> <p><b>Working experience:</b>  <b>01/2015 to present:</b> CSO, STK  <b>03/2008 – 12/2014:</b> Investment Advisory Manager, Tri Tin Consulting &amp; Investment JSC.  <b>04/2005 – 02/2008:</b> Senior Project Manager,</p>	<p><b>Mr. Nguyen Thai Hung</b></p> <p><i>Administrative Manager</i></p> <p><b>Year:</b> 1956</p> <p><b>Education:</b> Bachelor of Physics</p> <p><b>Working Experience:</b>  <b>2016 to present:</b> Administrative Manager, STK  <b>2011 – 2016:</b> KYVY Corporation: Production Manager  <b>2008 – 2010:</b> Century Synthetic Fiber Corporation: Deputy Managing Director</p>	<p><b>Mr. Phan Nhu Bich</b></p> <p><i>Chief Financial Officer</i></p> <p><b>Year:</b> 1970</p> <p><b>Education:</b> MBA</p> <p><b>Working experience:</b>  <b>11/2010 to present:</b> Chief Accountant, STK.  <b>03/2004 – 03/2010:</b> Controller/ Accountant, Thanh Cong Textile Garment &amp; Investment Trading JSC.  <b>1997 – 03/2004:</b> Accountant, Binh</p>

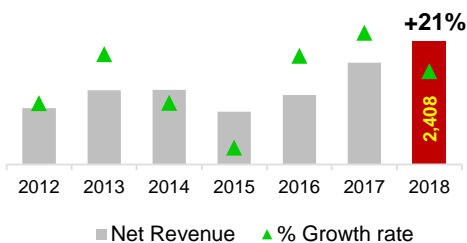
	<p>Openasia Consulting Ltd.  <b>10/2004 – 02/2005:</b> Business Development Officer, Mekong Private Sector Facility (“MPDF”).  <b>10/2002 – 10/2004:</b> Senior Financial Analyst, PricewaterhouseCoopers (Vietnam) Ltd.  <b>03/1997 – 03/2000:</b> Legal Assistant, Deacons Graham &amp; James, Hanoi Branch.</p>	<p>2002 – 2008: <i>Thai Tuan Textile &amp; Garment Corporation: Manager of Textile factory 1 and Textile factory 2.</i>  2001: <i>Century Manufacturing – Trading Limited Company: Workshop Manager</i>  1998 – 2000: <i>Thai Tuan Textile &amp; Garment Limited Company: Textile factory Manager.</i>  1994 – 1998: <i>Lien Minh Fiber Company (Taiwan, Tan Thuan Export Processing Zone): Workshop Manager</i>  1982 – 1993: <i>Viet Thang Textile Company (Thu Duc District): Head of Yarn Testing Laboratory.</i></p>	<p>Phuoc Electricity Company.</p>
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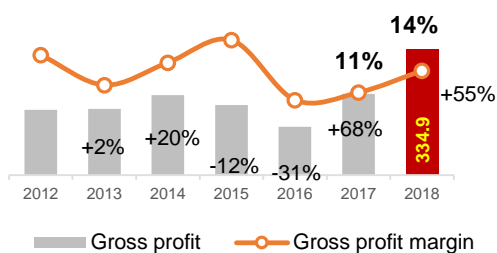
Change in BOM during 2018: none

## IV.2 The business performance

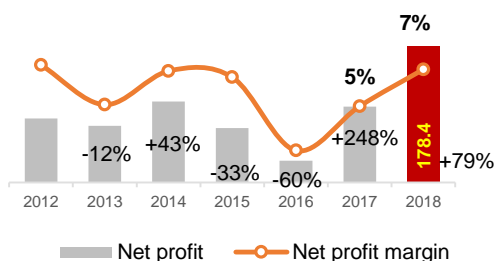
If 2017 was a year of recovery, 2018 is the year of success – proclaiming STK’s position. The Company did not only outperform the results of 2017 but also surpassed the initial target of the year.

### IV.2.1 Analysis of movement in financial indicators

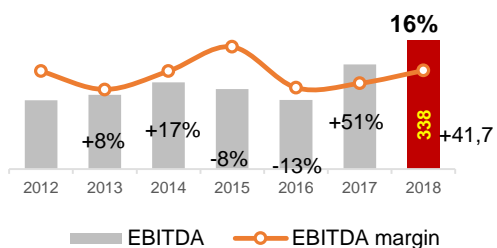
Indicators (VND billion)	Analysis of movement
<p>Net revenue and year-on-year growth</p>  <p>Gross profit, gross margin and year-on-year growth</p>	<ul style="list-style-type: none"> <li>➤ As a result of change in sales mix toward higher value added products, average selling price in 2018 increased by 21% as compared to 2017. At the same time, revenue of recycled yarn rose by 175%, helped lifting total revenue by 21% year-on-year.</li> <li>➤ Thanks to change in sales mix, the price gap surged by 24% as compared to 2017. In addition, as results of cost cutting efforts and enhancement in operation efficiency, gross</li> </ul>



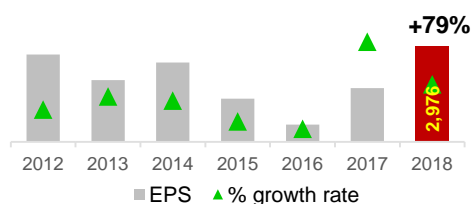
Lợi nhuận sau thuế, biên lợi nhuận ròng và tốc độ tăng trưởng so với cùng kỳ



EBITDA<sup>7</sup>, EBITDA margin and year-on-year growth rate



Earnings per share (EPS) and year-on year growth rate

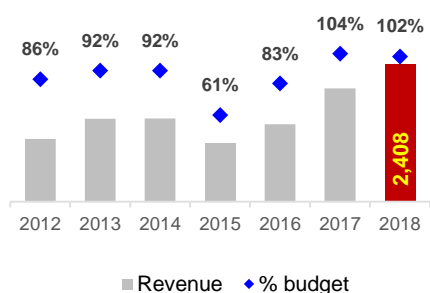


profit jumped by 55%, lifting gross margin from 11% (2017) to 13.9% (2018).  
 ➤ As costs are stringently controlled, selling and financial expenses grown at a slower pace than revenue's growth rate. Meanwhile, general and administration expenses declined as compared to 2017. Therefore, net margin surged from 5% (2017) to 7.4% (2018). Net profit after tax of 2018 rose by 79% year-on-year.

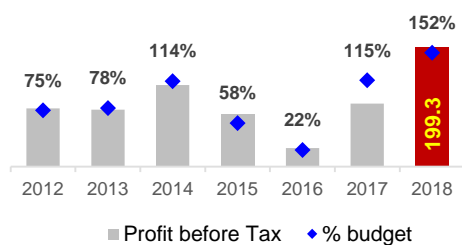
#### IV.2.2 Comparison of actual performance indicators vs. targets

Indicators (VND billion)	Comparison
Net revenue – Actual vs. target	

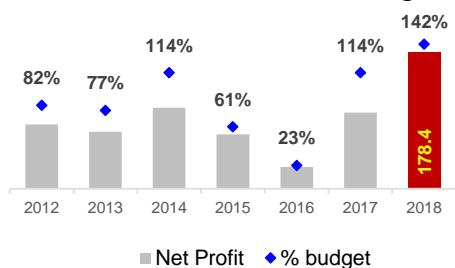
<sup>7</sup> Earnings before tax, interest, depreciation



#### Profit before Tax – Actual vs. Target



#### Profit after tax – Actual vs. Target



Net revenue in 2018 surpassed budget by 2.3% thanks to favourable market conditions and higher proportion of high value added products in total sales. The average selling price in 2018 rose by 13.2% as compared to the target. In addition, since costs of goods sold was kept within the budget (fulfilling 99.6% of the budget) while other expenses were well controlled, profit before tax surpassed the target by 52%. Consequently, net profit after tax exceeded the target by 42%.

### IV.2.3 Production Performance

Table 19: Company's Capacity Utilization Rates

	2014	2015	2016	2017	2018
Number of actual operating days	345.74	313.04	296.6	332.6	339.6
Capacity utilization (%)	94%	85.77%	89.51%	91.13%	93%

In 2018, the Company utilized 93% of total capacity. The production team has timely met shipment deadlines, made efficient cooperation with other departments, avoiding late shipments or delivery shortage.

### IV.2.4 Financial standings

As the financial performance was improved, coupled with ability to control working capital (inventory, accounts receivable) as well as proactive control of cash flows and early debt repayment, the Company's financial standing was enhanced. In particular:

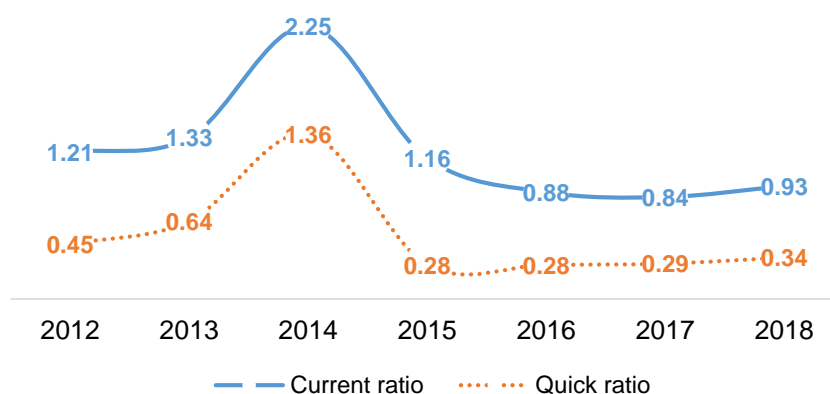
Table 20: Key financial indicators

Indicator	Unit	2014	2015	2016	2017	2018	2018/2017
<b>Liquidity ratios</b>							The Company's payment ability in 2018 was improved as compared to 2017
Current ratio	Time	2.25	1.16	0.88	0.84	0.93	
Quick ratio	Time	1.36	0.28	0.28	0.29	0.34	
<b>Financial leverage</b>							
Debt/Equity ratio	Time	0.35	1.18	1.5	1.04	0.85	

Debt/Total assets	Time	0.19	0.48	0.51	0.41	0.37	In 2018, Debt/Equity ratio felt substantially as compared to 2017
<b>Management Effectiveness</b>							
Inventory Turnover	Time	6.76	2.37	3.04	4.4	4.4	Inventory turnover remained the same as 2017
Net revenue/Total Assets	Time	1.17	0.60	0.67	1.0	1.1	
<b>Profitability</b>							The Company's profitability was improved dramatically in 2018
Return on sales (ROS)	%	7.3%	6.9%	2.1%	5.0%	7.41%	
Return on Asset (ROA)	%	8.5%	4.1%	1.4%	5.0%	8.41%	
Return on Equity (ROE)	%	15.7%	10.3%	4.1%	12.8%	19.6%	

#### IV.2.4.1 Liquidity

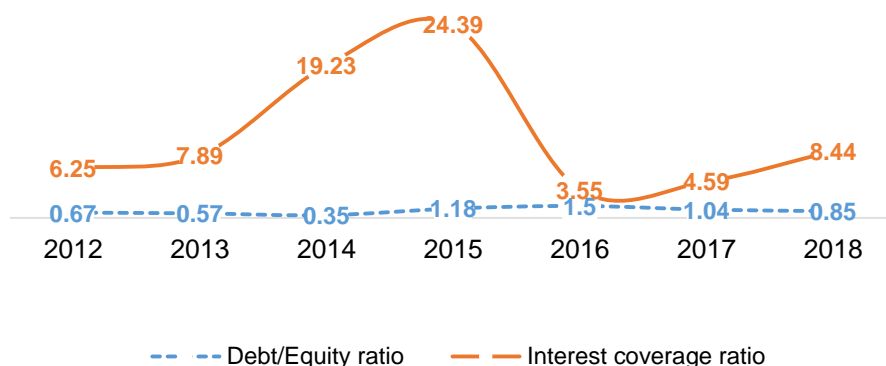
Figure 26: Liquidity



- Current ratio in 2018 was 0.94x. Although this indicator was improved as compared to 2017, it was still below 1, indicating that the current assets was insufficient to cover current liabilities.
- Quick ratio was improved in 2018, mainly due to substantial increase in the cash balance.

#### IV.2.4.2 Solvency

Figure 27: Solvency

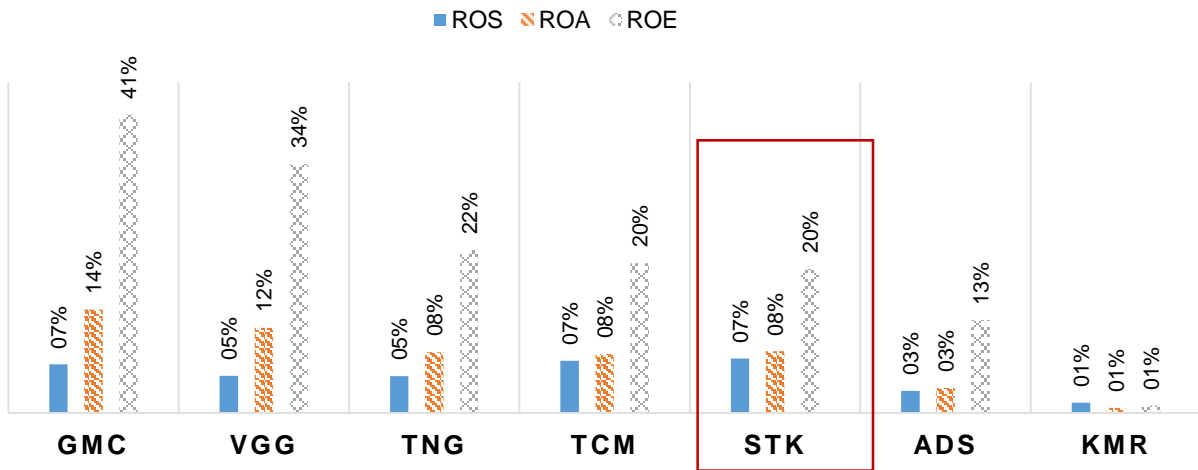


- ✓ Debt/Equity ratio decreased from 1.04x to 0.85x, strengthening the Company's financial safety.
- ✓ Interest coverage ratio rose from 4.59x (2017) to 8.44x (2018) since EBIT rose by 94.3% year-on-year.



### IV.2.4.3 Comparison of STK's profitability with its peers in 2018

Figure 28: STK vs. peers



### IV.2.5 Assessment by the Board of Management

After recovery in 2017, the Company has not only maintain the momentum but also made a spectacular breakthrough in term of operational and financial performance in 2018.

Figure 29: Revenue mix by geographic markets

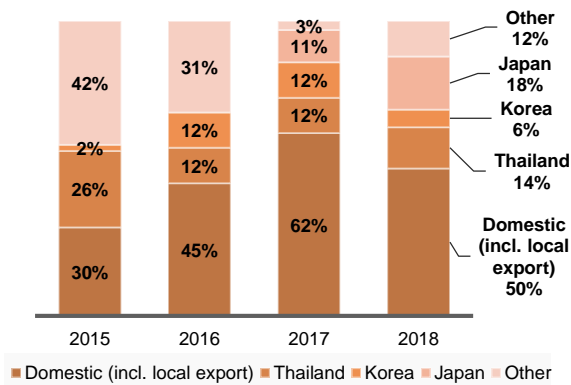
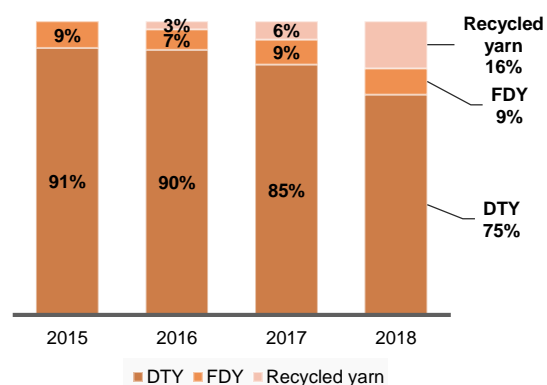


Figure 30: Revenue mix by products



- In general, the Company has outperformed 2017 and surpassed the annual budget.

Indicator (VND billion)	2018 actual	Actual vs. budget
Net revenue	2,407.7	102.3%
Profit before tax	199.3	152%
Profit after tax	178.4	141.7%

- The Company also met quality targets and minimized shipment of sub quality products to customers.
- The portion of recycled yarn in total revenue reached 16%, surpassing the annual target of 14%.
- Trang Bang 5 project was completed on schedule.
- As product mix was tilted toward higher value added products, selling price and gross margin was improved as compared to the last year.
- Since revenue grow strongly year on year, the financial ratios improved.
- Cost items were well controlled within the budget.

#### IV.2.5.1 Asset structure analysis

Figure 31: The Company's asset structure in 2018

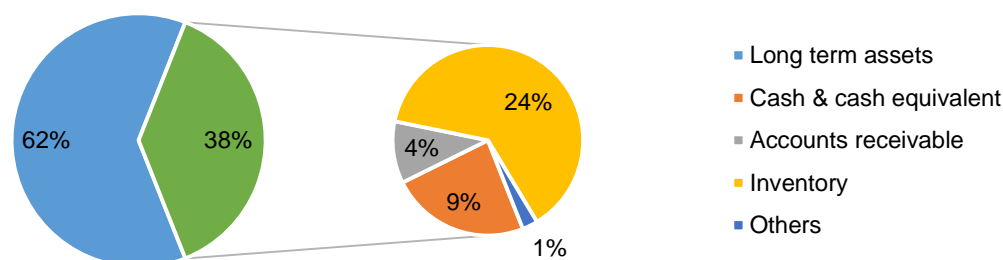


Table 21: Movement of key balance sheet items

Unit: VND billion	2016	2017	2018	2018/2017
<b>Current assets</b>	<b>593.7</b>	<b>613.1</b>	<b>804.3</b>	<b>31.2%</b>
Cash & cash equivalent	86.6	116.6	153.1	31.3%
Short term investment			45.0	
Accounts receivable	84.7	62.9	65.4	4.0%
Inventory	402.4	399.4	509.8	27.6%
Others	19.9	34.2	31.1	-9.1%
<b>Long-term assets</b>	<b>1,430.9</b>	<b>1,365.4</b>	<b>1,315.1</b>	<b>-3.7%</b>
Fixed assets	1,349.9	1,207.8	1,178.8	-2.4%
Long-term investment	40.0	27.1	1.9	-93.0%
Others	39.7	129.0	132.8	2.9%
<b>Total Assets</b>	<b>2,024.6</b>	<b>1,978.5</b>	<b>2,119.4</b>	<b>7.1%</b>

Current assets rose by 31.2% year-on-year while long-term assets declined by 3.7%. Cash and cash equivalent increased by 31.3% while inventory surged by 27.6% year-on-year.

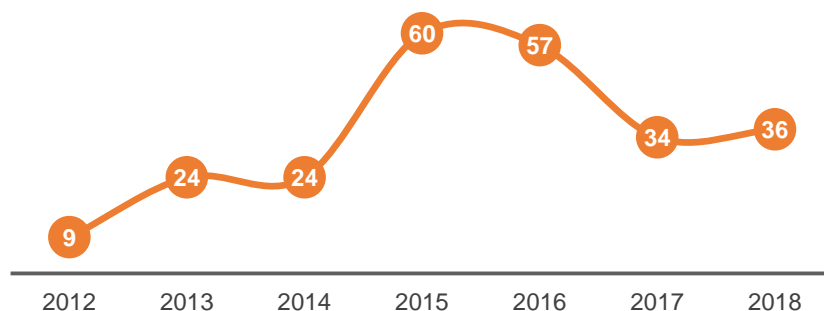
#### IV.2.5.2 Management Effectiveness

Table 22: Management Effectiveness

	2012	2013	2014	2015	2016	2017	2018
1. Number of days inventory outstanding	67	58	57	116	113	83	83
2. Number of days accounts receivable outstanding	20	22	18	13	8	9	9
3. Number of days account payable outstanding	78	56	51	69	63	58	56
4. Average number of days in cash cycle	9	24	24	60	57	34	36

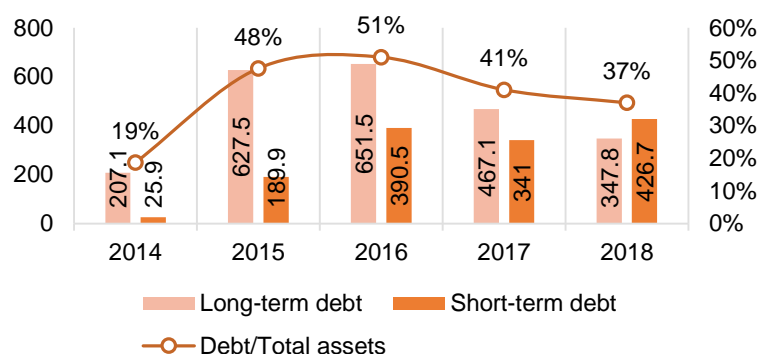
1. Number of days inventory outstanding in 2018 was 83, equivalent to the same level in 2017.
2. Number of days accounts receivable outstanding in 2018 was 9, equivalent to the same level in 2017.
3. Number of days accounts payable outstanding was reduced to 56 days (as compared to 58 days in 2017).
4. In general, the indicators regarding management effectiveness was not improved much as compared to 2017. However, as the number of days accounts payable outstanding fell, the number of days in cash cycle increased by 2 days from 34 days (2017) to 36 days (2018)

**Figure 32: Average number of days in cash cycle (days)**



### IV.2.5.3 Solvency analysis

**Figure 33: Debts in total capital sources**



In 2018, total debts accounted for 37% of total capital, declined by 41% compared to 2017. In 2018, the Company did not have any bad accounts receivable or accounts payable which may adversely impact the Company's operation.

### IV.2.5.4 Analysis of impact of interest rate and foreign exchange rate on the Company's performance

**Table 23: Year-on year comparison of financial income and expenses**

Indicators (VND billion)	2015	2016	2017	2018	2018/2017
Financial incomes	13.8	0.8	8	11.1	+3.1
• Interest income	0.7	0.7	5.2	7.9	+2.5
• Foreign exchange gain	13.1	0.2	2.8	3.2	+0.4
Financial expenses	52.9	29.5	29.8	53.4	+23.6
• Unrealized foreign exchange rate loss	30.8	10.1	0	7.0	+7.0
• Realized foreign exchange rate loss	17.0	3.1	2.3	17.4	+15.1
• Interest expenses	5.1	16.4	27.5	29.0	+1.5

As at 31 December 2018, the USD/VND exchange rate was 23,170, increasing by 2.2% as compared to 31 December 2017. In addition, as the Company has to take new USD denominated loans to finance Trang Bang 5 project, interest expenses rose to VND29 billion.

### IV.2.5.5 Reform in organizational structure and management policies

- Strengthening quality control from raw material to finished products

Being aware of the importance of quality control as the key to enhance the Company's performance, profitability and to cut cost, the Board of Management has developed a plan to review

the Company's risk governance mechanism in production stages, based on which to set a monitoring plan for specific objectives in each stage.

The actual results: the portion of grade AA rose from 93% (2017) to 95% (2018).

- Building a foundation for digitization, upgrading to smart factory which utilizing artificial intelligence.
- Adopting measures to control expenses within the budget, effectively saving costs.

#### IV.2.6 The Board of Management's Explanation for the Auditor's opinion

E&Y, the Company's auditor did not have qualified opinion on the Company's audited financial statements for fiscal year 2018.

### IV.3 2019 Business Plan

#### IV.3.1 2019 Business Forecast

**Table 24: 2019 Business Forecast**

STT	KPI (VND Billion)	2018 actual	2019 forecast	2019F vs. 2018A
1	Net revenue	2,408	2,603	108%
2	Gross profit	334.9	361.7	108%
3	Net profit before tax	199.3	212.2	107%
4	Net profit after tax	178.4	199.5	112%

The above forecast for 2019 will be subject to the approval of the Annual General Shareholder Meeting 2019.

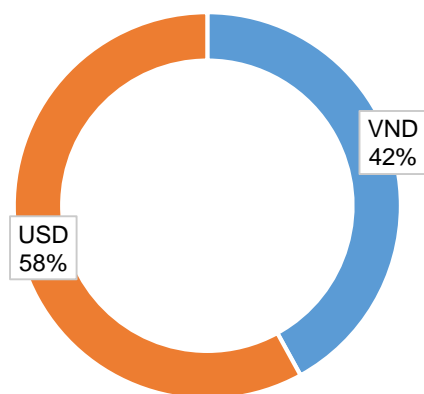
#### IV.3.2 Assumptions underlying the 2019 forecast

##### IV.3.2.1 Revenue

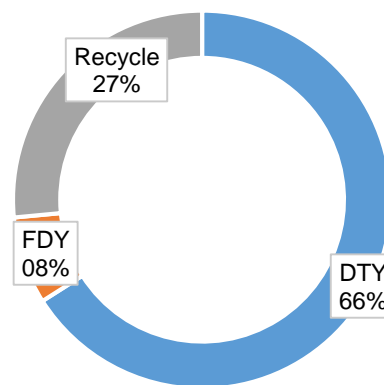
**Revenue in 2019 is projected to increase by 8% as compared to 2018.**

- The portion of recycled yarn in total revenue is projected to reach 26.5%, higher than the figure of 16.2% in 2018. This assumption is based on circular fashion model, which is one of major trends in the global fashion industry, to reduce waste to the environment and create value added products. According to statistics, a pair of sneakers made of recycled polyester can reduce carbon footprints by 84% as compared to the one made of virgin polyester. Therefore, the shift of using recycled material is an inevitable trend of the downstream subsector, boosting the demand in the upstream subsector.

**Figure 34: Revenue mix by currencies**



**Figure 35: Revenue mix by products**



- Demand for polyester filament will keep growing strongly in Asia Pacific countries such as Thailand, Korea and Japan.
- Polyester filament accounted for 37.05% in the world's fiber consumption, achieved CAGR at 6.6% during the period 2010-2017.
- Demand for polyester filament is not confined to textile and automotive industries but also expanded to medical industry.

#### IV.3.2.2 Expenses:

- Production cost will slightly increase.
- VND is projected to depreciate by 2% as compare to the rate as at 31 December 2018.

#### IV.4 2018 earning distribution plan

The distribution of 2018 earnings to be proposed to the AGSM is as follows:

Indicator	Form of earning distribution
Cash	15%/par value

## V. IMPLEMENTATION OF INVESTMENT PROJECTS

### V.1 Implementation of project during 2018

#### V.1.1 Trang Bang 5

The project's necessity:	<ul style="list-style-type: none"> <li>- To raise capacity by 3,300 tons p.a. and utilize surplus POY capacity;</li> <li>- To expand the storage space;</li> <li>- To recycle waste yarn into chip, enhancing profitability and protecting environment, following the global trend.</li> </ul>
The project implementation progress:	<ul style="list-style-type: none"> <li>- Delivery and installation of equipment: 12/2017-08/2018</li> <li>- Trial operation: 08/2018-12/2018</li> <li>- Official operation: 01/2019</li> </ul>
Capex requirement:	VND129.2 billion
Projected earnings:	<ul style="list-style-type: none"> <li>- Annual revenue: 156.2 billion</li> <li>- Annual profit: ND 23.9 billion</li> </ul>

### V.1.2 Colour yarn project

Since the cooperation project with e.Dye Vietnam was delayed, STK decided to solely invest in auxiliary equipment to make colour yarn with total capex of USD200,000-300,000. The production is scheduled in Quarter 3-2019.

	Ending balance	Beginning balance
<b>Investment in e.Dye Vietnam</b>	2,386,800,000	27,050,400,000

In 2017, the Company made investment of VND27,050,000,000 in e.Dye Vietnam joint stock Company, having registered address at 102-104-106 Bau Cat Street, ward 14, Tan Binh District, Hochiminh City with Business Registration Certificate No. 0314352362 dated 17th April 2017. On 31<sup>st</sup> May 2018, the Company got back a part of invested capital of VND24,663,000,000 which was allocated to two BCC projects due to the reason that this money cannot be drawn down from e.Dye's capital account as the prevailing banking laws do not allow capital contribution to be made prior to the issuance of investment licenses for those BCC projects. The investors will contribute capital for those projects in accordance with the regulations.

### V.1.3 Air covering project

This project is still in negotiation with a partner.

This project was scheduled in 2017 but not yet implemented since the partner did not make final decision on the project's components.

## V.2 Capex plan for 2019

<b>Project name</b>	- Black Dope Dyed Yarn (colour yarn) project
<b>Main products</b>	- Dope Dyed yarn, dope dyed colour yarn
<b>The project's necessity</b>	- To optimize utilization of existing equipment - To develop value added products - To catch the trend to protect environment by saving clean water
<b>Initial capacity</b>	4,000 tons p.a.
<b>The project implementation progress</b>	- Delivery of equipment: April 2019 - Installation: from April to July 2019; - Production: commence in middle of July 2019.
<b>Capex requirement</b>	less than USD300,000

## VI. INVESTOR RELATION

### VI.1 Stock information

<i>Stock name</i>	CENTURY SYNTHETIC FIBER CORPORATION	
<i>Stock code</i>	STK	
<i>Stock exchange</i>	HOSE	
<i>Total trading sessions in 2018</i>	248	sessions
<i>Total order-matching volume</i>	10,920,000	Shares
<i>Average order-matching volume per session</i>	44,032	Shares

Figure 36: Movement of STK stock price in 2018



## VI.2 Shareholder's structure

**On 25<sup>th</sup> January 2019: 807 shareholders**

**Total shares: 59,937,798 shares**

Share types			
<i>Stock types</i>	<i>Number of voting rights</i>	<i>Number of shares</i>	<i>Ratio</i>
Common stocks	01 share: 1 voting right	59,937,798	100%
Preferred stock	/	0	0%
Treasury stock	/	0	0%
<b>Total</b>		<b>59,937,798</b>	<b>100%</b>

Treasury stock: None

Transferring restriction stock: None

Stock trading abroad: None

Table 25: Classification of shareholders by different indicators

By ownership ratio				
Types of shareholders	Number of shareholders	Ratio/Total number of shareholders	Total number of owned shares	Ownership share ratio
Major shareholders	6	0.5%	30,640,543	51.12%
Minor shareholders	801	99.5%	29,297,255	48.88%
<b>Total</b>	<b>807</b>	<b>100.0%</b>	<b>59,937,798</b>	<b>100.0%</b>
By ownership entities				
Types of shareholders	Number of shareholders	Ratio/Total number of shareholders	Total number of owned shares	Ownership share ratio
Government	0	0%	0	0%

Internal shareholders	50	6.20%	19,784,084	33.01%
BOD.BOS. BOM	7	0.87%	18,609,698	31.05%
Employees	43	5.33%	1,174,386	1.96%
External shareholders	757	93.80%	40,153,714	66.99%
Individual	713	88.35%	23,453,383	39.13%
Organizations	44	5.45%	16,700,331	27.86%
<b>Total</b>	<b>807</b>	<b>100.0%</b>	<b>59,937,798</b>	<b>100.0%</b>
<b>By geographies</b>				
Domestic	752	93.18%	55,234,211	92.15%
Individual	734	90.95%	42,725,598	71.28%
Organization	18	2.23%	12,508,613	20.87%
Foreign	55	6.82%	4,703,587	7.85%
Individual	29	3.59%	511,869	0.85%
Organization	26	3.22%	4,191,718	6.99%
<b>Total</b>	<b>807</b>	<b>100.0%</b>	<b>59,937,798</b>	<b>100.0%</b>



## VI.2.1 Major shareholders list (owned above 5% of Company' shares) and major shareholder's transactions in 2018

**Table 26: Major ownership ratio**

Shareholder's name	Ownership type	Nationality	Beginning of period (at 28/03/2018)				Ending of period (at 25/01/2019)				Fluctuation of direct ownership in period	Fluctuation of indirect ownership in period
			Number of direct holding shares	Direct ownership ratio (%)	Indirect owned shares	Indirect share ownership ratio (%)	Number of direct holding shares	Direct ownership ratio (%)	Indirect owned shares	Indirect share ownership ratio (%)		
Huong Viet JSC.	Organization	VN	12,083,414	20.16%	-	-	12,083,414	20.16%	-	-		
Mr. Dang Trieu Hoa	Individual	VN	8,332,793	13.90%			8,332,793	13.90%				
Mdm. Dang My Linh	Individual	VN	5,112,168	8.53%			5,112,168	8.53%				
Mr. Dang Huong Cuong	Individual	VN	5,112,168	8.53%			5,112,168	8.53%				
Vietnam Holding Limited	Organization	Cayman Islands	3,567,731	5.99%	-	-	2,080,451	5.99%	-	-	A decrease of 1,487,280 shares	
<i>Total</i>			<b>34,208,274</b>	<b>57.07%</b>			<b>32,702,994</b>	<b>54.59%</b>				

As at the record date 25/01/2019, Vietnam Holding Limited was not STK's major shareholder any longer.

## VI.2.2 Internal shareholders and internal shareholder transactions in 2018

**Table 27: Internal shareholders and internal shareholder transactions in 2018**

Shareholder's name	Ownership type	Nationality	Beginning of period (at 28/03/2018)				Ending of period (at 31/12/2018)				Fluctuation of direct ownership in period	Fluctuation of indirect ownership in period
			Number of direct holding shares	Direct ownership ratio (%)	Indirect owned shares	Indirect share ownership ratio (%)	Number of direct holding shares	Direct ownership ratio (%)	Indirect owned shares	Indirect share ownership ratio (%)		
Nguyễn Tự Lực	Head of BOS	VN	42,000	0.07%			40,000	0.07%			A decrease of 2,000 shares	
Total			42,000	0.07%			40,000	0.07%				

***In order to have further information regarded to organization that is relevant to internal shareholders. Please kindly refer the governance corporate report on 26/01/2019.***

### VI.2.3 Treasury stock trading: None

### VI.3 Investor relation activities

#### Some welcoming events to investors:

- Company held the investor meeting: on 17<sup>th</sup> October 2017 at Ho Chi Minh city stock exchange hall.
- Company held the analyst meeting on 21<sup>st</sup> June 2018 at STK – Trang Bang branch.
- Company held the meetings with representative of securities companies, financial funds...

#### Investor relation activities schedule in 2018:

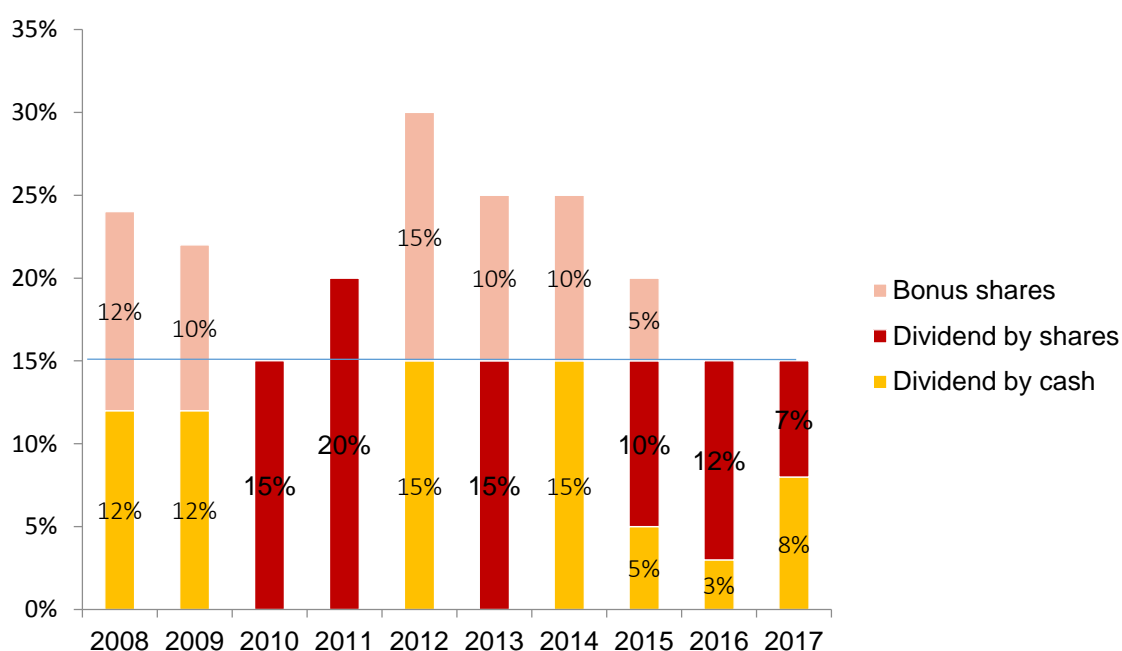
- Holding the annual general shareholders meeting 2018 (17<sup>th</sup> April 2018),
- IR Bulletin Q1-2018 (20<sup>th</sup> April 2018);
- IR Bulletin Q2-2018 (20<sup>th</sup> July 2018);
- IR Bulletin Q3-2018 (20<sup>th</sup> October 2018);
- IR Bulletin Q4-2018 (20<sup>th</sup> January 2019);
- Analyst meeting (Q3-2018),
- Investor day (Q4-2018)

**Rewards:** Achieved “Ranking on Vietnam Top 100 best sustainable development enterprise” 2018.

### VI.4 Changes in owner’s equity: None

### VI.5 Historical dividend payment

Figure 37: Historical dividend payment



## VII. HUMAN RESOURCES AND ORGANIZATION

### VII.1 Human structure

Figure 38: Human structure by genders in 2018



Figure 39: Human structure by education level in 2018

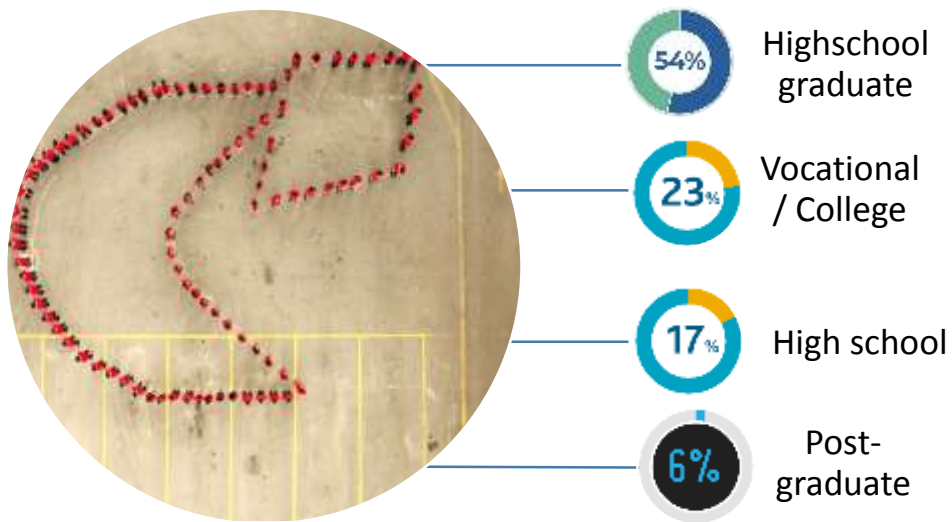
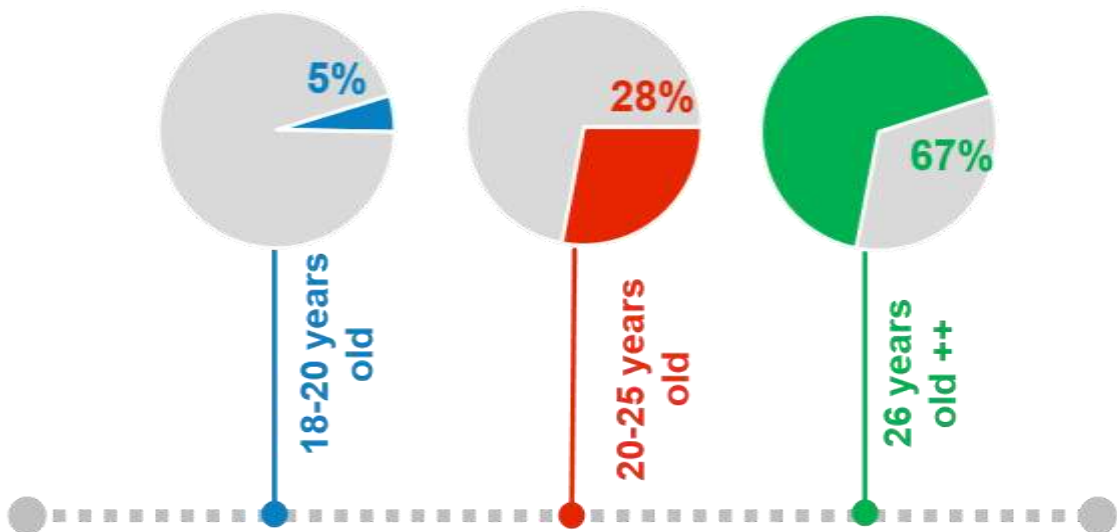


Figure 40: Human structure by ages in 2018



## VII.2 The Board of Management

**Table 28: BOM and ownership ratios**

	Name	Title	Working period	STK ownership as at 25/01/2019
1	ĐẶNG TRIỆU HÒA	Managing Director	06/2010 present	13.90%
2	NGUYỄN PHƯƠNG CHI	Chief Strategic Officer	01/2015 present	0.00%
3	NGUYỄN THÁI HÙNG	Chief Operating Officer	02/2017 present	0.00%
4	PHAN NHƯ BÍCH	Chief Financial Officer cum Chief Accountant	11/2010 present	0.07%

2018 Changes in BOM: none

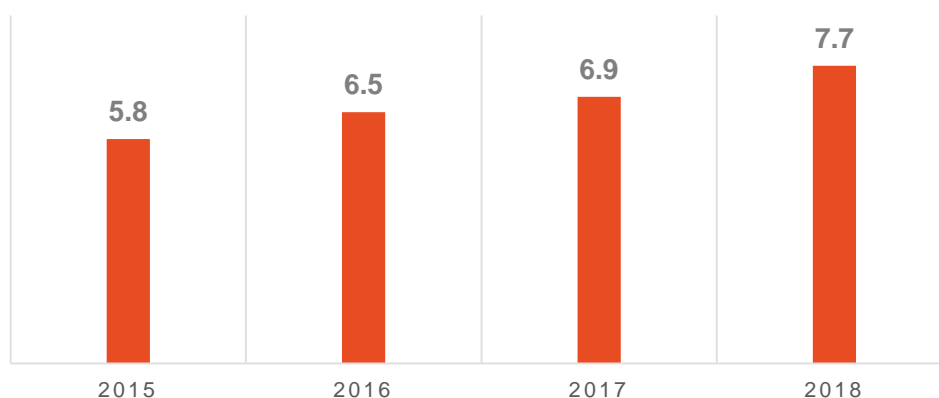
## VII.3 2018 Human resource report



### VII.3.1 Improvements of welfare-reward policies



**Figure 41: Average income of STK's employees**  
(VND million/month/person)



[\(Please refer to “Responsibilities with employees”, page 95, 2018 Annual Report\)](#)

## VIII. THE BOARD OF DIRECTOR'S REPORT

### VIII.1 Corporate governance model

STK is organized and operate according to a corporate governance model as stipulated in Article 134.1.a of the Law on Enterprise. Accordingly, the organizational, management and control structure of the Company is comprised of General Shareholder Meeting (“GSM”), Board of Directors (“BOD”), Board of Supervisors (“BOS”), Managing Director (“MD”), Board of Management, functional divisions and departments.

In STK, the GSM has the highest authority. Annual GSM is organised once a year. Matters to be passed by GSM are stipulated in Article 14 of the Company's Charters and provisions of prevailing regulations.

The BOD is the governance authority at the Company. Number of members to the BOD, election, dismissal of these members is decided by the GSM. Rights and obligations of the

BOD is stipulated in Article 25 of the Company's Charter. The BOD is fully entitled to decide matters which are not belong to the GSM's authority. The BOD is responsible to implement and supervise the implementation of the GSM's resolutions and responsible before the GSM for the Company's operations. The Company's business and operations should be under the management and guidance of the BOD. BOD is the body, which has full authority to conduct all matters on behalf of the Company except those under the GSM's authority. STK's BOD comprises of 5-7 members with 5 year tenure.

The BOS is elected with the functions to present the GSM to supervise all of the Company's business activities. The rights and responsibility of the BOS (including supervising the BOD and the MD, requesting the BOD and the MD to explain on the Company's financial standings) are stipulated in Article 36 of the Company's Charter. The Company's BOS comprise of 3 members with 5 year tenure.

The MD is appointed by the Board of Directors with 5 year tenure. The rights and responsibility of the MD (including implementation of the GSM's and the BOD's resolutions, the Company's business plan and investment plan as approved by the GSM and the BOD) are stipulated in Article 30 of the Company's Charter. The Board of Management comprises of 3 members (including 1 Chief Financial Officer cum Chief Accountant) shall support the MD in managing the Company's operations.

**[The Company's organizational structure is presented in page 12.](#)**

### VIII.2 Corporate Governance Rules

In order to ensure the Company's sustainable development, protection of legitimate rights and interests of the Company's shareholders, STK's management system (comprising of policies, rules and procedures) is built on the following principles:

- To ensure the shareholders' interests;
- To treat shareholders equally;
- To ensure the roles of the Company's related parties;
- To ensure transparency of the Company's business activities and operations; and
- To ensure that the BOD and the BOS lead and supervise the Company effectively.

### VIII.3 BOD's information




Introduction of STK's BOD of tenure 2013-2018

Mr. Dang Trieu Hoa	Chairman cum Managing Director
Mr. Dang Huong Cuong	Non-executive member
Mdm. Dang My Linh	Non-executive member
Mdm. Cao Thi Que Anh	Non-executive independent member
Mr. Thai Tuan Chi	Non-executive independent member
Mr. Lee Chien Kuan	Non-executive independent member




**Table 29: Introduction of STK's BOD of tenure 2018-2023**

(Appointed since 17/04/2018 pursuant to AGSM Resolution No. 01-2018/NQĐHĐCĐ/TK)

	<b>Brief introduction of BOD Member</b>	<b>Position at STK</b>	<b>Date of appointment</b>
--	---	------------------------	----------------------------

	<p><b>1. Mr. Dang Trieu Hoa, 50 years old</b></p> <p>Mr. Dang Trieu Hoa founded STK in 2000 and has been playing the important role in incorporation and development of STK. He has more than 20 years of experience in yarn and textile trading and manufacturing. He was the Director of Hoan A Trading &amp; Services Co., Ltd and Viet Phu Trading &amp; Services before setting up STK.</p> <p>At the position of Chairman and Managing Director, Mr. Hoa played a crucial role in forming visions &amp; missions for the Company. He received 2007 Outstanding Businessman Award from Vietnam's Ministry of Industry and Trade.</p> <p>Qualification: Business Administration.</p>	<p>Chairman Cum MD</p>	<p>Since 2005</p>
	<p><b>2. Mr. Dang Huong Cuong, 43 years old</b></p> <p>Mr. Dang Huong Cuong is one of co-founders of STK. Currently, he is the Director of P.A.N Pacific Co., Ltd which is also in the yarn sector.</p> <p>Qualification: Business Administration.</p>	<p>Non-executive member</p>	<p>Since 2005</p>
	<p><b>3. Mdm. Dang My Linh, 47 years old</b></p> <p>Ms. Dang My Linh is one of co-founders of STK. Currently, she is the General Director of Lien An Trading &amp; Investment Joint Stock Company. Before joining with STK, she had more than 10 years working experience at Worldtex Enterprise Co., Ltd. (Taiwan).</p> <p>Qualification: Business Administration.</p>	<p>Non-executive member</p>	<p>Since 2005</p>
	<p><b>4. Mdm. Cao Thi Que Anh, 53 years old</b></p> <p>Currently, she is the Director of Thuc Pham Xanh Company. Before that, she has many years of experience in commerce and finance in Poland and Vietnam.</p>	<p>Non-executive independent member</p>	<p>12/01/2015</p>



	<p><b>5. Mr. Vo Quang Long – 41 years old</b></p> <p>He is the capital representative of major shareholder Huong Viet JSC. Education level: Business Administration</p>	Non-executive member	Since 2018
	<p><b>6. Mr. Chen Che Jen - 57 years old</b></p> <p>Mr. Chen Che Jen has many years' experience in textile and yarn business. Education: Technology</p>	Non-executive independent member	Since 2018
	<p><b>7. Mr. Nguyen Quoc Huong, 48 years old</b></p> <p>Mr. Nguyen Quoc Huong is an expert in finance.</p>	Non-executive independent member	Since 2018

**Table 30: Share ownership at STK and BOD membership at other entities**

STT	Name	Position at STK	Share ownership at STK	Percentage (%)	Membership at other entities' Board of Directors	Ownership of other related parties	Percentage (%)
1	Dang Trieu Hoa	BOD Chairman	8,332,793	13.90%	None	10,224,336	17.06%
2	Dang My Linh	BOD Member	5,112,168	8.53%	None	13,444,961	22.43%
3	Dang Huong Cuong	BOD Member	5,112,168	8.53%	None	13,444,961	22.43%
4	Cao Thi Que Anh	BOD Member			None	425,040	0.71%
5	Vo Quang Long	BOD Member	0	0.00%	None	12,083,414	20.16%
6	Chen Che Jen	BOD Member	0	0.00%	None	0	0.00%
7	Nguyen Quoc Huong	BOD Member	0	0.00%	None	0	0.00%

## VIII.4 BOD's 2018 Report

### VIII.4.1 BOD's Meetings in 2018

- In 2018, BOD has conducted 05 face-to-face meetings and 23 meetings via mailing form to solve matters belonging to the BOD's functions and authority. BOD has issued 20 Resolutions. The minutes and resolutions of the BOD were sufficiently sent to BOD members and BOS members. In the BOD's meetings, the BOD and Board of Management were invited to discuss about strategy, business orientation and direction.

**Table 31: Attendance ratio of BOD's members (Term 2013 – 2018) from 01/01/2018 to 17/04/2018**

No.	Board of Directors	Title	Attendance	Ratio	Notes
1	Dang Trieu Hoa	Chairman	5/5	100%	
2	Dang My Linh	Member	5/5	100%	
2	Dang Huong Cuong	Member	5/5	100%	
4	Cao Thi Que Anh	Independent member	5/5	100%	
5	Lee Chien Kuan	Independent member	4/5	100%	
6	Thai Tuan Chi	Independent member	5/5	80%	Reason: Business trip

**Table 32: Attendance ratio of BOD's members (Term 2013 – 2018) from 01/01/2018 to 17/04/2018**

No.	Board of Directors	Title	Date of becoming BOD member	Attendance	Ratio	Notes
1	Dang Trieu Hoa	Chairman Cum MD	17/04/2018	28/28	100%	
2	Dang My Linh	Non-executive member	17/04/2018	27/28	96.5%	Reason: Business trip
3	Dang Huong Cuong	Non-executive member	17/04/2018	28/28	100%	
4	Cao Thi Que Anh	Non-executive independent member	17/04/2018	28/28	100%	
5	Vo Quang Long	Non-executive member	17/04/2018	27/28	96.5%	Reason: Business trip
6	Chen Che Jen	Non-executive independent member	17/04/2018	27/28	96.5%	Reason: Business trip
7	Nguyen Quoc Huong	Non-executive independent member	17/04/2018	27/28	96.5%	Reason: Business trip

**VIII.4.2 Separate meetings of Independent BOD Members: None**

**VIII.4.3 BOD's Meetings Minutes and Resolutions**

**VIII.4.4 Implementation of 2017 AGSM Resolutions**

The Company paid dividends in cash by 8%.

The Company completed issuance dossiers submitting to SSC of share dividends (7%), offering to existing shareholders (10%) and ESOP and received the offering certificate on 28/12/2018.

**VIII.4.5 Activities of the Non-executive BOD Members**

The non-executive BOD members were actively involved in discussion to form the Company's strategies, supervision of the management's implementation of the Company's strategy and business plan and in building the Company's corporate governance.

- Mr. Chen Che Jen has many experience in yarn business and manufacturing, he often monitored quality KPIs in order to suggest the solution and experience in management production risks.
- Mdm. Cao Thi Que Anh has many experience in garment business and finance.
- Mr. Nguyen Quoc Huong has many experience in finance.

**VIII.4.6 List of BOD Members having certificate on corporate governance training:**

4 (out of 7) BOD members (term 2018-2023) and 3 (out of 3) BOS members (term 2018-2023) were granted a certificate of corporate governance by the training centers recognized by Securities Commission State. The Company always facilitated all members of the BOD, BOS and BOM to participate in training courses on corporate governance. However, the training time often coincides with the business travel of the Managing Board members, so some of them could not participate in courses fully. Besides, STK has one BOD member who is a foreigner and the language barrier also affects his completion of the certificate on corporate governance as mentioned above.

List of members who have the certificate of corporate governance:

1. Dang Trieu Hoa – Chairman
2. Dang My Linh – BOD Member
3. Dang Huong Cuong – BOD Member
4. Cao Thi Que Anh – BOD Member
5. Nguyen Tu Luc – Head of BOS
6. Hoang Nu Mong Tuyen – BOS member
7. Dinh Ngoc Hoa – BOS member

**VIII.4.7 The implementation of regulations on corporate governance**

- All of the rules, regulations and operations of the Company are in compliance with regulations on corporate governance. In 2018, STK has amended the Company's Charter in line with Charter model pursuant to Decree No.71/2017/NĐ-CP issued on 06/06/2017 and Circular No. 95/2017/TT-BTC issued on 22/09/2017.
- The Company also prepared the proposal and submit the BOD for approval the amendment of Company's Charter in accordance with Article 153 and 155, Law on Enterprise 2014.
- The Company's Charter, Rules on Public Disclosure, Rules Corporate Governance are posted in the Company's Website under the page of Investor Relation.

**VIII.4.8 BOD's Sub-Committees:** Not yet established.

Therefore, there are no activities of the BOD's Sub-committees.

#### VIII.4.9 BOD's Assessment on the Company's business performance and the BOM's activities

##### ❖ 2018 Business Results

The Company over-performed its revenue and profit targets set in the beginning of 2018 and approved by the BOD and the 2018 AGSM.

KPIs (VND billion)	2018		
	Plan	Actual	Actual vs. plan
1. Net revenue	2,354	2,408	102%
2. Profit before tax	131.1	199.3	152%
3. Net profit after tax	125.8	178.4	142%

##### ❖ Business management in 2018

###### Positives:

- Improvements in quality-production management

In 2018, the Company has focused on improving quality, reducing disqualified products.

- Mainly focusing on new product development, increasing recycled yarn portion

The BOM has always focused on research and development new product like doped dyed yarn, by pass yarn, spandex...

Regarding to recycled yarn, the BOM has outperformed its portion of 2018 total revenue. In particular, the portion in 2018 was 16.2% which is higher than the target of 14%. The Company also sets target up to 2020, increasing that portion to 30%. The BOM proactively seeks recycled yarn orders, takes advantage opportunities from markets, leading to the Company's profit margin improvement.

The Company also got GRS certificate for Cu Chi factory, creating foundation to raise the portion of recycled yarn in total revenue.

- Implementing and completing TB5 project, put it into official operation.

TB5 project implemented in December 2017 and completed on schedule. The revenue from the project will be recognized by Q1.2019.

- Developing new markets and customers

In order to catch opportunities from CPTPP as well as trade war between the U.S and China, the Company has exploited widely to domestic, U.S, Mexican, Indonesia markets.

- Efficiently managing costs, improving the Company's financial standings

Financial expenses, selling and administration expenses has been controlled within the budget. Therefore, the net revenue exceeded the budget by 2.3% while the net profit outperformed the budget by 42%.

###### Negatives:

- The BOM has to make further efforts in reducing inventories, optimizing the inventory costs.
- The Company did not complete the share dividend payment in 2018.

##### ❖ Implementation of environmental and social goals

###### Environmental goals:

During 2018, the BOM has made relentless effort adopting the treatments of improving production quality in order to reach the aims of expanding the capacity on condition that the environmental impacts is reduce, leading to a decrease in energy consumption, in particular:

- Decreasing the electricity consumption per unit: 3.3%
- Decreasing the total water usage: 6.4%
- Decreasing the carbon footprint per unit: 3.7%

### **Social goals:**

Focusing on economic development associated with the social community development, the Company has created more jobs for local communities, contributing over VND125 billion to the National Budget. In addition, the Company has adopted beneficial policies to employees, encouraged the employees create more value-added for the society and the economy.

#### **❖ Implementation of corporate governance in accordance with the law**

Pursuant to Decree No.71/2017/NĐ-CP issued on 06/06/2017 guidance on corporate governance applying to public companies, the Company's governance is inappropriate at some points, as follows:

<b>Regulations of Decree No.71/2017/NĐ-CP</b>	<b>The Company's current status</b>	<b>Adjustment schedules</b>
Article 12, Clause 2. The Chairman shall not take the position of managing director (director) in the same public company	The chairman and the managing director is the same person.	By 2020 the chairman will not concurrently take the position of managing director.
Article 17. The sub-committees of the BOD	No establishment	By 2020, the BOD will establish the HR and salary-bonus sub-committees.
Article 18. The person undertaking the corporate governance	No appointment	The Company will appoint this position by 2020-2021.

#### **❖ 2019 Key Objectives**

- Proactively conquering new markets, approaching more customer segments
- Reaching the target of recycled yarn's portion
- Quality control, reducing expenses, lowering production costs, enhancing competitiveness.

#### **VIII.4.9.1 BOD's Assessment of the BOM's activities**

1. The BOM has carried out its tasks in accordance with the Resolutions of the ASM and the resolutions of the Board of Directors. Since Chairman also concurrently took the position of Managing Director, BOD's resolutions and AGSM's resolutions were quickly and smoothly implemented.
2. The BOD has launched innovative solutions improving operations, risk management, supporting the BOM, therefore achieved the outstanding performance in 2018.
3. 2018 actual results exceeded the set budget. Therefore, the objectives for fiscal year 2019 are to maintain the growth momentum of 2018 and focus on sustainable development and risk control. In 2019, the BOD requests the BOM to set specific strategies for business, continue to develop markets, raise revenue contribution of recycled yarn, develop new products and maintain stable financial standings.
4. The BOM with 4 members, including MD, Chief Strategy Officer in charge of investors relationship and strategy development, Administration Director in charge of manufacturing, HR and administration, and Chief Financial Officer in charge of financial management. To promote capabilities and share general job responsibilities, in coming time the BOD requests that each Director of the BOM should take initiative in handling of works which are under their authority and should coordinate with each other as well as with other managers more frequently. In 2019, the Director of the

BOMD should support the Managing Director to complete the organizational structure and operating procedures of the business units under their responsibility

5. Succession planning for senior executives and other management levels is a concern of shareholders, investors and partners. Therefore, the Director of the BOM should take initiatives (if the matter is within their authority) or propose to the BOD for approval of training programs for succession planning and attracting talents in order to ensure sustainable development and meet the new development phase of the Company.

#### VIII.4.10 Self-Evaluation of the BOD for 2017

In order to raise the BOD's efficiency as well as to comply with the best practice on corporate governance, the BOD has researched and implemented a procedure for its self-evaluation which comprises of 40 criterions on:

- Composition of BOD;
- BOD's oversight over the BOM;
- The BOD member's understanding the Company and its business;
- Conduct of BOD meetings.

Below is evaluation result:

**Table 33: Self-assessment of BOD**

<b>Evaluation criteria</b>	<b>Average</b>
I. COMPOSITION OF THE BOD	4.6
II. OVERSIGHT OF MANAGEMENT	4.1
1. <i>The BOD's effectiveness in reviewing, approving and monitoring operating, financial and other corporate plans, strategies and objectives</i>	4.7
2. <i>The BOD's effectiveness in reviewing and monitoring human resource development plans</i>	3.7
3. <i>The BOD's effectiveness in improving the Company's corporate governance</i>	4.2
4. <i>The BOD's effectiveness in improving the Company's internal control and risk management</i>	3.9
III. THE BOD MEMBER'S UNDERSTANDING THE COMPANY AND ITS BUSINESS	4.1
IV. CONDUCT OF BOD MEETINGS	4.1

Marking scales

5 = *very good, fully satisfactory*

4 = *above average*

3 = *average*

2 = *below average*

1 = *very poor*

Based on the above evaluation, the following conclusion is made:

- The BOD has conducted in accordance with the laws and the Company's Charter. The BOD has fulfilled its roles, developing strategies and business directions, supervising the MD's and the BOM's activities.
- The composition of the BOD is in compliance with provisions of Decree No. 71/2017/NĐ-CP with 3 out of 7 members are independent ones. The independent

members have actively participated in the BOD's meetings, contributed realistic opinions to the BOM and the BOD in setting business strategies, implementing business plan and enhancing corporate governance.

- The BOD's meetings were organized and conducted in accordance with the Company's Charter. The BOD meeting minutes, resolutions and decisions were made with consensus of its members and were filed in accordance with regulations.
- BOD members were provided with sufficient information on timely manner so that they can make correct analysis on the Company's situation and fulfill their responsibilities honestly and diligently for the ultimate interests of the Company's shareholders.
- The BOD Chairman has promoted the roles in conducting BOD's activities effectively, encouraging the BOD Members in contributing opinions on matters under the BOD's authority; ensuring the development of the BOD's action plan before the commencement of the next fiscal year and sending documents, proposals to the BOD Members at least 5 days before the meeting days.

#### VIII.4.11 The Board of Directors' Plan and Orientation

- Continuing to supervise and direct the activities of the BOM in order to achieve 2018 business plan;
- Going together with Managing Director and Management team in finding business opportunities and developing business strategies for a sustainable development;
- Enhancing internal control system and corporate governance. Implementing internal auditing;
- Setting strategy and policies to improve the quality of human resources;
- Establishing subcommittee (development policy subcommittee, risk management subcommittee, HR and remuneration subcommittee);

#### VIII.4.12 New share issue plan to raise capital to finance investment projects

In 2019, the Company does not plan to implement new large project, so there is no financing plan.

#### VIII.4.13 Working schedule of the BOD in 2018:

1. Quarterly meeting of Q4/2018: 25/01/2019
2. Quarterly meeting of Q1/2018: the last week of April 2019
3. Quarterly meeting of Q2/2018: the last week of July 2019
4. Quarterly meeting of Q3/2018: the last week of October 2019

The above meeting schedule is tentatively set and can be changed upon convocation by the Chairman so as to facilitate participation of all BOD members. In addition, in order ensure the Company's smooth operation, the Board of Directors may hold indirect meetings (unscheduled) by exchanges via email to discuss matters under the BOD's authority.

## IX. THE BOARD OF SUPERVISOR'S REPORT




### IX.1 Composition of the BOS

BOS members of tenure 2013-2018 (ended on 28/03/2018)

Mr. Nguyen Tu Luc	Head of BOS
Mr. Le Anh Tuan	Member
Mdm. Nguyen Thi Ngoc Linh	Member

Table 34: BOS members of tenure 2018-2023 (started on 17/04/2018)

	<b>Mr. Nguyen Tu Luc</b>
--	--------------------------

	<i>Head of the BOS</i>	
	Year	1952
	Education	Bachelor of Accounting
	Working experience	<b>1/2015 – present:</b> Chief Accountant, Mai Hoang Vu Co. Ltd. <b>2007 - present:</b> Chief Supervision Committee, STK <b>2006 - Present:</b> Assistant to Managing Director, STK. <b>2000 - 2006:</b> Chief Accountant, STK. <b>1984 - 2000:</b> Chief Accountant, South Asia Shoes. <b>1979 - 1984:</b> General Accountant, HCM Hotel, Chief Accountant of Saigon Hotel.
	<b>Mdm. Hoang Nu Mong Tuyen</b>	
	<i>BOS Member</i>	
	Year	1990
	Education	Bachelor
	Working experience	<b>2018 – present:</b> MD assistant, STK <b>2012 – 2018:</b> Sales admin, STK
	<b>Mdm. Dinh Ngoc Hoa</b>	
	<i>BOS Member</i>	
	Year	1979
	Education	Bachelor
	Working experience	<b>2005 - present:</b> Head of Planning-production department, STK <b>2002 - 2004:</b> Accountant, Vi Hop Ltd.

**Table 35: BOS and ownership ratios**

STT	Name	Position at STK	Share ownership at STK	Percentage (%)	Membership at other entities' Board of Supervisors	Ownership of other related parties	Percentage (%)
1	Nguyen Tu Luc	Head of BOS	40,000	0.07%	-	-	-
2	Hoang Nu Mong Tuyen	BOS Member	2,007	0.00%	-	-	-
3	Dinh Ngoc Hoa	BOS Member	8	0.00%	-	-	-

## IX.2 Activities of the BOS

The working program of the BOS in 2018 is set after AGSM, the BOS conducts the meeting to build the working plan for the next year, which assigns the tasks for each BOS's member, held 04 meetings during the year in accordance with Company's Charter and Century Synthetic Corporation activities as below:

- ✓ Supervise the implementation of the AGSM's resolution;
- ✓ Supervise the operation and financial standing of the Company;
- ✓ Supervise the activities of the BOD, BOM and management system of the Company;
- ✓ Make assessment on cooperation between the BOD and the BOM;
- ✓ Giám sát tình hình hoạt động và tài chính của Công ty



- ✓ Make assessment on the Company's investment projects including those projects already implemented and being implemented in accordance with the BOD's resolutions.
- ✓ Based on that to make proposal to the BOD for the coming years.

### IX.2.1 Meetings of the BOS

### IX.3 Report on the BOS activities

#### IX.3.1 Evaluation of the BOS on the implementation of the 2018 AGSM's resolutions

Based on the AGSM's resolutions, the Company's BOD has implemented these resolutions throughout the Company.

- The Head of BOS was invited to participate all the BOD's meetings
- In general, the Company's BOD has fully implemented their rights responsibility in accordance with the Company's charter, ensuring that the Company's corporate governance is conducted in accordance with the laws.

#### Distribution of 2017 profit:

	Date of completion
Cash dividend 8%/par value	August 2018
Dividend in share 7%/Chartered capital	Q1.2019

#### 2018 Business results

KPIs	2018 plan	2018 actual	Actual vs. plan
Net revenue (VND billion)	2,354	2,408	102%
Net profit after tax (VND Billion)	125.8	178.4	142%

#### Some financial indicators

KPIs	unit	As at 31/12/2017	As at 31/12/2016
<b>Asset structure</b>			
Current Assets/ Total Assets	%	38%	31%
Non-current Assets/ Total Assets	%	62%	69%
<b>Capital structure</b>			
Debt/Equity	Times	0,85	1,04
Net Debt/Equity	Times		
<b>Liquidity analysis</b>			
Current ratio	Times	0,93	0,84
Quick ratio	Times		
<b>Profitability</b>			
ROS	%	7,41%	5,01%
ROA	%	8,4%	5,03%
ROE	%	19,6%	12,79%

#### Public Disclosure

The Company has fully fulfilled its obligations on public disclosure in accordance with Circular 155/2015/TT-BTC of the Ministry of Finance.

### **IX.3.2 Evaluation of the BOS' oversight on the BOD's activities**

- The BOS has participated in the BOD's meetings as a role of observer in order to get informed on the Company's business activities, implementation of investment projects and to contribute opinions at the meetings within its rights and responsibilities.
- The BOS has monitor and check the implementation of business plan and the resolutions of the AGSM and the BOD to ensure transparency.
- The BOS has periodically and occasionally checked the Company's compliance with its Charter, rules and the reasonability in its operations.
- In 2018, the BOS has continued its focus on risk control, via reviewing the existing rules and regulations to ensure compliance with the laws on enterprise, the Company's charters and relevant regulations, with an aim to propose supplement of missing rules and procedures so that the Company can have safe operation and prevent inherent risks.

### **IX.3.3 Evaluation of the BOS' oversight on the BOM's activities**

The MD has fully implemented resolutions of the BOD and strictly complied with the laws and regulations, in particular:

- Guide on the Company's implementation of business plan as approved by 2017 AGSM.
- Comply with laws on capital contribution, construction, investment and business registration.
- Organize meetings to agree on strategy formation and settle outstanding obstacles in the operation and manage risks arising from the Company's activities as well as outside environment.

Based on the business results in 2018, the BOS considers that the BOM has fulfilled its core responsibility in management of the Company's operation to reach the Company's goals.

### **IX.3.4 Evaluation of the Company's financial standing**

- The Company has prepared quarterly financial reports (4 reports per year) and disclose in accordance with the regulations on public disclosure of listed companies.
- The Company's semi-annual and annual financial reports was audited by Ernst & Young Vietnam Ltd.
- 2018 financial reports reflect accurately and reasonably in all important matters of the Company's financial standings as at 31 December 2018 and is complied with Vietnam Accounting Standards and relevant regulations. There are no substantial differences between unaudited quarter reports with the ones reviewed or audited by E&Y Vietnam.

### **IX.3.5 Evaluation of the BOS on the cooperation between the BOS, BOD and BOM in 2018**

- The BOD's vision and business knowledge and competency:

Most of BOD members are knowledgeable and experience in yarn production and have knowledge on corporate governance since they were trained on this matter and gained experience from their leadership positions in entities. Therefore, the BOD is visionary on strategies and able to lead the Company.

Based on the AGSM's resolutions, the BOD has implemented the AGSM resolutions throughout the Company.

The BOS comprises of 3 members who have university degree and experiences gaining from their long-term services in various entities. Therefore, the BOS Members are competent and has fully fulfilled their responsibilities.

The BOS has set working plan for the first year in 2018-2023 tenure, has assigned tasks for each members in order to make report to the AGSM.

### IX.3.6 Settlement of shareholders' complaints (if any)

In 2018, the BOS has not received any complaints/requests for irregular inspection of the Company's operation.

### IX.3.7 BOS's Recommendation and action plan for 2019

- The BOS's action plan for 2019 : continue to implement tasks in accordance with the Company's strategies and directions.
- Recommendation: As STK is operated in accordance with the prevailing regulation, the BOS did not realize any mistakes during the course of its supervision and the BOS has no other opinion/recommendation.

## X. PREVENTION OF INTEREST CONFLICT OF INTEREST AND TRANSACTIONS WITH RELATED PARTIES

### X.1 Prevention of interest conflict of interest

Members of the BOD, BOS, BOM, and other managers ("Managers") must comply with Article 33 of STK's charter regarding transparency and must avoid conflict of interest as follows:

1. Managers should not take advantages of company's opportunities for their self-interests. In addition, they should not take advantages of company's information for their self-interests or other institutional entities or persons.
2. Managers have obligations to disclose to the BOD all benefits, which they can get from other economic institutions, transactions or other individuals and which may conflict with the Company's interest.
3. The Company should not offer loans or guarantee to Managers and their related persons or related entities in which the Managers have financial interests, unless the loans or the guarantees were approved by the general shareholder meeting.
4. A contract or transaction between the Company and one or several Managers, their related persons or institutional entities, will be valid in the following circumstances:
  - a. For the contract, which have value of being lower than 20% of total asset in recent financial statements, the key points of that transaction, relationships, and interests, which relate to Managers or member of the BOD, were reported to the BOD or its Committees. In addition, the transaction was approved by majority of the BOD members, who have no relevant interests; or
  - b. For the contract which has value of being 20% higher than total asset in recent financial statements, the key points, relationships, and interests relating to Managers, were disclosed to and approved by shareholders who have no relevant interest.
  - c. Such a contract or transaction, which was considered by independent consultant as being fair and reasonable in all aspects in term of shareholders' interests or it was approved by the BOD, or shareholders.

### X.2 Significant transactions with related parties during the year were as follows:

**Table 36: Significant transactions with related parties**

Related Parties	Relationship		This year	Last year
E.DYE Vietnam	Associated company	Capital contribution		27,050,400,000

Joint Stock Company		Capital withdrawal	24.663.600.000	
Lien An Trading and Investment Joint Stock Company	Related party	Sales of good	12.427.881.727	48.958.162.296
P.A.N Asia Co.,LTD.	Related party	Sales of good	30.213.644.533	22.617.112.045
Hung Loi investing trading service Company	Related party	Sales of good	21.005.627.131	44.861.718.821

All transactions with related parties above were in accordance with the Company's Charter and followed market mechanism.

### X.3 Stock transactions of inside shareholders 2018

Presented at section xx, Annual report

### X.4 Salary, remunerations and benefits of BOD, BOS and BOM

#### X.4.1 Salary, bonus and remunerations of BOD

**Table 37: Salary, bonus and remunerations of BOD**

No.	Full name	Titles	Remuneration and bonus (excluded income tax)	Salary (%)	Bonus (%)	Length of service
1	Dang Trieu Hoa	BOD Chairman cum General Manager	120,000,000	-	-	01/01/2018-31/12/2018
2	Dang My Linh	BOD member	120,000,000	-	-	01/01/2018-31/12/2018
3	Dang Huong Cuong	BOD member	120,000,000	-	-	01/01/2018-31/12/2018
4	Cao Thi Que Anh	BOD member	180,000,000	-	-	01/01/2018-31/12/2018
5	Vo Quang Long	BOD member	120,000,000	-	-	17/04/2018-31/12/2018
6	Chen Che Jen	BOD member	180,000,000	-	-	17/04/2018-31/12/2018
7	Nguyen Quoc Huong	BOD member	180,000,000			17/04/2018-31/12/2018
Total			1,020,000,000			

#### X.4.2 Salary, bonus and remunerations of the BOS

Table 38: Salary, bonus and remunerations of the BOS

No.	Full name	Titles	Remuneration and bonus (excluded income tax)	Salary (%)	Bonus (%)	Length of service
1	Nguyen Tu Luc	Head of BOS	48,000,000	80.13%	19.87%	01/01/2018-31/12/2017
2	Hoang Nu Mong Tuyen	BOS member	48,000,000	80.47%	19.53%	01/01/2018-31/12/2018
3	Dinh Ngoc Hoa	BOS member	48,000,000	81.97%	18.03%	01/01/2018-31/12/2018
Total			144,000,000			

#### X.4.3 Salary, bonus and remunerations of BOM

Table 39: Salary, bonus and remunerations of BOM

No.	Full name	Titles	Remuneration and bonus (excluded income tax)	Salary (%)	Bonus (%)	Length of service
1	Dang Trieu Hoa	Managing director	-	81.42%	18.58%	06/2010 - nay
2	Nguyen Phuong Chi	Chief Strategic Officer	-	81.17%	18.83%	01/2015 - nay
3	Nguyen Thai Hung	Chief Administration Officer	-	81.92%	18.08%	02/2017 - nay
	Phan Nhu Bich	Chief Financial Officer	-	80.15%	19.85%	10/2016 - nay

## XI. SUSTAINABLE DEVELOPMENT REPORT

### XI.1 Assessment of the Board of Management on sustainability development achievements in 2018

With relentless efforts in 2018, STK's management team and employees has united in improving the performance by cutting consumption of resources and energy. The end results were positive, meeting the Company's objective in sustainability development. In particular:

**To grow profit sustainably**

- In 2018, revenue rose by 20% as compared to 2017, surpassing target by 2.3%;
- Profit surged by 80% year-on-year and exceeded target by 43%, creating abundant financial resources for the Company's capex plan in the coming years;
- The STK's financial standings became healthier, setting a strong foundation for future developments, enabling the Company to set higher and more sustainable targets.

**To develop human resources and society sustainably**

- Employees' remuneration increased by 12% year on year in 2018. Besides, welfare was also improved substantially as compared to 2017 thanks to new policies and proactive care from the Board of Management;
- Employees are offered opportunities to enhance capacity, knowledge through training courses through the year;
- Beside skill and grade upgrading program, promotion policies, the Company also deployed the internal rotation program;
- In order to create safe, friendly and fair working environment, in addition to effort to maintain and continuously renovate offices and working facilities at the best standards of Vietnam, in 2018 STK started to deploy the complaint and feedback mechanism based on the Company's Codes of Conduct;
- With capacity expansion after inauguration of Trang Bang 5 project since Quarter 4 – 2018, the Company created direct employment for 1,019 peoples and many indirect employments for those working in suppliers as the value of goods and service purchase increased;
- STK continued the Company's good tradition in taking care of employees: such as giving gifts to employees' children on Childrens' Day (1<sup>st</sup> June), company trip, Tet gifts;
- The Company gave 2-month salary bonus to employees in December 2018 and on the occasion of Luna New Year.

## To protect environment

- To provide eco-friendly products, thanks to the efforts in develop and promote products, in 2018 the portion of recycled yarn in total revenue increased to 16.2%, exceeding the plan by 2.2%. In addition, the company continue to deploy colour yarn project (to save clean water and limit discharge of hazardous chemical into the environment) and waste yarn recycling which is a part of Trang Bang 5 project, creating foundation to catch the green consumption trend of the market in the future;
- Action to cope with climate changes: the Company's Carbon Footprint in 2018 increased as compared to 2017 mainly due to the capacity expansion as a result of Trang Bang 5 project. However, the energy consumption per unit product was lowered than the one in 2017. Furthermore, carbon footprint regarding diesel oil consumption declined by 82 year-on-year as the Company proactively replaced diesel burn forklift trucks by electric ones;
- The Company re-used POY bobbins many times, helping to limit the deforestation and land slide. In 2018, number of POY bobbins used was 938,590 and a bobbin is re-used by 3.75 times, saving 2,581,122 bobbins (if without the practice of bobbin reuse, the number of bobbins to be used should be 3,519,712).
- In 2018, the Company indirectly recycled 163,935,363 PET bottles as result of production of recycled yarn, contributing to protection of eco-system and environment.
- The Company got GRS certificate and OEKO-TEX100 certificate, which certified that the Company's product does not contain hazardous chemical and the production process does not discharge hazardous chemical.
- During the year, the Company got a fine do to the leaking of domestic wastewater sewage and placing used barrels of oil at wrong areas. The Company proactively corrected the mistakes and paid the fine in accordance with the regulations.

## XI.2 Ethical values of the Company

STK's member commits:

- Comply with the laws and the constitution of Viet Nam.
- Comply with the rules and regulations in accordance with the Charter, Corporate Governance and other regulations issued by the Company.
- Promote principles such as information security, effective management, utilization and protection of the Company's assets.
- Act for the Company's ultimate benefit and minimize the conflict of interest with the Company.
- Perform the responsibility towards the society and local communities in which the Company operates.
- Ensure fair and healthy competition, accurately and timely disclosure information to avoid causing damage to the rights and interests of stakeholders.
- Appreciate customers and always provide reasonable and useful solutions to satisfy customers' requirements.

The employees, a valuable asset should be respected, treated fairly, taken care, trained and encouraged to develop their abilities.

### XI.3 Code of conduct with stakeholders

#### ➤ For Shareholders- Investors:

Shareholders are important stakeholders of the Company. Therefore, the relationship between STK and shareholders is particularly focused on. STK always aligns the interests of shareholders with its sustainable development. STK commits to:

- Put the interests of the shareholders ahead, avoid the conflict of interests, ensures a safe investment, attractive dividend policy and sustainable returns for shareholders.
- Provide a diversified and effective communication channel. STK always meets requirements on information disclosure such as transparency, accuracy, clear and timely.
- Ensure equal treatment for all shareholders.
- Ensure confidential information of investors, shareholders, unless allowed by information owners or required by the authorities.

#### ➤ For Customers:

All activities of the Company aim to build the customer's strategic confidence, put the prestige and quality of products ahead, constantly cultivate the relationships with the customers through the after-sales policies, customer care in accordance with the common standards accepted by both parties. The Company commits to:

- Treat fairly, truthfully and respects the customers, builds the relationship based on mutual benefits.
- Build and maintain the customer satisfaction at a high level, establishes a sustainable relationship by offering high quality product at a competitive price, timely and accurate shipment, excellent after sale services.
- Continuously improve and diversify products, offering optimal product selection for customers.
- Protect customer's business information.

#### -For Employees:

Base on STK's value: "**Developing together:** Century's development is aligned with the prosperity of our partners, our staffs and the community", and the employees are the Company's valuable assets. The Company always respects, treats fairly, takes care of the employees, and focuses on training and capacity development.

- The Company offers a competitive remuneration and welfare policies, commits to fully ensure legitimate benefits of employees under "Collective Labour Agreements", Labor Laws and other regulations of the State.
- The Company shall not use child labor, forced labor.
- The Company shall not discriminate against employees.
- The Company ensures the safe working environment, health care and legitimate benefits for the employees. The Company also focuses on training, creating promotion opportunities for employees.
- The Company evaluates the performance efficiency of staffs, encourages feedback, sharing aspirations and opinions from staffs for the development of the Company.

#### ➤ For Suppliers:

- The Company commits to treat all suppliers equally, cooperate for mutual benefits, and avoid the potential conflict of interests with suppliers.
- The Company always adheres to the rules on tendering, negotiating and signing of contract.
- Do not share the confidential information of suppliers to their competitors.



➤ For Competitors:

STK aims to improve the image and position of the Company in the industry, compete fairly on the high quality products and reasonable prices. The Company always adheres to the following principles of competition:

- Compete fairly, transparently and legally: do not make incorrect or dishonest comments on the competitors' products and services, do not engage in activities to sabotage competitors.
- The Company commits to use the legal methods to collect information about competitors, not use illegal or immoral ways to collect information.

➤ For Governments:

- The Company complies with the law and the constitution of Viet Nam.
- Do not take negative approaches to gain privileges and special benefits from the government, governmental agencies.
- Fulfill tax obligations and contribute to local budgets in accordance with prevailing regulations.

➤ For Media

- Reputation and prestige of the Company are important assets that all employees have to preserve and promote.
- We coordinate with media to help them understand the Company and ensure that all information we provided is transparent, accurate and not misleading.
- Investor Relation Department is responsible for feedbacks, providing information on media. Other departments are not allowed to contact or answer any question related to the Company.

**XI.4 Defining sustainable development objectives on medium and long term period of 2019-2023**



- **Medium-term Sustainable Development Goal 2019-2023** as follows: Continue to expand production to gain economies of scale. Develop eco-friendly products / projects. Increase the proportion of recycled yarn from 14% in 2018 to 30% in 2020. Develop a vertical production chain to optimize performance. Continuously improve policies, meliorate production and business management processes to improve product quality, reduce costs and enhance business results. Establish skilled workforce by continuing to provide professional trainings, to perfect the labor policies and to develop future

successor team for the Company in order to build a healthy corporate culture. Implement ESOP issuance plan to align the Company's development with its employees.

- **Short-term sustainable development goals 2019-2020** as follows: Continue to promote the sales and extension on marketing for recycled yarn products and at the same time improve the quality of products. Research and develop new products with outstanding features such as hollow yarn, highly stretch yarn, CD yarn, doped dye yarn. Implement the color yarn project to save water resources, minimize the discharge of chemicals into the environment. Thoroughly adhere to the manufacturing standards of REACH 168 and OEKO-TEX 100 to protect consumer health. Diversify customer portfolios to reduce risk of depending on several particular clients.

As for mounting global sustainable development goals (SDGs) into the Company's activities, STK has selected and integrated relative sustainable development objectives into the Company's sustainable development orientation for the period 2019-2023, including:

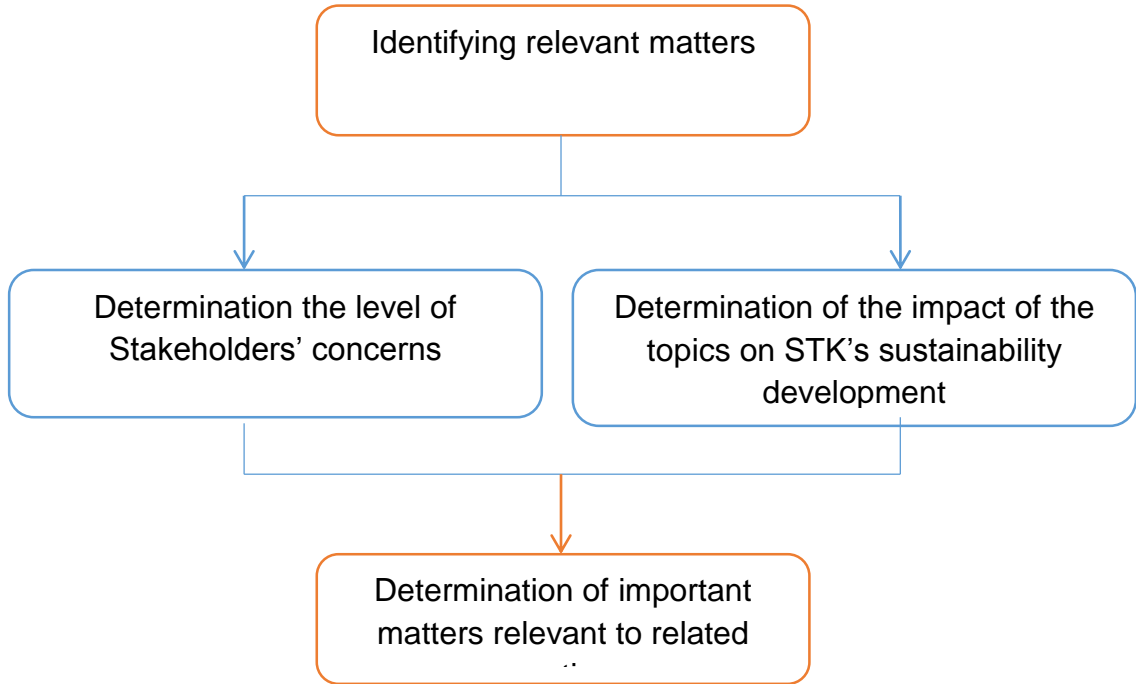
<p><b><u>Sustainable economic growth</u></b></p> <ul style="list-style-type: none"> <li>✓ Steady revenue growth</li> <li>✓ Steady profit growth</li> <li>✓ Healthy financial standing</li> </ul>	
<p><b><u>Sustainable development of human resources and society</u></b></p> <ul style="list-style-type: none"> <li>✓ Satisfactory salaries and income;</li> <li>✓ Opportunity for growth and advancement;</li> <li>✓ Safe, friendly and fair working environment;</li> <li>✓ Economic and social development of the locality and community;</li> </ul>	
<p><b><u>Environmental Protection</u></b></p> <ul style="list-style-type: none"> <li>✓ Develop environmentally-friendly products,</li> <li>✓ Reduce the consumption of natural resources;</li> <li>✓ Do not pollute the environment</li> </ul>	

**XI.5 Aligning interest of related parties in order to determine major topic and scope of the report**

To ensure consistency, accuracy, up-to-date and transparency of information disclosed in the sustainability development report, STK gives priority to consulting related parties regarding upgrading and updating development policies of the Company. From information collected from communication with the related parties (either direct or indirect communication with STK), the Company selects and focuses on major topics (which have significantly positive or negative impacts) to the Company and related parties. By doing that, the long-term benefit of the parties are ensured and STK's reputation is enhanced.

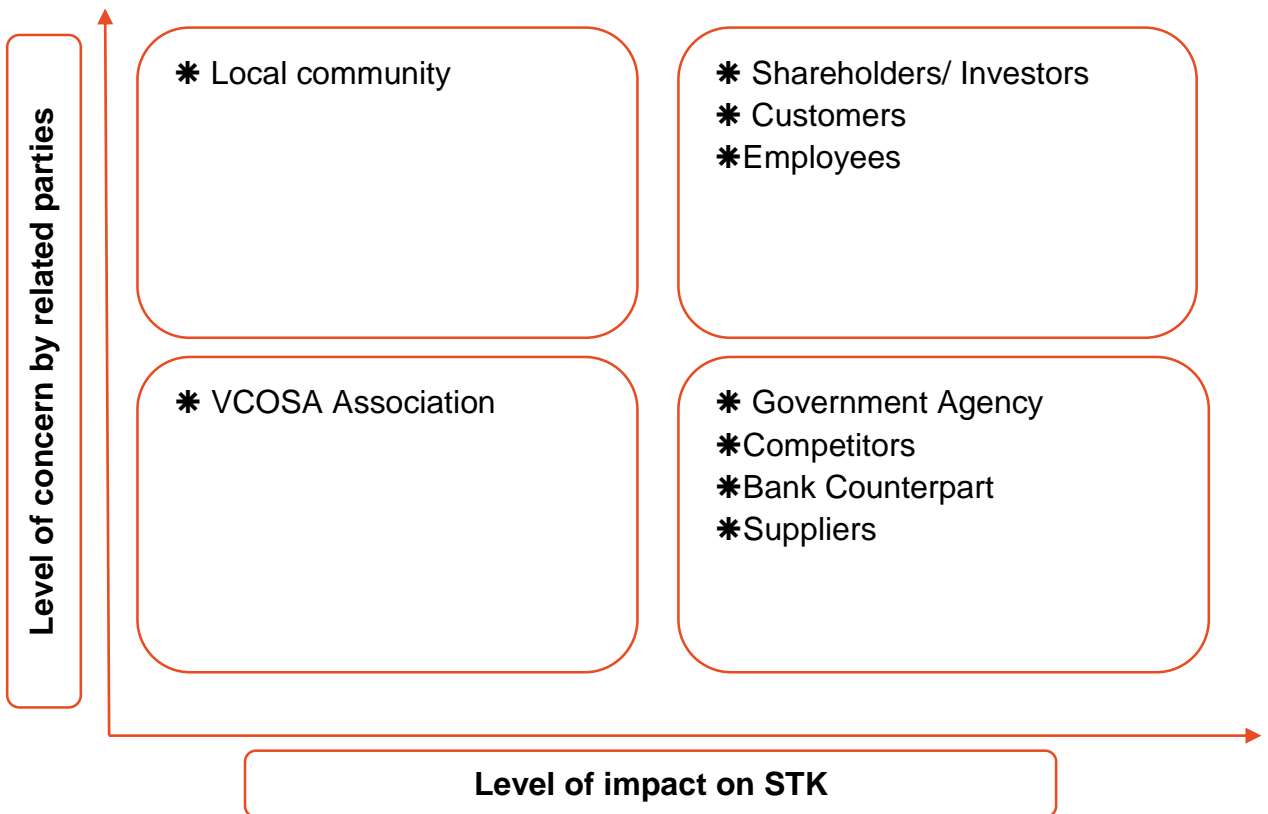
In particular:

**Figure 42: Process of Determination of major topics**



**Determination of related parties' priority**

**Figure 43: Priority level of related parties**



**XI.5.1 Identifying major matters**

In the context of the garment and textile industry in general and fiber sector in particular as well as assessment of the correlation of the related parties' concerns and level of impact of matters to the Company's operation, STK identifying major matters related to economy, environment, society and the Company's operation. Besides, based on GRI standards, STK analyzed and incorporated major matters into GRI standards regarding economy (GRI 200), environment (GRI 300) and society (GRI 400). In particular:



- Surveying and researching information regarding the fiber, garment and textile sectors.
- Analysing customers through communication with customers.
- Collecting information regarding the association (VCOSA).
- Recognising and analyzing opinions collected from meetings with investors, investor day, analyst meeting and regular dialogue with employees.
- Selecting major matters of related parties and incorporating those matters into the report.
- Consulting the Board of Management and the Board of Directors on major matters to balance and ensure interest of related parties.
- Identifying major matters in accordance with the Company's development objectives and strategies.
- Constructing matrix of major matters at STK and identifying the most interested and influential matters for STK.
- Passing the major matters.
- Continuing reviewing of major matters after issuance of report to recognize contribution of related parties. Thereby, improving and establishing the system of major matters more accurately to ensure the interest of the related parties and the Company.

**XI.5.2 Major matters in 2018**

Major matters are determined by referring to interest of the related parties and the Company's development objectives and strategies. The major matters are classified as follows:

**Table 40: Classification of major matters**

Economics	Product responsibility	Environment	Human rights at Work	Employment – Society
<ul style="list-style-type: none"> <li>- Operation results, enhancing corporate efficiency in 2018;</li> <li>- Presence in the market</li> <li>- Indirect economic impact;</li> <li>- Anti-corruption;</li> </ul>	<ul style="list-style-type: none"> <li>- High quality product and service;</li> <li>- Sustainable, safe and prestigious operation;</li> <li>- Competitive pricing;</li> </ul>	<ul style="list-style-type: none"> <li>- Efficient energy usage;</li> <li>- Usage of eco-friendly materials;</li> <li>- Saving natural resources;</li> <li>- Reduction of waste</li> </ul>	<ul style="list-style-type: none"> <li>- Comfortable and safe working environment, occupational health, work-life balance;</li> <li>- Non-discrimination, freedom of</li> </ul>	<ul style="list-style-type: none"> <li>- Competitive remuneration and welfare policies;</li> <li>- Opportunity for training and capacity enhancement ;</li> </ul>

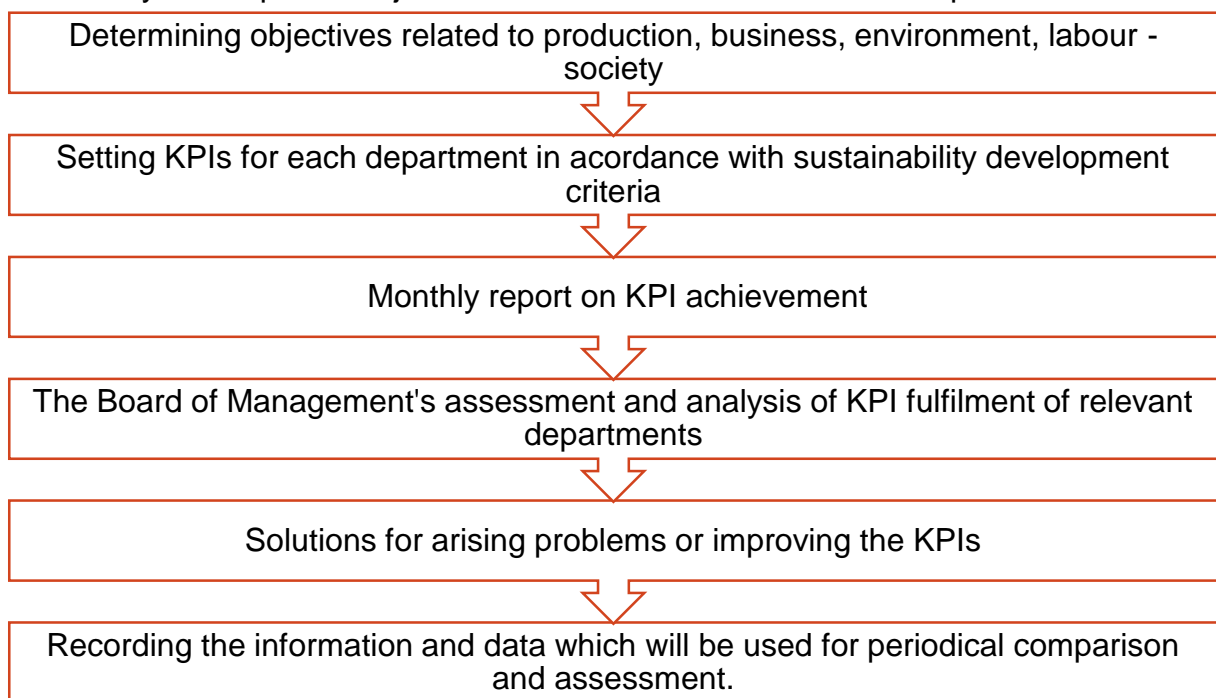
- Anti-Unhealthy competition.	- Safe product without hazardous substances;	discharge and treatment.	forming trade union;	- Promotion opportunity;
	- Excellent customer service.		- Compliance with policies and regulations on human rights;	- Vision of the leader;
			- Welfare policies for pregnant female workers and those with young children	- Fairness and democracy;
				- Facilitating the community development;
				- Creating jobs for local peoples;
				- Development of infrastructure

**The approach for implementation of sustainability development plan:**

In order to enhance efficiency in management and implementation of the Company’s long-term sustainability development strategies, updated data on performance results, environment, and labour – society are reported directly to the Board of Management on periodical (weekly and monthly) basis in weekly meetings and monthly reports.

Beside, with the reporting system of monthly KPIs, indicators on environment, labour, society and economics are assessed and departments’ fulfilment of KPIs are linked to staffs’ remuneration. Therefore, the grass-root management’s efficiency are improved and achieved higher results. In addition, the Company will timely have reasonable solutions for arising matters, minimizing impact on implementation of the Company’s sustainability development plan.

Based on the direction for sustainability development, the Board of Management determined sustainability development objectives and transform them into action plan as follows:



### XI.5.2.1 Responsibility to improve economic results

Table 41: STK direct contribution to the economy in 2018

Indicator (VND billion)	2016	2017	2018	2018 vs. 2017
Dividend payment	23.0	16.4	46.3	+183%
Total remuneration (salary and bonus) paid to employees	99.9	96.0	117.8	+23%
Revenue	1,358.3	1,990.7	2,407.7	+21%
Total transaction value with suppliers	1,989.0	1,438.0	1,855.6	+29%
- With domestic suppliers	276.4	184.8	237.7	+ 29%
Annual tax payment <sup>8</sup>	231.7	136.1	125.4	-8%

In 2018, the tax payment amount reduced by 8% year on year mainly due to the decline in VAT payment (as the declaration method changed as compared to 2017).

### XI.5.2.2 Product responsibility

***With efforts of production team, the product quality was improved substantially (average growth rate of 0.29%) while resource and material consumption declined, customers were satisfied more with lower complaining rate. The actual performance results met the annual targets in 2018.***

#### **Modern production facilities:**

In 2018, the Company cooperated with Oerlikon Barmag, a strategic partner to develop more functions to incorporate into the plant operation center (“POC”) platform. With the new functions (including application of artificial intelligence), the production team can control the quality more efficiently. This platform will help maximizing operational efficiency and product quality, better serving customers as well as enhancing competitive advantage in term of product quality, saving cost and ultimately transforming the existing factories into smart ones.

#### **Application of modern management tools:**

- ISO 9001- 2008, ISO 27001s: to ensure that the production activities are in accordance with established procedures and the sector’s standards.
- GRS V3.0: To control and ensure that production and trading of recycled yarn are in accordance with the standards.

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<sup>8</sup> Including value added tax, import/export tariff, corporate income tax, personal income tax, natural resources tariff and others

- 5S: to establish a safe, comfortable, clean, tidy working environment and eliminate unnecessary component/steps to enhance the results, reduce the waste time and set foundation to implement more sophisticated systems such as Kaizen and LEAN.
- Kaizen: to continuously improve the process in order to enhance operational results and product quality.
- LEAN: is systematic innovation and continuously elimination of waste during production, optimizing the resource usage, shorten the production circle and at the same time to improve the ability to dynamically meet the customers' constant changing and strict requirement.



All modern management tools are documented into standard operating procedures (“SOP”) for every function in the Company in order to ensure that the quality control is implemented thoroughly in all functions from raw material purchasing to production of POY, DTY, FDY and storage management.

STK’s commitments to provide high quality products is demonstrated through strictly quality control of raw material input, production process, quality check of finished products to ensure meeting the order requirements.

In 2018, almost all of quality KPIs of the factories were improve considerably as compared to the budget and actual 2017. Continuing the success of 2018, the Company set higher quality targets for 2019 in order to enhance the Company’s prestige and to meet higher and more diversified requirements of customers.

**Table 42: KPIs on product quality**

<b>Product</b>	<b>KPI</b>	<b>2017</b>	<b>Actual 2018</b>	<b>2018 targets</b>	<b>2018 Actual vs. target +/-</b>	<b>2019 target</b>
POY	Portion of full bobbin AF	95.07%	97.52%	97.17%	0.35%	97.63%
	Portion of substandard POY	1.17%	0.97%	0.95%	0.02%	0.92%
DTY	Portion of AA grade	87.32%	91.73%	91.50%	0.23%	92.13%
	Portion of substandard DTY	0.68%	0.71%	0.68%	0.03%	0.94%
FDY	Portion of full bobbin AA grade	92.51%	94.74%	95.50%	-0.76%	95.5%
	portion of substandard FDY	3.28%	2.76%	1.50%	1.26%	1.5%

- To ensure the quality of product, actual quality achievement should be reported in weekly meetings in order to timely identify abnormal problems and have solutions to avoid down-grading products.

- The Company was granted by SGS a certification, confirming that its products conform to REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) on using toxic chemical material as stipulated by European Chemical Agency.
- Besides, the Company also got Global Recycle Standard (GRS). This is a product standard for tracking and verifying the content of recycled materials while ensuring strict production requirement. In December 2018, STK expand the GRS assessment for Cu Chi factory in order to raise the portion of recycled product in revenue in the coming months. In order to get this certificate, STK complies with strict standards on environment protection, occupational safety and commitment of non-usage of hazardous chemicals.
- At the same time, to enhance the Company's prestige regarding product safety, STK also achieved OEKO-TEX 100 certificate for DTY and FDY. This is an independent certification system – established by International Association for Research and Testing in the Field of Textile Ecology (Oeko-Tex) of Zurich (Switzerland). The test result proves that STK's product met requirements for non-usage of toxic chemical and being eco-friendly and safe for human health. STK is committed to comply with stringent standards on environmental protection, occupational and consumable safety. All the testing and certifications are conducted by independent and qualified institutions.



- “Instilling the attitude for product respect” is one of regular training programs which yield good results. Through this training program, employees are guided to carry out production steps accurately and helped identifying inappropriate behaviors which may affect product quality. This training course is very useful, helping enhancement of staffs’ skills as well as awareness and hence improving product quality and the Company’s prestige.

**Customers’ service:**

***In 2018 number of customers’ complaints fell by 16 as compared to 2017.***

The Company has reduced the complaints on product quality substantially by renovating equipment (using new accessories which meet European standards) and providing skill training for staffs, thereby cutting the rate of sub-standard product.

**Table 43: Customer complaints in 2018**

Year	Resolution time		Failure to solve	Less than 1 week	from 1 week to less than 15 days	From 15 days to less than 30 days	More than 30 days
	2017	2018					
	0	0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	11	4	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	38	32	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	3	0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	0	0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



52	36	TOTAL
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**Development of new products:**

***The Company made relentless efforts in improving product quality and developing new products to meet customers' demand and boosting the Company's market position.***

- The portion of recycled yarn in total revenue in 2018 was 16.2%, creating more value added for the Company and minimizing impact on environment. The Company is renovating 1 existing production line in Cu Chi to make colour yarn.
- The Company also make sample of specialty products such as quick dry yarn, high stretch yarn, cationic dyed able (CD) yarn, Dope Dyed Melange, Dope Dyed Fancy, soft package, CD soft package for both domestic and international markets (Thailand, Indonesia). At present, the Company already received order to make soft package for Thailand market. At the same time, STK is developing high filament yarn to maximize selling price.

The Company's objectives in 2019 are to raise the portion of recycled yarn in total revenue to 26.5% and increase the portion of specialty products, improve product quality and cut costs

- With the direction to develop vertical integration, STK will cooperate with partners to establish a yarn-textile-garment alliance, creating more value added for the Company.



Recycled yarn



Dope dyed yarn



High value-added yarn

**XI.5.2.3 Environmental responsibility**

**With the continuous efforts of the STK team, the Company's actual results on electricity and water savings met initial targets for 2018. In addition, the indicators of environmental impact assessment and labor environment inspection of the Company were also in compliance and within the allowable limits according to the prevailing regulations of the government on the environment.**

### STK'S ENVIRONMENTAL PROTECTION POLICIES

1. The objective to create eco-friendly products, satisfying customers' requirements is the focal point in each business and manufacturing action and decision of the Company.
2. To ensure that the Company's operations comply with environmental requirements of the laws and other regulations.
3. To encourage continuous improvement through effective procedures, transparent and timely approaches and measurements, measures to prevent pollution and ensure safety and healthy working conditions for employees.
4. To provide resources, technology and equipment improvement, to conduct periodical energy audit, water resources, raw materials.
5. To provide training to raise staffs' awareness about environmental protection

#### XI.5.2.3.1 Raw materials

**In 2018, the volume of demanded materials increased as compared to 2017, mainly due to the Company expanded its capacity and produced high quality products that required consumption of more materials.**

- In order to ensure the stability and high quality of products to supply to customers and to ensure quality prestige as well as comply with regulations on environmental protection from the first stages of the Company's production process, about 90% raw materials of STK (PET chip, oil) are imported from major countries such as South Korea, Taiwan, Japan and Germany. Only small remaining proportion (mainly paper tube and carton) is sourced from China and Vietnam. STK's main suppliers are the leading international companies who always comply with regulations on environmental protection.

**Table 44: Types of materials**

STT	Materials	Origins	2017	2018	2018/2017
1	Polyester Chip	South Korea, Taiwan, Japan, China	53,495 tons	54,393 tons	+2%
2	Oil	Taiwan , Japan	713,469 kg	1,026,607 kg	+44%
3	Paper tube	Vietnam, China, Taiwan	11,161,730 tubes	12,734,240 tubes	+11%
4	Carton boxes	Vietnam	1,770,284 boxes	1,580,254 boxes	-11% <sup>9</sup>
5	Other accessories	German, Taiwan, Italy, China			

- Additionally, to insure the appropriate evaluation and selection of the major suppliers for the Company raw materials in accordance with the Company's quality standards

<sup>9</sup> The number of carton boxes used in 2018 was decreased as compared to 2017, thanks to replacing traditional carton boxes in packing (6 bobbins/ carton) into Jambo boxes (100 bobbins/ carton).

as well as social responsibility policies, periodically, twice a year (phase 1: January 1st and February 15th, phase 2: July 1<sup>st</sup> and August 15th) the Company purchasing department will conduct an assessment of its suppliers. The suppliers are requested to complete questionnaires which is based on the latest standards being applied in STK such as GRS, ISO, SA 8000 ..., also criteria related to labor standards, worker health and safety, business ethics and environmental protection in accordance with prevailing laws and regulations.

- At the same time, the efficiency of using materials of the Company is also showed through the continuous increasing of the recycle yarn proportion which was produced by recycled PET Chip in 2018 (16.2%) and 2019's plan is 26.5%. In addition, the Company also invested machinery systems for Trang Bang project 5 ("TB5") with a line to recycle waste yarn from the production into recycled PET chips for the Company's usage with a capacity of 1,500 tons / year, contributing greatly to reduce the impact on the environment, increase the Company's profits, save the production cost as well as provide reasonable prices to customers. In addition to effectively using the main raw materials, the Company has coordinated with the suppliers to improve the quality of POY paper tubes to be re-used. After improvement and trial-testing, currently the POY paper tubes can be re-used for 3-5 times optimized the influences on the environment and lower the numbers of carton boxes and paper tubes used in production.
- In 2018, the number of POY paper tubes used is 938,590 tubes and an average of POY paper tubes can be reused 3.75 times; therefore, the rate of reusing materials (paper tubes) in 2018 is:

$$\begin{aligned} \text{The rate of reusing materials} &= \frac{\text{The number of paper tubes reused}}{\text{Total volume of materials used in year}} \\ &= \frac{\text{The number of POY paper tubes} \times \text{reusing times}}{\text{POY paper tubes} \times (1 + \text{reusing times}) + \text{DTY paper tube} + \text{FDY paper tubes}} \\ &= \frac{938,590 \times 3.75}{938,590 \times (1 + 3.75) + 11,795,650} = 21.65\% \end{aligned}$$

- The rate of reusing materials (POY paper tubes) in 2018 is 21.65%.

#### XI.5.2.3.2 Energy

**In 2018, the Company successfully completed the action plan to save energy. As a result, the energy consumption per kilogram of yarn has been decreased markedly as compared to the previous year.**

Realizing the importance of protecting the environment and minimizing the use of natural resources to conserve the natural environment. STK has set up specific targets for energy savings because environmental protection is the result of energy conservation. Due to its manufacturing nature which requires 24-hour-operation, the Company made a practical commitment to minimize energy consumption:

- Managing and complying with all regulations of energy consumption that adhered to the laws.
- Conducting energy audit (in every 3 years): Energy audit is conducted by qualified institution to evaluate the Company's energy consumption including electricity, diesel oil, petrol; find out feasible solutions to save energy and to reduce impact on environment.

- Conducting energy saving plan and energy management report (annually and in every 5 years): focus on finding solutions to reduce energy consumption, to implement and evaluate the solutions' efficiency.
- Measuring and keeping records on monthly energy consumption.

In order to enhance the Company's management efficiency and employee awareness on saving energy as energy saving can help improving the Company's profitability, STK always reminds all employees to follow strictly on the electricity using regulation such as: using at right place and on right time, turning off when not in use, applied technology innovations to reduce energy consumption.

**Table 45: Total energy consumption in 2018**

	2015	2016	2017	2018	2018/2017
Energy consumption (1.000 kWh)	1,019.4	1,207.4	1,455.9	1.527.8	5%
Cost (billion VND)	149.8	180.9	219.6	234.6	7%

**Table 46: Energy consumption per kilogram of yarn**

Energy consumption (kwh/kg)	2015	2016	2017	2018	2018/2017
POY	1.35	1.27	1.19	1.14	-4%
DTY	2.08	1.89	1.84	1.83	-1%
FDY	1.56	1.71	1.70	1.61	-5%

In general, over the period, the total amount of electricity using has been increased to meet the demand of the expanding production capacity of the Company. Though, the amount of energy consumption for each product per unit tends to decrease significantly because the Company actively implemented the renovation and upgrading for machinery and auxiliary equipment with power saving technology, contributing to reduces the amount of energy consumed per unit of product.

In 2018, the Company continued to implement some energy saving techniques in accordance with the 5-year energy saving plan proposed early.

**Table 47: Energy saving techniques**

Improvement Solutions	Purpose	Result
Renovate 5 DTY M900 machines from DC motor to AC motor (using new generation inverter)	Improving production efficiency, using SSR to control heating and power-saving inverter.	- The amount of electricity consumption saving: 360 kwh/day/5 machines - Saving cost: VND180,000,000 /year
Switch off exhausters at extruder area. Open the door to get wind, there are 2 exhaust fans at the end of the room to suck the hot air out.	Switch off electrical equipment while ensuring ambient temperature, enhance longevity of machineries.	- The amount of electricity consumption saving: 198.2 kwh/day. - The rate of electricity consumption saving: 33%.

		- Saving cost: VND98,000,000/year
Renovate new burner nozzles for DTY machines. New specification is 1.2mm (Old specification is 1.4 mm)	Saving compressed air in manufacturing DTY. Reducing airflow while ensuring the quality of DTY.	- The amount of electricity consumption saving: 1,800 kwh/day. - The rate of electricity consumption saving: 18% - Saving cost: VND 900,000,000/year
Operate TEG vacuum furnace during off-peak hours.	To take advantage of lower prices during off-peak hours but not affecting production.	- Cost saving percentage: 40%. - Saving cost: VND108,000 for each time.
Turn off lights alternately surrounding the factories at night.	Saving cost while ensuring brightness for the camera recording and protection of property.	- Cost saving percentage: 26%. - Saving cost: VND850,000 /monthly

Regarding to the solution implementation progress of electricity and energy saving in the Company in 2018, the Company recorded the total amount of electricity used at the Company was increased as compared to in 2017, mainly from the continuous production nature to create products and the expansion of TB5 factory with an additional capacity of 3,300 tons of yarn / year. In 2018, most of the machines and equipment systems produced in the Company are changed to the most advanced technology standards in the world from the Barmag machine supplier (Germany) thus the ability to save electricity is high. In 2018, the energy consumption for each product per unit was decreased as compared to the previous year: POY decreased by 0.05 kwh / kg, DTY decreased by 0.01 kwh / kg, and FDY decreased by 0.09 kWh / kg.

**Table 48: The implementation of energy saving solutions proposed in 2018**

S/N.	Solutions	Implementation progress	Causes
1	Installation of inverters for AC blower fans 1, 2, 3 at Cu Chi factory. Replace 200W high pressure light around Cu Chi factory into 70W Led light.	Saving: 20,879 Kwh/ year. Saving cost : VND32 million/ year	
2	Replacing 250W high pressure lamp outside TB factory area to 100W by led light.	After replacing high-pressure lamps with LEDs, it saved 12,960 kwh / year.	After using Compact lamp, the life expectancy was not high. Thus in

			2018, the Company replaced with LED lights.
3	Installation of the inverter to suction motors of waste oil in DTY machines in TB3.	Saving: 311.04 kwh/year. Saving cost in TB: VND20,304,691.	

In 2019, the Company plans to implement the following measures to save electricity costs.

**Table 49: Energy-saving solutions in 2019**

S/N	Solutions	Results
1	Installation of inverter for AC 1,2,3 misting system	<ul style="list-style-type: none"> <li>• Saving: 7kw/h.</li> </ul>
2	Installation of the inverter to suction motors of waste oil in DTY machines in TB 1,2.	<ul style="list-style-type: none"> <li>• Plan to execute each motor, after installing will save 2 kw / h.</li> <li>• Implement 23 DTY machines with total 46 motors.</li> <li>• It is expected to save 92 kw / h</li> </ul>
3	Controlling turning on-off lights of DTY machines by setting time.	<ul style="list-style-type: none"> <li>• Expect to carry out installation over 38 machines with the result of saving 2 kw/ h.</li> </ul>

#### XI.5.2.3.3 Water usage

**The Company has successfully completed the target of saving water consumption in 2018. The result was recorded with a saving amount of total 16,158 m<sup>3</sup> of water consumption in the year as compared with the previous year.**

Source of water used at STK is clean and provided by Industrial Zone for production and living usage. The Company commits not to exploit underground water. In case of having demand for using it, the Company only uses it when having permission from the relevant authorities.

The Company always manages well and fulfills all the legal requirements regarding water usage. Annually, the Company tries to find solutions in order to save the water consumption. The Company also measures on monthly basis and keeps data to ensure that the water consumption is controlled.

At STK, there is a closed air-conditioning system, whereby water after going through chiller will come to AC reservoirs and cooling water pool in order to be reused. Thanks to this system, STK has saved 8,640 m<sup>3</sup> water.

The Company controls the water consumption in according to established norms. These norms are set at the beginning of the year, based on the production volume, power outage (20 times/year), maintenance cycles, the procedure for water replacement in AC reservoirs and cooling towers. This KPI is reported on monthly basis to production and others departments.

**Table 50: Water consumption**

	Unit	2016	2017	2018	2018/2017
Water consumption	m <sup>3</sup>	245,936	252,050	235,892	-6.4%
Cost	VND	1.96	2.01	1.10	-99.9%

Rate	m <sup>3</sup> / kg	0.003	0.0026	0.0028	+7.7%
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The water consumption in 2018 was decreased as compared to 2017. In which, the amount of water consumption was decreased by 16,158 m<sup>3</sup> as compared to 2017, saving VND 119,311,100 through strict management on the implementation of water consumption saving plan. Though, the amount of water consumed per kilogram of yarn was increased by 7.7% as compared to 2017, mainly due to the Company increased its production capacity with the TB5 project as well as increasing of the proportion of higher quality products in production, thus the amount of water consumed per kg of yarn was increased slightly as compared to the previous year.

**Table 51: Water saving plan**

No.	Solutions	Results
1	Re-use RO filter water of STK water system to re-grant the cooling tower system.	• Saving 2 m <sup>3</sup> /day.
2	Filter the water from AC system and reuse to supply for POY, DTY air-conditioner pools.	• Saving 1.5 m <sup>3</sup> /day.
3	Re-use the amount of waste water from the compressor, dryer system.	• Saving 1.3 m <sup>3</sup> /day.

#### XI.5.2.3.4 Greenhouse Gas Emission

**Thanks to efforts to improve the result of energy consumption and energy saving policies, in 2018, the Company strictly controlled CO<sub>2</sub> emissions with the result of clearly reducing carbon footprint per kilogram of yarn as compared to 2017.**

The data on Carbon footprint of Textile and Apparel Industry is estimated on the basis of energy consumption in every step of fabric production process. Regarding polyester filament yarn, which is made from fossil fuel, a lot of energy is consumed during the oil extraction process and yarn production process.

**Table 52: 2018 Carbon footprint**

	Consumption	Calorific value, low value (TJ/t)	Emission factor (EF)	Carbon emission 2016	Carbon emission 2017	Carbon emission 201	2018/2017
Electricity	152,778 MWh/a.n.		0.6612 <sup>10</sup> (tCO <sub>2</sub> e/MWh)	79,836 (tCO <sub>2</sub> e/a.n.)	96,261 (tCO <sub>2</sub> e/a.n.)	101,017 (tCO <sub>2</sub> e/a.n.)	+5%
In which, carbon emission per 1 kilogram of polyester filament yarn							
- POY	1.14 kWh/kg	0.043 (TJ/t) <sup>11</sup>	74.1 (tCO <sub>2</sub> e/TJ) <sup>12</sup>	0.839724 (tCO <sub>2</sub> e/kg)	0.786828 (tCO <sub>2</sub> e/kg)	0.753768 (tCO <sub>2</sub> e/kg)	-4%
- DTY	1.83 kWh/kg		0.6612(tCO <sub>2</sub> e/MWh)	1.249668 (tCO <sub>2</sub> e/kg)	1.216608 (tCO <sub>2</sub> e/kg)	1.209996 (tCO <sub>2</sub> e/kg)	-1%
- FDY	1.61 kWh/kg		0.6612) (tCO <sub>2</sub> e/MWh)	1.130652 (tCO <sub>2</sub> e/kg)	1.12404 (tCO <sub>2</sub> e/kg)	1.064532 (tCO <sub>2</sub> e/kg)	-6%

Diesel oil consumption for running forklift.	4.477 (t/a.n.)	0.043 (TJ/t) <sup>13</sup>	74.1 (tCO <sub>2</sub> e/TJ) <sup>14</sup>	95 (tCO <sub>2</sub> e/a.n.)	79.01 (tCO <sub>2</sub> e/a.n.)	14.2657 (tCO <sub>2</sub> e/a.n.)	-82%
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In 2018, the Company's carbon footprint has increased as compared to 2017, mainly due to the Company increased its production capacity and expanded production scale with the official TB 5 project put into operation. Though, the carbon footprint of electricity per kilogram of yarn was decreased as compared to 2017 (DTY decreased by 4%, POY decreased by 1%, FDY decreased by 6%). In addition, the carbon footprint index for Diesel oil was also decreased by 82% as compared to 2017 mainly due to the Company proactively replaced diesel forklifts by electrical forklifts to enhance working performance and maneuverability in operation. Over the years, the carbon footprint index was varied due to the Company's expanding production capacity, and the carbon footprint on each product per unit has been decreased thanks to energy-saving technology provided from machinery and equipment supplier.

#### XI.5.2.3.5 Policies against pollutions

The Company measures to prevent environmental pollution and always comply with the prevailing regulation on environmental pollution. In particularly, the Company conducts environmental monitoring 4 times a year, reports on the environmental supervision, manages ordinary waste, hazardous waste, emission in accordance with the regulations. In its Environmental Handbook, the Company has set out plans, measures to prevent and deal with environmental accidents.

- Emission

Some measures which are conducted to minimize emission pollution:

- Controlling the operation of vehicles in the Company such as: container trucks, trucks, forklifts, cars regarding emission. The Company stops using vehicles that generate excessive emission.
- Reducing usage of fuel, DO oil.
- Regularly maintaining vehicles, machines, equipment using fuel, DO oil to minimize emission pollution.

- Waste water

*To manage the waste water source, the Company makes the following commitments:*

- To manage the waste water treatment in accordance with the relevant regulations
- To keep separate drainage systems for surface water runoff, sanitary waste water and industrial waste water which are connected to the drainage system, sewage of the Industrial zones.
- To identify the sources of environmental pollution, frequently monitor of wastewater parameters to ensure that waste water quality meet the GRS standard.
- To make environmental monitoring reports to the relevant authorities about wastewater every 6 months in accordance with prevailing regulations.
- To measure volume of waste water discharged daily and keep full records.



- To declare and pay environmental protection fee for waste water in full in accordance with the prevailing regulations.

However, in 2018, the Company recorded a one-time environmental violation regarded of leaking of domestic waste water which was inspected by the environmental police department of Tay Ninh province. The Company proactively paid the fines in accordance with regulations and at the same time urgently corrected the accident.

- Hazardous waste

The Company has 2 types of waste, namely hazardous waste and nonhazardous waste. The Company pays great attention on training of employees on management, classification, storage and transportation of waste to lessen the impact to environment and human health.

- For solid waste and non-hazardous industrial waste, the Company collects these wastes to its storage, then subcontracts relevant companies to collect, transport and process the waste.
- For hazardous waste, the Company has a separate storage with hazardous warning sign pursuant to the regulations. Each type of hazardous waste is stacked with hazardous label and the Company subcontracts relevant companies to collect, transport and process this type of waste.

Annually, the Company submits the hazardous waste report for the relevant authorities in accordance with prevailing regulation. The Company also pays great attention to find the solutions to minimize the amount of waste in production and increasingly reuses or recycles the waste.

However, due to the low awareness of employees and ineffectiveness of monitoring. In 2018, the Company violated the regulations on leaving oil tanks in the wrong places. The Company actively paid the fines in accordance with regulations of the environmental police department of Tay Ninh province, and at the same time urgently corrected the accident. In addition, the Company also learned experience and advocated to implement new improvement measures to manage and propagate to employees effectively on regulations and policies of environmental protection.

- Working environment measurement

In 2018, in order to prevent occupational diseases and to ensure employees' health, the Company coordinated with Consultancy Center of Occupational Safety Health and Environmental Technology to conduct working environment measurements in order to identify the risks, hence propose measures to minimize the impact of these risks in working environment.

**Results recorded:** upon on the parameters of reference results in environmental monitoring reports on a quarterly basis (4 times / year) and annual working environment inspection reports, the Company recorded all environmental parameters were still within the allowed limits.

#### **XI.5.2.4 Responsibilities to employees**

**Thanks to rational labor policies and the Company's concerns, the staff turnover rate in 2018 was declined and the staffing adequacy rate was enhanced as compared to last year. In addition, remuneration and benefit policies were also improved sharply as compared to previous year, contributing to encouragement of the Company's**

**employees, raising the worker's standard of living and creating opportunities for employees to work as well as aligning the workers' interests with the Company's ones.**

### **Objectives**

As one of factors contributing to the Company's success is effective use and management of human resources strategy. At the same time, human resources development is considered by the Company as the main driving force for the Company's sustainable development goal in the future. With an aim to align the benefit between the Company and its employees, STK always focuses on maintaining and improving the quality of human resources, creating a competitive advantage for the Company as well as constantly improving wage, bonus, benefits and training policies in order to stimulate and optimize the contributing capacity of employees to the Company.

### **STK's Solutions and Implementation**

Recruitment Policy;

Remuneration policy;

Training and promotion policy;

Occupational health and safety policies.

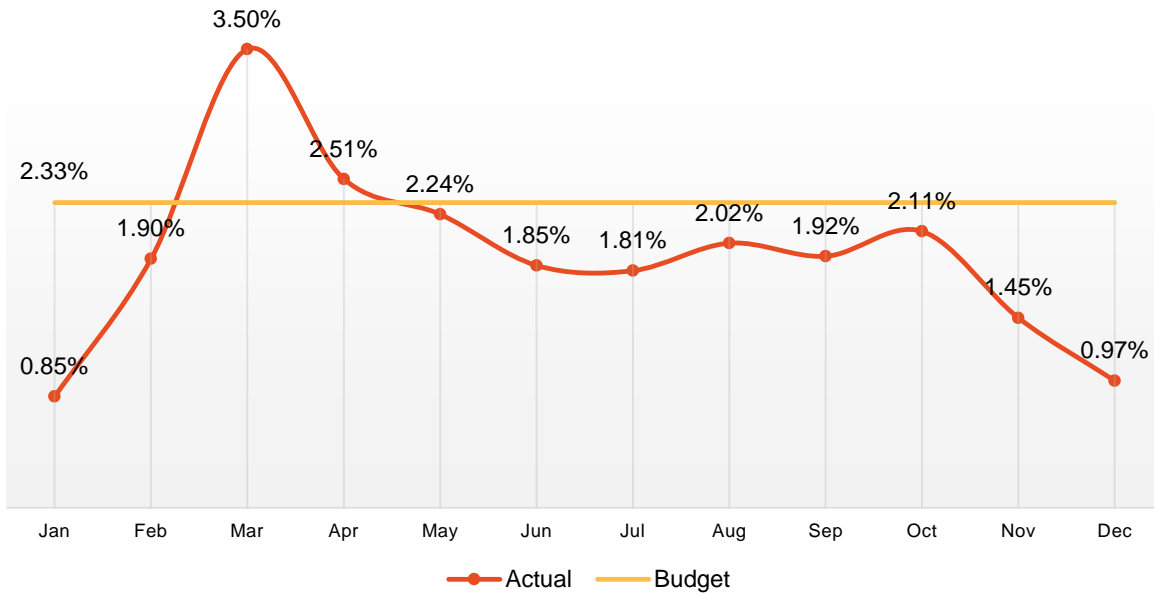
#### XI.5.2.4.1 Recruitment policies

STK always focuses on developing the professional and skillful workforce. Therefore, education and attitude for discipline are always ones of the Company's recruitment criterion. STK conducts recruitment solely based on the demand for labor of the Company and the candidates' ability to meet the requirements for the positions, rather than any other criterions. STK commits to provide a transparent recruitment process and an impartial working environment to the candidates. In addition, the Company also commits not to use child labor (under the age of 18) or workers who had committed illegal activities before.

Number of full time employees as at 31/12/2018 was 1,019 ([for further information, please refer to section "Human Resources and Organizations", page 58, Annual report](#))

The Company's employment turnover in 2018 was lower than its set plan at the beginning of the year by 28%, mainly due to constantly improving wages, bonus and promotion policies for the Company's employees, which was aimed to encourage them to adhere and work in long-term with the Company. Hence, the Company's staffing adequacy was meliorated better as compared to previous year 2017 (reaching 93% in average, increased by 6% as compared to 2017).

**Figure 44: 2018 staff turnover rates**



**XI.5.2.4.2 Employment policy**

- The Company commits that all of the Company’s employment are adhered to Vietnamese labor law. Depending on type of jobs and profile of each employee, STK will determine whether to apply a term contract or permanent contract for the employee.
- Official working time is 8 hours per day and 6 days per week. Office staffs work from 08:00 to 17:00, from Monday to Saturday. Due to nature of production (24 hours per day), the production staffs will work on Sundays, holidays, and TET festival on 03 shifts. The workers will then have compensatory leaves on other days in a week.
- At some points in time, due to the need to speed up production schedule or, fulfill contracted orders or other unplanned requirements, working overtime is performed in accordance with the following principles: (1) Basing on worker’s voluntary; (2) Not frequent and not over 12 hours per week; (3) Total number of over-time working hours should not excess 200 hours per year; (4) Salary paid for over-time working should be higher than the one for official working time and complies with the laws.
  - Basic salary

Based on the prevailing minimum salary applicable for the region, STK will adjust the salary formula and scales in accordance with the regulations, no discrimination of genders or regions. The basic salary is used for calculation of social insurance payment. In fact, the average income of particular position is always higher than the registered salary.

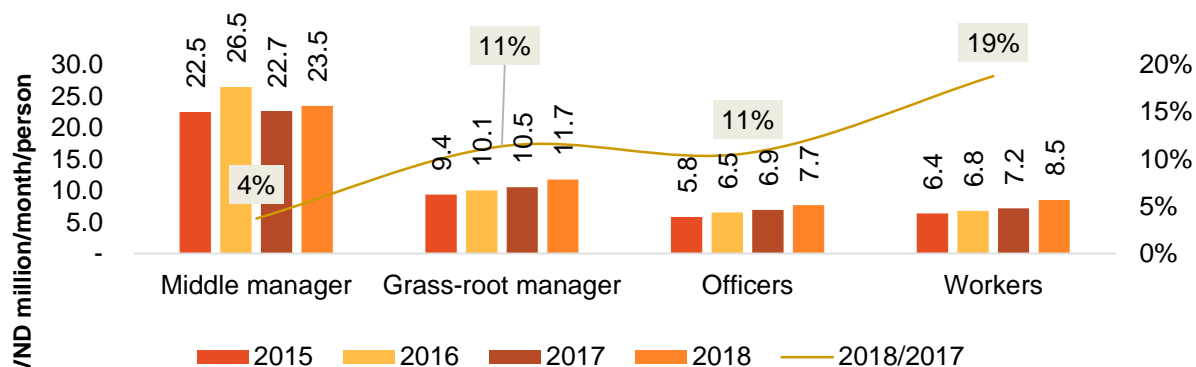
- Actual salary

<b>Office Staffs</b>	<b>Production Staffs</b>
Based on nature of each position, STK will determine the salary scales.	Staffs will receive the salary, which is based on productivity. The productivity wages will be adjusted in accordance with STK’s business performances from time to time.

The Company does not use salaries reduction applications such as a labor discipline measure, except in case the salary reduction is an enforcement measure to compensate for

material damage caused in accordance with the judgment of the Company's Disciplinary Council with the participation of the Executive Committee of the Labor Unions at the Company.

**Figure 45: Average income of STK's employees**



The average income of high and middle level of management at the Company in 2018 was successively increased by 5% and 4% as compared to 2017. The increment in average income was primarily owing to personnel reshuffle (when replacing managers have different wage scales) and annual salary increase policy of the Company, resulting the increase in average income of high and middle level management in 2018. In general, over the period the average income of employees was increased around 5% mainly due to the salary increase policy of the Company to enhance the income and encourage employees to work and stay in long-term with the Company.

### **Bonus**

According to the Company's salary and bonus policy, a staff will receive bonus on monthly basis if that individual achieves business target. There are different types of bonuses as follows:

- Performance bonus
- Bonus for compliance with working rules
- Extra bonus for fulfilment of duties
- Extra performance bonus for production workers
- Extra bonus paying in kind
- Extra performance bonus for sales staffs
- Extra performance bonus for purchasing staffs
- Extra performance bonus of stevedoring/ warehouse/ forklift truck driver's positions
- Bonus on national holidays

Beside the monthly bonus as mentioned above, at the end of the year, STK will pay bonus to staffs:

- Tet holidays bonus
- Bonus on annual business performances

In 2018, upon on the 10 months Company's result, STK had remunerated extraordinary bonuses and annual bonuses to all employees with an average of 2 months' salary, as for encouraging and appreciating everyone's efforts to complete the Company's common budget.

### **Insurance policy**

The Company pays for social insurance, medical insurance, and unemployment insurance in accordance with the State's regulations (the Company's insurance participation rate is 100%). In addition, STK also buys the accident insurance 24/24 for all of staffs.

### **Welfares**

- The Company board of management is always caring to the lives of employees through provision of free accommodation to the employee whose home is more than 30 kilometers from the workplace.
- In addition, the Company also provides meals between work shifts, and supplementary foods and drinks for heavy and/or hazardous jobs, annual leaves, periodic health examination... and all kinds of allowances: night shift, mobile bill, gasoline, etc.
- Company signed and registered the collective labor agreement with the Labor Administration Authority in accordance with the laws. The Company fully fulfilled its obligation to pay compulsory insurance (social insurance and health insurance) for its employees on a timely basis to the Vietnam Social Security of Ho Chi Minh city. The proportion of employees who join collective labor agreement and compulsory insurance is 100%.
- In STK, all the policies on salaries, bonuses, rewards and welfares are promulgated in writing and reflected fully in the collective labor agreement, in accordance with the current regulations and announced publicly.
- On the other hand, to build and strengthen the long - term cohesion of employees to STK, the Company has issued shares at preferential price in 2010 and 2013 to the Company's employees. Continuing, in 2018, with approval by the General Meeting of Shareholders, STK issued 600,000 shares at the preferential price of VND10,000/share to employees as for recognition of the contribution and efforts of all employees to the Company, encouraging them to outperform the revenue and profit budget.

### **Training and promotion**

***In 2018, the Company recognized the efficiency of the programs/training courses which were organized as the employees' productivity was enhanced along with the outperformance of the targeted KPIs***

- The Company always proactively updates, improves the content quality of the training program in accordance with the new standards of customers as well as the Company production needs, aiming to provide customers with good quality products and satisfactory services, contributing to improve the profession and skills of workers. In which, the Company periodically conducts training programs with a framework of basic knowledge about the Company such as the Company culture, Company's products, ISO / 5S / KAIZEN / LEAN / SAP / POC, occupational safety, prevention of occupational diseases, occupational consciousness, skills improvement training, shift leaders training.
- Training form: internal training and external training.
- In order to enhance the quality of its human resources as well as the Company's operational efficiency, the Company always focuses on training, especially, on training for professional staff, workers, technicians in production sector.
- In addition to the standard training programs, in 2018 the Company has added some new training courses as follows: short-term training courses on "Inverter application" and "Athena Certified Security Technician", which will help improving the workmanship

of Utility and IT teams in order to enhance the working efficiency and consolidate the professional knowledge of the Company's managers;

- In addition, the Company also annually cooperates with external organizations to organize training programs on environmental, social and occupational safety upon on the GRS standards to all employees;

**Table 53: Statistics on training activities in 2018**

	2015	2016	2017	2018
Number of training courses	45	21	20	22
-Internal training	37	17	13	15
-External training	8	4	7	7
Training budget ( VND)	809.7	439.8	175.0	184.9
Actual training expense (VND)	351.2	44.0	158.4	51.4
Actual training expense (VND) (including salaries for training staffs)	1,216.3	900.5	821.0	-
Ratio of actual training expense / budget	43%	10%	87%	28%
Average number of training hours per employee (hour/person/year)	188.27	207.2	222.34	130.83

In 2018, due to low new recruitment ratio as well as the low staff turnover rate, thus the average number of hours of training for employees at the Company did not increase. Hence, the average number of hours of training (hours / person / year) in 2018 was decreased positively as compared to 2017.

**Promotion policy:** As for having the successive generation to continue the Company's success, STK always encourages and remains fair promotion policy for all employees. Qualified employees can apply for higher position. HR department will coordinate with the manager to monitor, orient and evaluate the candidate's ability for new position. If their skills reach 70% of the standards, they will be trained and placed on probation for 2 or 3 months before being officially appointed to higher positions. In 2018, the number of employees promoted to higher positions was 16 people.

	2014	2015	2016	2017	2018
<b>Number of employees promoted</b>	22	39	23	55	16

#### XI.5.2.4.3 Work safety

To ensure creating and providing a safe and effective working environment to workers under the labor law of Vietnam, ILO international agreements and standard GRS-V 3.0 on the strictly safety standards of labor and social responsibility to the business, the Company has created and applied health and occupational safety policies

- To comply and meet the legal requirements regarding to health, occupational safety for all the workers, suppliers and related parties during the operation of the Company.
- To ensure clean and safe working conditions.

- To identify, evaluate and have measures to prevent and control the risks before starting any work. Labor protection devices are fully provided for workers.
- To ensure provision of essential medical supports for all workers.
- To provide sufficient equipment, facilities for fire and explosion prevention and fighting.
- To provide sufficient training for staffs before commencing the work. To provide frequent training on health, occupational safety, fire and explosion prevention and fighting, waste management, transportation and processing of chemicals and hazardous materials to workers and all ranks of management.
- To propagate the policy to all employees.
- To ensure the compliance of all people, all levels in the Company with this policy.
- Periodically every 6 months, the Managing Director will consider and make adjustment and modification to the policies in order to comply with the Law.
- Consultation of the policy with internal related departments in order to timely contribute and enhance the effectiveness and rationality of the policies applying in the Company's manufacturing activities.

### **Actual implementation in 2018**

- The company has collaborated with the Center for Environmental Technology Consultancy and Occupational Safety and Health to measure the labor environment inspection in July 2018. The results of all the indicators in the report of labor environment test results was in accordance with the standard of the current regulations and there were no violations.
- The Company appoints one officer in charge of occupational safety who will be responsible for coordinating training plans, inspection and making periodically occupational safety reports to submit to the government Agency.
- To cooperate with the Environmental Technology and Hygiene and Occupational Safety Advisory Institution to conduct measurement of working environment indicators in the Company on waste water and emissions in July 2018 and December 2018. As result, the Company did not have any violations.
- In order to ensure the occupational safety, the Company only uses machines and equipment which met standards and conduct periodical inspection and maintenance seriously. In 2018, the Company always seriously conducted safety inspection for machinery and equipment to ensure quality in production and safety standards for employees. Workers operating machines are equipped with protective devices such as earplugs, face masks, safety shoes, protection hats and gloves, etc. Depending on the position, workers will be equipped different protective devices. Furthermore, the Company frequently organizes training courses on occupational safety to raise staffs' awareness. The first-aid training program for workers is carried out once a year and workers attending the training program will be granted certificates.
- On December, 6th 2018, the Company coordinated with the medical authorities to provide the first aid training course to all employees in order to enhance awareness and knowledge in handling with situations when emergency accident occurs.
- The Company has issued "Chemical substances management procedure" and "Manual for toxic chemicals usage" in order to minimize risks for users and minimize the impact of toxic chemicals on environment. In addition, the Company has also

issued policies such as “Risk assessment guidance on occupational safety and product safety”, “Policy on fire and explosion prevention and fighting”.

- To ensure workers ‘health, annually, the Company coordinates with Nan Ai Polyclinic to provide periodic health check for staffs. In 2018, the Company organized periodical health examinations for all employees on 09-10 / 01/2019 at the Company. For those employees who work in noisy areas, hearing care is included their health check package. In case a staff is diagnosed with abnormal hearing problems, the Company will send them to large hospitals to take specific medical check and periodic re-examinations every 6 months. The Company also implements full hygiene tests on food, drinks and staffs’ food trays, to ensure Food Hygiene and Safety.
- At the two factories of STK in Cu Chi and Trang Bang, the Company has medical rooms which meet the standard with one health officer in charge.
- The Company also has 50 separate restrooms for men and women at Cu Chi and Trang Bang factory, to ensure compliance with the rule that there is one restroom for every 20 staffs per shift. The restrooms are provided with clean water, equipped with toilet paper and hand soap, and cleaned up every day by sanitation staffs.
- In 2 factories of STK in Cu Chi and the Trang Bang locations, the Company has a medical room for workers with 1 full time medical staff in charge.

**Table 54: Training about Safety and Hygiene at work**

Training about Safety and Hygiene at work	2018	
	Cu Chi	Trang Bang
Total trained employees	335	630
Safety & Hygiene cost (million Dong)	514	2.004
- Safety & hygiene technical methods	05	12
- Individual protective clothes	90	180
- Labor healthcare	405	1,800
- Communication, training	14	12
- Others	0	0
Number of labor accidents	0	4 (light)
Total number of cases affected with occupational Diseases	0	0
The average number of overtime hours/ day / person	0.0156 hour/date/people	
The average number of overtime days / 6 months	0.11 day/6 months/people	
Machineries strictly complied with safety and hygiene standards	16	22

#### XI.5.2.4.4 Traditional culture of the Company

- The company maintains and continuously improves the content quality of the STK Presentation program with two contents: "Vision-Mission" presentation of departments and "Book presentation", in order for creating a continuous improving and innovating culture. Every Monday morning, the Company will organize the Mission program as this is an effective sharing channel of the vision and mission of the related departments to



have better understand in each other's activities and its difficulties or challenges. This activity also foster the cooperation across departments to accomplish the common goal of the Company.

#### XI.5.2.4.5 Corporate Culture Standards

- The Company always balances between working and resting for employees, with the goal of improving the life's quality for employees working at STK. In 2018, the Board of Management of the Company took care of the employee's family in the Company through activities such as: gift giving and gift for worker's children with excellent academic results on Children's day, in the Lunar New Year, Mid-Autumn Festival and other occasions with a budget of over VND 70 million and 94 gifts.
- In addition, at the end of 2018, the Company coordinated with the Company's Trade Union to create a fund for giving meaningful gifts to employees having difficult circumstances. The Company has offered more than 54 gifts to employees working at the Company with a budget of more than VND 32 million.

#### **XI.5.2.5 Responsibilities toward the local community**

**In 2018, the Company's contribution to the local and community were well carried out, thanks to the Company's strict commitments to adhere with the governmental policies and guidance.**

- In addition, the Company's contribution activities to the local and community were further enhanced by funding scholarships to local schools and colleges, creating more jobs for local workers from the Company's new projects.

#### XI.5.2.5.1 Support for the growth of the local economic development

- With the Company's policies of annual increase salary and improving welfare for employees, the Company has contributed to raising the income for local people living in Cu Chi District and Trang Bang District.
- In 2018, the Company expanded its production scale and put the TB5 project into official operation in the end of December 2018, creating more jobs for local people and enhancing the local people's standard of living in this area. In addition, in 2018, STK has built up a scholarship fund for students who are studying at local educational institutions to contribute for reducing illiteracy rate in the area with a budget of more than VND 18 million and more than 18 scholarships to Cu Chi vocational college, Duc Hoa vocational college, Tay Ninh Vocational College.

#### XI.5.2.5.2 Compliance with and support to the Government policies

- STK is committed to and strictly adhered to the policies and regulations of the law. During operation period, the Company has not been violating any regulations and policies of the government. STK has always been proactive in updating, supporting and following with the government policies.
- With commitments from the Managing Director, STK has always strictly and fully complied with the requirements regarding to social policies, the Laws of Vietnamese and other business code of conduct:

- Commitment to comply with the policy of voluntary workers, no deposit, no bond;
- Commitment to comply with a policy of no child labor;
- Commitment to comply with a policy of freedom to establish associations and collective negotiation;
- Commitment to comply with a policy of no discrimination, sexual harassment and abuse;
- Commitment to a policy of health and occupational safety;
- Commitment to comply with a policy of salary-reward in accordance to the regulations;
- Commitment to a policy of working hours and break hours.

#### XI.5.2.5.3 Anti-Corruption and Bribery

STK commits to doing business in an honest and ethical manner, acting professionally, fairly and with integrity in all business dealings and relationship. Hence, the Company takes zero tolerance approach to corruption and bribery and commits to comply with laws. Any staffs found of receives bribes or improper benefits or asking for personal benefits from customers and suppliers will be strictly disciplined. Periodically, the Company requests its suppliers to sign a commitment for not making bribery to the Company's staffs.

#### XI.5.2.6 **Green capital market**

**Contributing the development of green capital market in line with the Company's sustainable development goals, STK invested in and implemented green projects which will help the Company to achieve green growth.**

In which:

**Table 55: Green capital market**

<b>Projects</b>	<b>Starting time</b>	<b>Project activities</b>
Recycled yarn project	Since the third quarter of 2016, STK started the production of recycle yarn. In 2018, the proportion of recycle yarn on sales revenue reached 16.2%, and the Company was also granted another GRS certificate for the Cu Chi factory, contributing to increase in recycle yarn proportion in 2019 with target of 26,5 % and 2020 (30%).	Using recycled PET chips and existing production facilities to produce recycle yarn which is of high quality and environmental friendly contributing to the eco-friendly consumptions and reducing the number of bottles discharged into the environment.
Colour yarn project	From the beginning of 2019, the Company invested in auxiliary equipment for making colour yarn with estimated capex of USD198,000.	Colour yarn will help replacing the traditional dyeing activities, limiting clean water and chemical consumption and hence discharge of waste water and hazardous chemical, protecting the environment.
Trang Bang 5 project	The project was started in December 2017 and completed in Q4-2018	In this project, the production capacity was increased by 5% (equivalent to 3,300 tons of

		DTY and 1,500 tons of recycled chip p.a.), raising the Company's profitability and cut cost of input material (through recycling waste yarn into PET chip).
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# **Century Synthetic Fiber Corporation**

Consolidated financial statements

For the year ended 31 December 2018



# 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 and currently operates based on the 16<sup>th</sup> Amended Enterprise Registration Certificate No. 0302018927 issued by the Department of Planning and Investment of Ho Chi Minh City on 9 August 2017.

The Company was listed its shares on the Ho Chi Minh Stock Exchange with trading code as STK in accordance with Decision No. 410/QĐ-SGDHCM issued by the Ho Chi Minh Stock Exchange on 10 September 2015.

The current principal activities of the Company during the year are to manufacture synthetic yarn and knitting.

The Company's registered head office is located at Lot B1-1 North West Cu Chi Industrial Zone, Cu Chi District, Ho Chi Minh City, Vietnam. In addition, the Company has Trang Bang Branch, located at Street No.8, Trang Bang Industrial Zone, Trang Bang District, Tay Ninh Province, and one representative office, located at 102-104-106 Bau Cat, Ward 14, Tan Binh District, Ho Chi Minh City, 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	
Ms Cao Thi Que Anh	Member	
Mr Chen Che Jen	Member	appointed on 17 April 2018
Mr Vo Quang Long	Member	appointed on 17 April 2018
Mr Nguyen Quoc Huong	Member	appointed on 17 April 2018
Mr Lee Chien Kuan	Member	resigned on 17 April 2018
Mr Thai Tuan Chi	Member	resigned on 17 April 2018

### 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	
Ms Hoang Nu Mong Tuyen	Member	appointed on 17 April 2018
Ms Dinh Ngoc Hoa	Member	appointed on 17 April 2018
Ms Nguyen Thi Ngoc Linh	Member	resigned on 17 April 2018
Mr Le Anh Tuan	Member	resigned on 17 April 2018

# 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	General Director
Mr Nguyen Thai Hung	General Manager
Ms Nguyen Phuong Chi	Chief Strategic Officer
Mr Phan Nhu Bich	Chief Financial Officer

## **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 this report and the consolidated financial statements of the Company and its subsidiary ("the Group") for the year ended 31 December 2018.

### 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 Group 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 Group will continue in 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 Group and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Group 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 statements.

### STATEMENT BY MANAGEMENT

Management of the Company, 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 Group as at 31 December 2018 and of the results of its consolidated 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 preparation and presentation of the consolidated financial statements.

For and on behalf of management: 



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Dang Trieu Hoa  
General Director

Ho Chi Minh City, Vietnam

16 March 2019





Ernst & Young Vietnam Limited  
20th Floor, Bitexco Financial Tower  
2 Hai Trieu Street, District 1  
Ho Chi Minh City, S.R. of Vietnam

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ey.com

Reference: 60867230/20263243-HN

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying consolidated financial statements of Century Synthetic Fiber Corporation ("the Company") and its subsidiary (collectively referred to as "the Group") as prepared on 16 March 2019 and set out on pages 6 to 35, which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

### ***Management's responsibility***

Management of the Group 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 statement, whether due to fraud or error. In making those risk assessment, the auditors consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statement 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

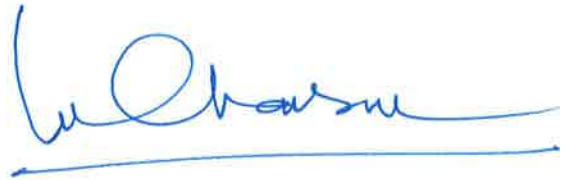
In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Group as at 31 December 2018, and of the results of its consolidated operation and its consolidated cash flows for the year then ended in accordance with the Vietnamese Accounting Standards, Vietnamese Enterprises Accounting System and the statutory requirements relevant to preparation and presentation of the consolidated financial statements.

**Ernst & Young Vietnam Limited**



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Tran Nam Dung  
Deputy General Director  
Audit Practicing Registration Certificate  
No. 3021-2019-004-1



A blue ink signature of Tu Thai Son.

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Tu Thai Son  
Auditor  
Audit Practicing Registration Certificate  
No. 1543-2018-004-1

Ho Chi Minh City, Vietnam

16 March 2019

CONSOLIDATED BALANCE SHEET  
as at 31 December 2018


VND


Code	ASSETS	Notes	Ending balance	Beginning balance
<b>100</b>	<b>A. CURRENT ASSETS</b>		<b>804,312,305,352</b>	<b>613,147,941,188</b>
<b>110</b>	<b>I. Cash and cash equivalents</b>	<b>4</b>	<b>153,072,426,650</b>	<b>116,615,724,965</b>
111	1. Cash		20,572,426,650	10,315,724,965
112	2. Cash equivalents		132,500,000,000	106,300,000,000
<b>120</b>	<b>II. Short-term investment</b>		<b>45,000,000,000</b>	<b>-</b>
123	1. Held-to-maturity investment	5	45,000,000,000	-
<b>130</b>	<b>III. Current accounts receivable</b>		<b>65,396,857,542</b>	<b>62,927,402,010</b>
131	1. Short-term trade receivables	6	58,695,785,076	56,914,886,934
132	2. Short-term advances to suppliers	7	5,137,275,770	4,592,640,316
136	3. Other short-term receivables	8	1,563,796,696	1,418,803,381
139	4. Shortage of assets waiting for resolution		-	1,071,379
<b>140</b>	<b>IV. Inventories</b>		<b>509,769,177,869</b>	<b>399,379,313,955</b>
141	1. Inventories	9	541,173,285,220	401,784,875,885
149	2. Provision for obsolete inventories	9	(31,404,107,351)	(2,405,561,930)
<b>150</b>	<b>V. Other current assets</b>		<b>31,073,843,291</b>	<b>34,225,500,258</b>
151	1. Short-term prepaid expenses	14	7,246,898,222	5,184,408,462
152	2. Value-added tax deductible	17	23,552,370,973	27,898,416,731
153	3. Tax and other receivables from the State	17	274,574,096	1,142,675,065
<b>200</b>	<b>B. NON-CURRENT ASSETS</b>		<b>1,315,122,067,286</b>	<b>1,365,394,787,520</b>
<b>220</b>	<b>I. Fixed assets</b>		<b>1,178,792,442,927</b>	<b>1,207,760,772,930</b>
221	1. Tangible fixed assets	10	1,178,357,295,893	1,207,027,542,005
222	Cost		2,049,933,670,971	1,936,273,688,548
223	Accumulated depreciation		(871,576,375,078)	(729,246,146,543)
227	2. Intangible assets	11	435,147,034	733,230,925
228	Cost		14,385,298,205	14,385,298,205
229	Accumulated amortisation		(13,950,151,171)	(13,652,067,280)
<b>240</b>	<b>II. Long-term asset in progress</b>		<b>1,662,483,372</b>	<b>1,613,449,895</b>
242	1. Construction in progress	12	1,662,483,372	1,613,449,895
<b>250</b>	<b>III. Long-term investment</b>		<b>1,884,588,394</b>	<b>27,050,400,000</b>
252	1. Investment in an associate	13	1,884,588,394	27,050,400,000
<b>260</b>	<b>IV. Other long-term assets</b>		<b>132,782,552,593</b>	<b>128,970,164,695</b>
261	1. Long-term prepaid expenses	14	125,163,320,649	125,699,633,023
262	2. Deferred tax assets	27.3	7,619,231,944	3,270,531,672
<b>270</b>	<b>TOTAL ASSETS</b>		<b>2,119,434,372,638</b>	<b>1,978,542,728,708</b>


CONSOLIDATED BALANCE SHEET (continued)  
as at 31 December 2018

VND

Code	RESOURCES	Notes	Ending balance	Beginning balance
<b>300</b>	<b>C. LIABILITIES</b>		<b>1,210,381,370,769</b>	<b>1,199,891,718,708</b>
<b>310</b>	<b>I. Current liabilities</b>		<b>862,133,399,464</b>	<b>732,355,214,479</b>
311	1. Short-term trade payables	15	331,972,930,617	307,455,221,651
312	2. Short-term advances from customers	16	29,144,341,774	39,684,873,401
313	3. Statutory obligations	17	34,120,205,203	6,186,423,340
314	4. Payables to employees		25,979,917,686	23,825,789,965
315	5. Short-term accrued expenses	18	7,079,641,862	8,748,411,266
319	6. Other short-term payables	19	5,179,574,379	3,695,538,774
320	7. Short-term loans	20	426,713,696,161	341,027,532,282
322	8. Bonus and welfare funds		1,943,091,782	1,731,423,800
<b>330</b>	<b>II. Non-current liabilities</b>		<b>348,247,971,305</b>	<b>467,536,504,229</b>
338	1. Long-term loans	20	347,818,799,805	467,173,155,962
342	2. Long-term provision		429,171,500	363,348,267
<b>400</b>	<b>D. OWNERS' EQUITY</b>		<b>909,053,001,869</b>	<b>778,651,010,000</b>
<b>410</b>	<b>I. Capital</b>	<b>21.1</b>	<b>909,053,001,869</b>	<b>778,651,010,000</b>
411	1. Share capital		599,377,980,000	599,377,980,000
411a	- Shares with voting rights		599,377,980,000	599,377,980,000
412	2. Share premium		35,297,435,379	35,297,435,379
418	3. Investment and development fund		1,219,011,000	1,219,011,000
421	4. Undistributed earnings		273,158,575,490	142,756,583,621
421a	- Undistributed earnings by the end of prior years		94,806,345,221	43,141,150,773
421b	- Undistributed earnings of current year		178,352,230,269	99,615,432,848
<b>440</b>	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>2,119,434,372,638</b>	<b>1,978,542,728,708</b>

  
Preparer  
Phan Thanh Phu

  
Chief Accountant  
Phan Nhu Bich

  
General Director  
Dang Trieu Hoa

16 March 2019

CONSOLIDATED INCOME STATEMENT  
for the year ended 31 December 2018

VND

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenue from sale of goods	22.1	2,408,319,231,223	2,008,604,207,131
02	2. Deductions	22.1	(615,863,551)	(19,550,988,418)
10	3. Net revenue from sale of goods	22.1	2,407,703,367,672	1,989,053,218,713
11	4. Cost of goods sold		(2,072,793,297,772)	(1,772,497,810,804)
20	5. Gross profit from sale of goods		334,910,069,900	216,555,407,909
21	6. Finance income	22.2	11,092,734,188	8,019,194,642
22	7. Finance expenses	23	(53,407,737,370)	(29,770,129,745)
23	<i>In which: Interest expenses</i>		(29,036,662,759)	(27,469,431,784)
24	8. Shares of loss in an associate	13	(502,211,606)	-
25	9. Selling expenses	24	(33,513,908,086)	(31,716,965,079)
26	10. General and administrative expenses	25	(56,234,808,411)	(58,659,860,149)
30	11. Operating profit		202,344,138,615	104,427,647,578
31	12. Other income		1,352,482,359	1,037,122,440
32	13. Other expenses		(4,427,719,810)	(465,117,216)
40	14. Other (loss) profit		(3,075,237,451)	572,005,224
50	15. Accounting profit before tax		199,268,901,164	104,999,652,802
51	16. Current corporate income tax expense	27.1	(25,265,371,167)	(7,797,335,571)
52	17. Deferred tax income	27.3	4,348,700,272	2,413,115,617
60	18. Net profit after tax		178,352,230,269	99,615,432,848
61	19. Net profit after tax attributable to shareholders of the parent		178,352,230,269	99,615,432,848
70	20. Basic earnings per share	29	2,976	1,662
71	21. Diluted earnings per share	29	2,976	1,662

Preparer  
Phan Thanh Phu

Chief Accountant  
Phan Nhu Bich

General Director  
Dang Trieu Hoa



16 March 2019

CONSOLIDATED CASH FLOW STATEMENT  
for the year ended 31 December 2018

VND

Code	ITEMS	Notes	Current year	Previous year
	<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>01</b>	<b>Accounting profit before tax</b>		<b>199,268,901,164</b>	<b>104,999,652,802</b>
	<i>Adjustments for:</i>			
02	Depreciation and amortisation	10, 11	143,017,657,234	147,805,490,455
03	Provisions		28,998,545,421	831,662,805
04	Foreign exchange loss (gain) arising from revaluation of monetary accounts denominated in foreign currency		7,038,326,662	(948,230,039)
05	Profits from investing activities		(7,284,600,630)	(5,197,807,556)
06	Interest expenses	23	29,036,662,759	27,469,431,784
<b>08</b>	<b>Operating profit before changes in working capital</b>		<b>400,075,492,610</b>	<b>274,960,200,251</b>
09	(Increase) decrease in receivables		(4,642,679,985)	14,023,400,086
10	(Increase) decrease in inventories		(139,388,409,335)	2,209,192,085
11	Increase in payables		35,863,163,497	56,677,495,216
12	Increase in prepaid expenses		(1,526,177,386)	(9,913,520,394)
13	Interest paid		(28,976,003,536)	(27,332,177,028)
14	Corporate income tax paid		(13,548,589,783)	(4,601,424,693)
15	Other cash inflows from operating activities		657,643,325	178,416,225
16	Other cash outflows for operating activities		(445,975,343)	(460,785,617)
<b>20</b>	<b>Net cash from operating activities</b>		<b>248,068,464,064</b>	<b>305,740,796,131</b>
	<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchase and construction of fixed assets		(100,298,662,279)	(5,301,896,389)
22	Proceeds from disposals of fixed assets and other long-term assets		50,000,000	-
23	Loans to other entities and payments for purchase of debt instruments of other entities		(45,000,000,000)	-
25	Payments for investment in another entity		-	(26,981,483,092)
26	Collection from investment in another entity		24,663,600,000	-
27	Interest received		7,567,344,698	5,156,027,000
<b>30</b>	<b>Net cash used in investing activities</b>		<b>(113,017,717,581)</b>	<b>(27,127,352,481)</b>
	<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
33	Drawdown of borrowings		1,376,905,717,790	954,340,729,582
34	Repayment of borrowings		(1,427,323,460,551)	(1,187,062,923,255)
36	Dividends paid	21.2	(48,237,928,680)	(15,911,728,555)
<b>40</b>	<b>Net cash used in financing activities</b>		<b>(98,655,671,441)</b>	<b>(248,633,922,228)</b>

CONSOLIDATED CASH FLOW STATEMENT (continued)  
for the year ended 31 December 2018

VND

<i>Code</i>	<i>ITEMS</i>	<i>Notes</i>	<i>Current year</i>	<i>Previous year</i>
<b>50</b>	<b>Net increase in cash and cash equivalents for the year</b>		<b>36,395,075,042</b>	<b>29,979,521,422</b>
<b>60</b>	<b>Cash and cash equivalents at the beginning of the year</b>		<b>116,615,724,965</b>	<b>86,637,311,128</b>
61	Impact of exchange rate fluctuation		61,626,643	(1,107,585)
<b>70</b>	<b>Cash and cash equivalents at end of the year</b>	<b>4</b>	<b>153,072,426,650</b>	<b>116,615,724,965</b>



Preparer  
Phan Thanh Phu



Chief Accountant  
Phan Nhu Bich



General Director  
Dang Trieu Hoa

16 March 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
as at and for the year ended 31 December 2018

**1. CORPORATE INFORMATION**

Century Synthetic Fiber Corporation ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam and currently operates based on the 16<sup>th</sup> Amended Enterprise Registration Certificate No. 0302018927 issued by the Department of Planning and Investment of Ho Chi Minh City on 9 August 2017.

The Company was listed its shares on the Ho Chi Minh Stock Exchange with trading code as STK in accordance with Decision No. 410/QD-SGDHCM issued by the Ho Chi Minh Stock Exchange on 10 September 2015.

The current principal activities of the Company during the year are to manufacture synthetic yarn and knitting.

The Company's registered head office is located at Lot B1-1 North West Cu Chi Industrial Zone, Cu Chi District, Ho Chi Minh City, Vietnam. In addition, the Company has Trang Bang Branch, located at Street No.8, Trang Bang Industrial Zone, Trang Bang District, Tay Ninh Province, and one representative office, located at 102-104-106 Bau Cat, Ward 14, Tan Binh District, Ho Chi Minh City, Vietnam.

The number employees of the Company and its subsidiary ("the Group") as at 31 December 2018 was 1,027 (31 December 2017: 1,085).

***Corporate structure***

As at 31 December 2018, the Company has a subsidiary as follows:

Unitex Limited Liability Company formerly is a shareholding company established in Vietnam pursuant to the Investment Certificate No. 452033000336 issued by the Management Board of Tay Ninh Economic Zone on 29 June 2015 and Enterprise Registration Certificate No. 3901206611 issued by Department of Planning and Investment of Tay Ninh Province on 29 June 2015, and the amended ERCs.

The principal activities per Investment Certificate of Unitex are to manufacture fibers and fabrics. The registered head office of Unitex is located at A17.1, C1 Street, Thanh Thanh Cong Industrial Zone, An Hoa Commune, Trang Bang District, Tay Ninh Province, Vietnam. Currently, Uniex is in pre-operation progress.

As at 31 December 2018, the Company holds 100% ownership and voting rights at Unitex.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

## **2. BASIS OF PREPARATION**

### **2.1 Accounting standards and system**

The consolidated financial statements of the Company and its subsidiary ("the Group") expressed in Vietnam dong ("VND") are prepared in accordance with the Vietnamese Enterprise Accounting System and other Vietnamese Accounting Standards issued by the Ministry of Finance as per:

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

Accordingly, the accompanying consolidated financial statements, including their utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the 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 Applied accounting documentation system**

The Group's applied accounting documentation system is the General Journal system.

### **2.3 Fiscal year**

The Group's fiscal year applicable for the preparation of its consolidated financial statements starts on 1 January and ends on 31 December.

### **2.4. Accounting currency**

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

### **2.5 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiary for the year ended 31 December 2018.

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

The financial statements of 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 resulting from intra-company transactions are eliminated in full.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

### 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 | - 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 owned by the Group, based on appropriate evidence of impairment available at the balance sheet date.

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

#### 3.3 *Receivables*

Receivables are presented in the consolidated 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 amounts of outstanding receivables at the balance sheet date which are doubtful of being recovered. Increases or decreases to the provision balance are recorded as general and administration expense in the consolidated income statement.

#### 3.4 *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, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

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

#### 3.5 *Intangible assets*

Intangible assets are stated at cost less accumulated amortisation.

The cost of an intangible asset comprises its purchase price and any directly attributable costs of preparing the intangible 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 assets are sold or retired, 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.

#### 3.6 *Depreciation and amortisation*

Depreciation of tangible fixed assets and amortisation of intangible assets are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Buildings, structures	4 - 25 years
Machinery and equipment	2 - 15 years
Means of transportation	4 - 10 years
Office equipment	3 - 5 years
Computer software	4 - 5 years

#### 3.7 *Borrowing cost*

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

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.

#### 3.8 *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 expense and are amortised to the consolidated income statement:

- ▶ Prepaid rental; and
- ▶ Tools and consumables with large value issued into production and can be used for more than one year.

##### *Prepaid land rental*

The prepaid land rental represents the unamortised balance of advance payment made in accordance with the lease contract signed with Cidico Corporation on 3 July 2000 for a period of 50 years and Tay Ninh Industrial Park Infrastructure Development Joint Stock Company on 21 July 2009 for a period of 45 years, and on 31 October 2017 to 14 July 2053.

Such prepaid rental is recognised as a long-term prepaid expense for allocation to the consolidated income statement over the remaining lease year according to Circular 45/2013/TT-BTC issued by the Ministry of Finance on 25 April 2013.

#### 3.9 *Construction in process*

Construction in progress represents costs that are directly attributable to the acquisition, construction to produce an asset in the course of construction at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.10 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, equity instruments issued and liabilities incurred or assumed 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.

**3.11 Investments***Investment in an associate*

Investment in an associate over which the Group has significant influence are carried at cost.

Distributions from accumulated net profits of an associate arising subsequent to the date of acquisition are recognised in the consolidated income statement. Distributions from sources other than from such profits are considered a recovery of investment and are deducted to the cost of the investment.

*Provision for diminution in value of an investment*

Provision is made for any diminution in value of investments other entity at the balance sheet date in accordance with the guidance under Circular No. 228/2009/TT-BTC dated 7 December 2009 and Circular No. 89/2013/TT-BTC dated 28 June 2013 issued by the Ministry of Finance. Increases or decreases to the provision balance are recorded as finance expense in the consolidated income statement.

*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 finance expenses in the consolidated income statements and deducted against the value of such investments.

**3.12 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 Group.

**3.13 Accrual for severance pay**

The severance pay to employee is accrued at the end of each reporting period for all employees who have been in service for more than 12 months up to the consolidated balance sheet date at the rate of one-half of the average monthly salary for each year of service up to 31 December 2008 in accordance with the Labour Code and related implementing guidance. The average monthly salary used in this calculation will be revised at the end of each reporting year following the average monthly salary of the 6-month period up to the reporting date. Increase or decrease to the accrued amount other than actual payment to employees will be taken to the consolidated income statement.

This accrued severance pay is used to settle the termination allowance to be paid to employee upon termination of their labour contract following Article 48 of the Labour Code.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

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

#### 3.14 *Foreign currency transactions*

The Group applies guidance of Circular 53/2016/TT-BTC dated 21 March 2016 amending and supplementing some articles of Circular 200/2014/TT-BTC dated 22 December 2014 to record foreign currency transactions.

Transactions in currencies other than the Group's accounting currency are recorded at the exchange rate that approximates the average of buying and selling transfer exchange rates announced by the commercial bank where the Group most frequently conducts its transactions ("the average transfer exchange rate"). This approximate exchange rate does not exceed +/- 1% of the average transfer exchange rate. The average transfer exchange rate is determined daily based on the average of daily buying transfer rates and selling transfer rates of the commercial bank.

At the end of the year, balances of monetary items denominated in foreign currencies are translated at the transfer exchange rate announced by the commercial bank where the Group most frequently conducts its transactions. This transfer exchange rate is the buying transfer exchange rate of the commercial bank.

All exchange differences incurred during the year and arising from the revaluation of monetary accounts denominated in foreign currency at year-end are taken to the consolidated income statement.

#### 3.15 *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 Group maintains the following reserve funds which are appropriated from the Group'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 Group's expansion of its operation or of in-depth investment.

##### *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.

#### 3.16 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 unless collectability is in doubt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

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

**3.17 Taxation**

*Current income tax*

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be 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 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 Group to offset current income tax assets against current income tax liabilities and when the Group intend to settle its current income 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 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; and
- ▶ in respect of taxable temporarily differences associated with investments in subsidiaries and associates, and interests in joint ventures where timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are 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:

- ▶ 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; and
- ▶ in respect of deductible temporarily differences associated with investments in subsidiaries, associates, 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 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

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

**3.17 Taxation (continued)**

*Deferred tax (continued)*

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 Group to off-set 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 Group 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 period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**3.18 Earnings per share**

Basic earnings per share amounts are calculated by dividing net profit (loss) after tax for the year attributable to ordinary shareholders of the Company (after adjusting for interest on the convertible preference shares) 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.

**3.19 Segment information**

The Group's principal activities are to manufacture synthetic yarn and knitting. In addition, these activities are mainly taking place within Vietnam. Therefore, the Group's risks and returns are not impacted by the Group's products that the Group is manufacturing or the locations where the Group is trading. As a result, the Group's management is of the view that there is only one segment for business and geography and therefore presentation of segmental information is not required.

**3.20 Related parties**

Parties are considered to be related parties of the Group 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 Group and other party are under common control or under common significant influence. Related parties can be enterprise or individual, including close members of the family of any such individual.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

**4. CASH AND CASH EQUIVALENTS**

	VND	
	Ending balance	Beginning balance
Cash on hand	286,520,068	21,191,594
Cash in banks	20,285,906,582	10,294,533,371
Cash equivalents (*)	132,500,000,000	106,300,000,000
<b>TOTAL</b>	<b><u>153,072,426,650</u></b>	<b><u>116,615,724,965</u></b>

(\*) Cash equivalents represent short-term deposits at commercial banks with original maturity of less than three (3) months and earn interest at the applicable rate.

**5. HELD-TO-MATURITY INVESTMENTS**

Held-to-maturity investments represent long-term deposits at commercial banks with original maturity of three (3) months or more and earn interest at the applicable rate.

**6. SHORT-TERM TRADE RECEIVABLES**

	VND	
	Ending balance	Beginning balance
Trade receivables from customers	57,067,512,272	53,995,517,033
- <i>Formosa Taffeta Dong Nai Company Limited</i>	25,524,664,217	3,590,107,335
- <i>Gain Lucky Vietnam Limited</i>	8,888,941,108	12,760,392,958
- <i>Formosa Taffeta Viet Nam Co., Ltd.</i>	11,775,055,458	5,675,943,099
- <i>Far Eastern Polytex (Viet Nam) Limited</i>	6,537,251,261	3,442,526,435
- <i>Y.R.C Textile Co., Ltd</i>	-	8,388,896,476
- <i>Jatec Co., Ltd</i>	-	3,794,453,619
- <i>Others</i>	4,341,600,228	16,343,197,111
Trade receivables from related parties (Note 28)	1,628,272,804	2,919,369,901
<b>TOTAL</b>	<b><u>58,695,785,076</u></b>	<b><u>56,914,886,934</u></b>

**7. SHORT-TERM ADVANCES TO SUPPLIERS**

	VND	
	Ending balance	Beginning balance
Oerlikon Barmag Zweigniederlassung	1,076,772,110	-
New Taiwan Filters Corp	2,388,597,150	-
Starlinger & Co. Gesellschaft m.b.H	-	3,690,810,000
Tam Son Mechanical Equipment Industry Co., Ltd	-	376,000,000
Other suppliers	1,671,906,510	525,830,316
<b>TOTAL</b>	<b><u>5,137,275,770</u></b>	<b><u>4,592,640,316</u></b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

**8. OTHER SHORT-TERM RECEIVABLES**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Social insurance	1,066,067,138	1,371,988,301
Others	497,729,558	46,815,080
<b>TOTAL</b>	<b><u>1,563,796,696</u></b>	<b><u>1,418,803,381</u></b>

**9. INVENTORIES**

	VND			
	<i>Ending balance</i>		<i>Beginning balance</i>	
	<i>Cost</i>	<i>Provision</i>	<i>Cost</i>	<i>Provision</i>
Finished goods	337,108,080,072	(26,667,659,161)	227,824,914,132	(2,405,561,930)
Raw materials	161,164,425,068	(4,736,448,190)	125,701,412,789	-
Goods in transit	42,900,780,080	-	46,984,650,564	-
Goods on consignment	-	-	1,273,898,400	-
<b>TOTAL</b>	<b><u>541,173,285,220</u></b>	<b><u>(31,404,107,351)</u></b>	<b><u>401,784,875,885</u></b>	<b><u>(2,405,561,930)</u></b>

Detail of movements of provision for obsolete inventories:

	VND	
	<i>Current year</i>	<i>Previous year</i>
Beginning balance	(2,405,561,930)	(1,573,899,125)
Add: Provision made during the year	(28,998,545,421)	(831,662,805)
Less: Reversal of provision made during the year	-	-
Ending balance	<b><u>(31,404,107,351)</u></b>	<b><u>(2,405,561,930)</u></b>

# Century Synthetic Fiber Corporation

B09-DN/HN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

## 10. TANGIBLE FIXED ASSETS

	Buildings, structures	Machinery and equipment	Motor vehicles	Office equipment	VND Total
<b>Cost:</b>					
Beginning balance	270,581,433,202	1,486,837,001,617	174,063,527,649	4,791,726,080	1,936,273,688,548
Newly purchase	-	-	184,000,000	-	184,000,000
Transfer from construction in progress	32,380,712,710	72,062,665,682	9,585,943,211	-	114,029,321,603
Disposal	-	(182,031,180)	(371,308,000)	-	(553,339,180)
Ending balance	302,962,145,912	1,558,717,636,119	183,462,162,860	4,791,726,080	2,049,933,670,971
<i>In which:</i>					
Fully depreciated	65,148,031,929	83,373,827,799	6,147,032,338	129,348,192	154,798,240,258
<b>Accumulated depreciation:</b>					
Beginning balance	(108,526,041,581)	(547,206,238,014)	(70,961,127,864)	(2,552,739,084)	(729,246,146,543)
Depreciation for the year	(12,477,949,922)	(110,563,914,148)	(18,546,742,422)	(1,130,966,851)	(142,719,573,343)
Disposal	-	182,031,180	207,313,628	-	389,344,808
Ending balance	(121,003,991,503)	(657,588,120,982)	(89,300,556,658)	(3,683,705,935)	(871,576,375,078)
<b>Net carrying amount:</b>					
Beginning balance	162,055,391,621	939,630,763,603	103,102,399,785	2,238,986,996	1,207,027,542,005
Ending balance	181,958,154,409	901,129,515,137	94,161,606,202	1,108,020,145	1,178,357,295,893
<i>In which:</i>					
Pledged as loan security (Note 20.2)	115,470,232,805	658,708,535,716	111,648,192,817	4,505,371,271	890,332,332,609

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

**11. INTANGIBLE ASSETS**

	VND
	<i>Computer software</i>
<b>Cost:</b>	
Beginning and ending balances	<u>14,385,298,205</u>
<i>In which:</i>	
Fully amortised	12,958,664,674
<b>Accumulated amortisation:</b>	
Beginning balance	(13,652,067,280)
Amortisation for the year	<u>(298,083,891)</u>
Ending balance	<u>(13,950,151,171)</u>
<b>Net carrying amount:</b>	
Beginning balance	<u>733,230,925</u>
Ending balance	<u>435,147,034</u>

**12. CONSTRUCTION IN PROGRESS**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Machinery and equipment	255,522,372	206,488,895
Unitex factory project	692,800,000	692,800,000
Others	<u>714,161,000</u>	<u>714,161,000</u>
<b>TOTAL</b>	<b><u>1,662,483,372</u></b>	<b><u>1,613,449,895</u></b>

**13. INVESTMENT IN AN ASSOCIATE**

	<u>Ending balance</u>		<u>Beginning balance</u>	
	<i>% of</i>	<i>Cost</i>	<i>% of</i>	<i>Cost</i>
	<i>interest</i>	VND	<i>interest</i>	VND
E.DYE Vietnam Joint Stock Company	35.44	<u>2,386,800,000</u>	35.44	<u>27,050,400,000</u>
<b>TOTAL</b>		<b><u>2,386,800,000</u></b>		<b><u>27,050,400,000</u></b>

E.DYE Vietnam Joint Stock Company ("E.DYE") is a shareholding company established in Vietnam pursuant to the Enterprise Registration Certificate No. 0314352362 issued by the Department of Planning and Investment of Ho Chi Minh City on 17 April 2017. The principal activities per Investment Registration Certificate ("IRC") of E.DYE are to import, export, and distribute goods. The registered head office of E.DYE is located at No. 102-104-106, Bau Cat Street, Ward 14, Tan Binh District, Ho Chi Minh City, Vietnam.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

**13. INVESTMENT IN AN ASSOCIATE** (continued)

During the year, the shareholders of E.DYE agreed to reimburse correspondingly actual contributed capital to execute colour yarn projects, and other activities as stated at IRC are still applicable. Accordingly, the Group received an amount of VND 24,663,600,000, and remains the same ownership and voting rights at E.DYE (35.44%).

Detail of the investment in an associate is as follows:

	VND
	<i>E.DYE Vietnam Joint Stock Company</i>
<b>Cost of investment:</b>	
Beginning balance	27,050,400,000
Decrease	<u>(24,663,600,000)</u>
Ending balance	<u>2,386,800,000</u>
<b>Accumulated share in post-acquisition loss of the associate:</b>	
Beginning balance	-
Share in post-acquisition loss of the associate for the year	<u>(502,211,606)</u>
Ending balance	<u>(502,211,606)</u>
<b>Net carrying amount:</b>	
Beginning balance	<u>27,050,400,000</u>
Ending balance	<u>1,884,588,394</u>

**14. PREPAID EXPENSES**

	Ending balance	Beginning balance
	VND	
<b>Short-term</b>	<b>7,246,898,222</b>	<b>5,184,408,462</b>
Tools and supplies	5,935,758,152	3,125,693,176
Car rental	340,000,000	358,304,000
Others	971,140,070	1,700,411,286
<b>Long-term</b>	<b>125,163,320,649</b>	<b>125,699,633,023</b>
Land rental (land use rights) (*)	117,079,269,307	116,996,400,501
Tools and supplies	6,298,401,384	8,357,235,339
Others	<u>1,785,649,958</u>	<u>345,997,183</u>
<b>TOTAL</b>	<b><u>132,410,218,871</u></b>	<b><u>130,884,041,485</u></b>

(\*) As disclosed in Note 20.2, the Group has pledged the land use rights to secure the bank loan facilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

**15. SHORT-TERM TRADE PAYABLES**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Tainan Spinning Co., Ltd.	227,122,876,440	140,857,284,610
Unifi Textile(Suzhou) Co., Ltd.	46,734,000,000	5,735,510,000
Indorama Polychem Indonesia	-	109,598,268,000
Far Eastern New Century Corporation	-	27,068,894,065
Other suppliers	58,116,054,177	24,195,264,976
<b>TOTAL</b>	<b><u>331,972,930,617</u></b>	<b><u>307,455,221,651</u></b>

**16. SHORT-TERM ADVANCE FROM CUSTOMERS**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Advances from other parties	29,025,011,686	39,684,873,401
<i>Treasure Star International Limited</i>	9,090,907,079	6,434,026,383
<i>Nam Phuong Textile and Dyeing Company Limited</i>	4,433,232,651	10,622,780,129
<i>Jatec Co., Ltd.</i>	5,092,796,500	-
<i>Eclat Fabric Vietnam Company Limited</i>	-	4,508,343,878
<i>Universal Star Corporation</i>	-	2,073,597,673
<i>Others</i>	10,408,075,456	16,046,125,338
Advances from a related party (Note 28)	119,330,088	-
<b>TOTAL</b>	<b><u>29,144,341,774</u></b>	<b><u>39,684,873,401</u></b>

**17. STATUTORY OBLIGATIONS**

	VND			
	<i>Beginning balance</i>	<i>Payable for the year</i>	<i>Payment/net-off in the year</i>	<i>Ending balance</i>
<b>Payables</b>				
Corporate income tax	3,026,909,150	24,358,031,857	(13,548,589,783)	13,836,351,224
Import and export duties	3,142,436,921	22,806,125,102	(12,420,919,780)	13,527,642,243
Personal income tax	17,077,269	2,998,645,092	(2,706,729,451)	308,992,910
Value-added tax	-	101,469,161,355	(95,041,421,366)	6,427,739,989
Other	-	1,276,186,183	(1,256,707,346)	19,478,837
<b>TOTAL</b>	<b><u>6,186,423,340</u></b>	<b><u>152,908,149,589</u></b>	<b><u>(124,974,367,726)</u></b>	<b><u>34,120,205,203</u></b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

## 17. STATUTORY OBLIGATIONS (continued)

	<i>Beginning balance</i>	<i>Receivable for the year</i>	<i>Net-off in the year</i>	<i>VND Ending balance</i>
<b>Receivables</b>				
Value-added tax deductible	27,898,416,731	47,240,019,882	(51,586,065,640)	23,552,370,973
Corporate income tax	1,093,090,319	62,804,611	(907,339,310)	248,555,620
Personal income tax	4,132,185	-	(4,132,185)	-
Other	45,452,561	374,295,369	(393,729,454)	26,018,476
<b>TOTAL</b>	<b>29,041,091,796</b>	<b>47,677,119,862</b>	<b>(52,891,266,589)</b>	<b>23,826,945,069</b>

## 18. SHORT-TERM ACCRUED EXPENSES

	<i>Ending balance</i>	<i>Beginning balance</i>	<i>VND</i>
Utility expenses	3,078,386,834	5,243,126,003	
Sales commission	1,853,557,723	2,033,163,242	
Interest expense	2,032,697,305	1,292,214,449	
Others	115,000,000	179,907,572	
<b>TOTAL</b>	<b>7,079,641,862</b>	<b>8,748,411,266</b>	

## 19. SHORT-TERM OTHER PAYABLES

	<i>Ending balance</i>	<i>Beginning balance</i>	<i>VND</i>
Dividends	58,535,865	346,226,145	
Social insurance	3,027,530,711	2,150,454,078	
Others	2,093,507,803	1,198,858,551	
<b>TOTAL</b>	<b>5,179,574,379</b>	<b>3,695,538,774</b>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

**20. LOANS**

	Beginning balance	Movement during the year		Foreign exchange difference	Ending balance
		Increase	Decrease		
<b>Short-term</b>					VND
Loans from banks (Note 20.1)	180,335,015,691	1,294,127,165,029	(1,199,302,588,188)	5,355,995,460	280,515,587,992
Current portion of long-term loans (Note 20.2)	160,692,516,591	172,622,213,514	(228,020,872,363)	40,904,250,427	146,198,108,169
	<u>341,027,532,282</u>	<u>1,466,749,378,543</u>	<u>(1,427,323,460,551)</u>	<u>46,260,245,887</u>	<u>426,713,696,161</u>
<b>Long-term</b>					
Loans from banks (Note 20.2)	467,173,155,962	82,778,552,761	(172,622,213,514)	(29,510,695,404)	347,818,799,805
<b>TOTAL</b>	<u><b>808,200,688,244</b></u>	<u><b>1,549,527,931,304</b></u>	<u><b>(1,599,945,674,065)</b></u>	<u><b>16,749,550,483</b></u>	<u><b>774,532,495,966</b></u>

**20.1 Short-term loans from banks**

The Group obtained the unsecured loans from banks for the purpose of financing its working capital requirements which bear interest rates from 2.9% to 3.5% per annum (on foreign currency). Details are as follows:

Banks	Ending balance		Original amount	Term and maturity date
	VND	USD		
Joint Stock Commercial Bank for Foreign Trade of Vietnam	41,463,178,400	1,789,520	1,789,520	From 19 March 2019 to 27 March 2019
Vietnam Export Import Commercial Joint Stock Bank	92,481,896,500	3,991,450	3,991,450	From 29 March 2019 to 20 April 2019
Orient Commercial Joint Stock Bank	146,570,513,092	6,325,875	6,325,875	From 28 March 2019 to 6 June 2019
<b>TOTAL</b>	<u><b>280,515,587,992</b></u>	<u><b>12,106,845</b></u>		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

20. LOANS (continued)

20.2 Long-term loans from banks

Long-term loans from banks bear interest rates from 2.29% to 5.20% per annum (on foreign currency). Details are as follows:

Banks	Ending balance		Original amount	Term and maturity date	Description of collateral
	VND	USD			
CTBC Bank Co., Ltd	179,507,992,026		7,747,432	From 5 June 2019 to 5 December 2022	Assets funded by loans including all imported machinery and equipment (Note 10) (Trang Bang project - 4 <sup>th</sup> stage)
Vietnam Export Import Commercial Joint - Stock Bank	305,794,161,330		13,197,849	From 20 July 2019 to 5 December 2022	Assets funded by loans including prepaid land rental (Note 14) and imported machinery and equipment (Note 10) at Trang Bang project, Tay Ninh
Dong A Joint Stock Commercial Bank	8,714,754,618		376,121	1 March 2019	Assets funded by loans including all imported machinery and equipment (Note 10) (Trang Bang project - 2 <sup>th</sup> stage)
<b>TOTAL</b>	<b>494,016,907,974</b>		<b>21,321,402</b>		
<i>In which:</i>					
Current portion	146,198,108,169		6,309,455		
Long-term loans	347,818,799,805		15,011,947		



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

**21. OWNERS' EQUITY**

**21.1 Increases and decreases in owners' equity**

	Share capital	Share premium	Investment and development fund	Undistributed earnings	Total	VND
<b>Previous year:</b>						
Beginning balance	535,160,240,000	35,297,435,379	1,219,011,000	123,431,856,238	695,108,542,617	
Capital increase	64,217,740,000	-	-	(64,217,740,000)	-	
Net profit for the year	-	-	-	99,615,432,848	99,615,432,848	
Dividend declared	-	-	-	(16,054,807,200)	(16,054,807,200)	
Other	-	-	-	(18,158,265)	(18,158,265)	
Ending balance	599,377,980,000	35,297,435,379	1,219,011,000	142,756,583,621	778,651,010,000	
<b>Current year:</b>						
Beginning balance	599,377,980,000	35,297,435,379	1,219,011,000	142,756,583,621	778,651,010,000	
Net profit for the year	-	-	-	178,352,230,269	178,352,230,269	
Dividend declared (*)	-	-	-	(47,950,238,400)	(47,950,238,400)	
Ending balance	599,377,980,000	35,297,435,379	1,219,011,000	273,158,575,490	909,053,001,869	

(\*) According to the Annual Meeting of Shareholder Resolution No. 01-2018/NQ-DHDCD/TK dated 17 April 2018, the dividend by cash of 8% par value of share (equivalent to VND 800/share) and stock dividend at the rate of 7% of charter capital (equivalent to VND 41,956,458,600) was approved.

As at 31 December 2018, the Company completed the payment of cash dividends. As at the date of these consolidated financial statements, the Company is in the process of issuing ordinary shares to existing shareholders to pay dividend and increase its share capital from undistributed earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

21. OWNERS' EQUITY (continued)

21.2 Capital transactions with owners and distribution of dividends, profits

	VND	
	Current year	Previous year
<b>Issued share capital</b>		
Beginning balance	599,377,980,000	535,160,240,000
Share issuance	-	64,217,740,000
Ending balance	<u>599,377,980,000</u>	<u>599,377,980,000</u>
<b>Dividends declared</b>		
Dividend paid in cash	<b>(47,950,238,400)</b>	<b>(80,272,547,200)</b>
Stock dividend	-	(64,217,740,000)

21.3 Shares

	Ending balance		Beginning balance	
	Quantity	Amount (VND)	Quantity	Amount (VND)
<b>Authorized shares</b>	<b>59,937,798</b>	<b>599,377,980,000</b>	<b>59,937,798</b>	<b>599,377,980,000</b>
<b>Issued shares</b>				
Issued and paid-up shares	59,937,798	599,377,980,000	59,937,798	599,377,980,000
Ordinary shares	59,937,798	599,377,980,000	59,937,798	599,377,980,000
<b>Shares in circulation</b>				
Ordinary shares	59,937,798	599,377,980,000	59,937,798	599,377,980,000

22. REVENUES

22.1 Revenue from sale of goods

	VND	
	Current year	Previous year
<b>Gross revenue</b>	<b>2,408,319,231,223</b>	<b>2,008,604,207,131</b>
Less:		
Sales returns	(610,248,991)	(19,178,795,586)
Trade discount	(5,614,560)	(372,192,832)
<b>Net revenue</b>	<u><b>2,407,703,367,672</b></u>	<u><b>1,989,053,218,713</b></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018**22. REVENUES (continued)****22.2 Finance income**

	VND	
	<i>Current year</i>	<i>Previous year</i>
Interest income	7,900,963,682	5,197,842,581
Foreign exchange gains	3,191,770,506	2,821,352,061
<b>TOTAL</b>	<b>11,092,734,188</b>	<b>8,019,194,642</b>

**23. FINANCE EXPENSES**

	VND	
	<i>Current year</i>	<i>Previous year</i>
Interest expense	29,036,662,759	27,469,431,784
Foreign exchange losses	24,371,074,611	2,300,697,961
<b>TOTAL</b>	<b>53,407,737,370</b>	<b>29,770,129,745</b>

**24. SELLING EXPENSES**

	VND	
	<i>Current year</i>	<i>Previous year</i>
Transportation expense	17,140,619,021	16,297,673,130
Letter of credit (L/C) and documentary fee	8,632,350,141	7,958,454,845
Commission fee	5,146,879,241	4,973,842,492
Others	2,594,059,683	2,486,994,612
<b>TOTAL</b>	<b>33,513,908,086</b>	<b>31,716,965,079</b>

**25. GENERAL AND ADMINISTRATION EXPENSES**

	VND	
	<i>Current year</i>	<i>Previous year</i>
Labour costs	28,816,407,362	30,034,011,704
Expenses for external services	12,100,894,347	13,890,546,389
Stationery and other tools costs	5,066,773,515	5,335,100,608
Depreciation and amortisation expenses (Notes 10 and 11)	3,416,801,592	4,107,944,097
Other expenses	6,833,931,595	5,292,257,351
<b>TOTAL</b>	<b>56,234,808,411</b>	<b>58,659,860,149</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

**26. PRODUCTION AND OPERATING COSTS**

	VND	
	<i>Current year</i>	<i>Previous year</i>
Raw materials	1,528,342,410,706	1,277,702,888,743
Expenses for external services	285,345,126,623	261,930,699,527
Depreciation and amortisation expenses (Notes 10 and 11)	143,017,657,234	147,805,490,455
Labour costs	146,511,203,483	127,112,507,371
Other expenses	59,325,616,223	48,323,049,936
<b>TOTAL</b>	<b><u>2,162,542,014,269</u></b>	<b><u>1,862,874,636,032</u></b>

**27. CORPORATE INCOME TAX**

Corporation income tax ("CIT") applied for the Group are as below:

- For Cu Chi Operation, the applicable statutory corporate income tax ("CIT") rate is 20% of taxable profit.
- For Trang Bang Branch, the Company received Trang Bang's amended Investment Certificate issued by the Tay Ninh Province Industrial Zone Administration on 6 September 2016. Accordingly, the Company have enjoyed tax incentive (tax rate by 10%) for fifteen (15) years from 2016. The Company is entitled to an exemption from CIT for four (4) years commencing from the first year in which a taxable profit is earned, and a 50% reduction for the following nine (9) years.
- For Unitex, the applicable statutory CIT rate is 20% of taxable profit. Unitex is entitled to an exemption from CIT for two (2) years commencing from the first year which a taxable profit is earned, and a 50% reduction for the following four (4) years.

The tax returns filed by the Group are subject to examination by the tax authorities. Therefore, 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.

**27.1 CIT expenses**

	VND	
	<i>Current year</i>	<i>Previous year</i>
CIT expense of current year	24,299,230,212	7,845,003,744
Adjustment for under (over) accrual of CIT from prior years	966,140,955	(47,668,173)
Current CIT expense	25,265,371,167	7,797,335,571
Deferred tax income	(4,348,700,272)	(2,413,115,617)
<b>TOTAL</b>	<b><u>20,916,670,895</u></b>	<b><u>5,384,219,954</u></b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

**27. CORPORATE INCOME TAX (continued)**

**27.2 Current CIT**

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

	VND	
	Current year	Previous year
<b>Accounting profit before tax</b>	<b>199,268,901,164</b>	<b>104,999,652,802</b>
At the applicable CIT rate for the Group	42,032,435,248	13,105,008,570
<i>Adjustments:</i>		
Non-deductible expenses	286,303,797	322,294,968
Tax incentive at Trang Bang branch	(22,368,209,105)	(7,995,415,411)
Adjustment for under (over) accrual of tax from prior years	966,140,955	(47,668,173)
<b>CIT expense</b>	<b>20,916,670,895</b>	<b>5,384,219,954</b>

The current CIT payable is based on taxable profit for the current year. The taxable profit of the Group for the year differs from the accounting profit before tax 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 Group's liability for current tax is calculated using tax rates that have been enacted by the consolidated balance sheet date.

**27.3 Deferred tax**

The followings are the deferred tax assets recognised by the Group, and the movements thereon, during the current and previous year:

	VND			
	<i>Consolidated balance sheet</i>		<i>Consolidated income statement</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>	<i>Current year</i>	<i>Previous year</i>
<b>Deferred tax assets</b>				
Accrued expenses	362,412,806	401,876,509	(39,463,703)	7,919,970
Accrued salaries and bonus	3,443,358,935	2,306,301,659	1,137,057,276	2,200,939,108
Accrual for severance pay	69,150,200	73,994,250	(4,844,050)	4,170,614
Provision for obsolete inventory	1,009,306,806	481,112,386	528,194,420	166,332,561
Provision for import duties	2,733,745,103	-	2,733,745,103	-
Foreign exchange arising from revaluation of monetary accounts denominated in foreign currency	1,258,094	7,246,868	(5,988,774)	33,753,364
	<b>7,619,231,944</b>	<b>3,270,531,672</b>		
<b>Net deferred tax expenses to consolidated income statement</b>			<b>4,348,700,272</b>	<b>2,413,115,617</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

**28. TRANSACTIONS WITH RELATED PARTIES**

Significant transactions with related parties in current year and prior year were as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>VND</i>	
			<i>Current year</i>	<i>Previous year</i>
E.DYE Vietnam Joint Stock Company	Associate	Capital contribution	-	27,050,400,000
		Capital withdrawal	24,663,600,000	-
Lien An Investment and Trading Corporation	Related party due to a BOD member of the Group investing therein	Sale of goods	12,427,881,727	48,958,162,296
P.A.N Asia Co., Ltd	Related party due to a BOD member of the Group investing therein	Sale of goods	30,213,644,533	22,617,112,045
Hung Loi Service Trading Investment Company Limited	Related party due to family member of a BOD member of the Group investing therein	Sale of goods	21,005,627,131	44,861,718,821

Amounts due from and due to related parties at the balance sheet date were as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Transaction</i>	<i>VND</i>	
			<i>Ending balance</i>	<i>Beginning balance</i>
<b>Short-term trade receivable (Note 6)</b>				
P.A.N Asia Co., Ltd	Related party due to a BOD member of the Group investing therein	Sale of goods	<u>1,628,272,804</u>	<u>2,919,369,901</u>
<b>Other short-term advance to suppliers (Note 16)</b>				
Liantex Co., Ltd.	Related party due to a BOD member of the Group investing therein	Advance	<u>119,330,088</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

**28. TRANSACTIONS WITH RELATED PARTIES (continued)**

Details of remuneration of the management, Board of Directors, and Board of Supervision during the year are as below:

	VND	
	<i>Current year</i>	<i>Previous year</i>
Management	3,802,428,850	3,197,975,348
Board of Directors	540,000,000	540,000,000
Board of Supervision	144,000,000	96,000,000
<b>TOTAL</b>	<b><u>4,486,428,850</u></b>	<b><u>3,833,975,348</u></b>

**29. EARNINGS PER SHARE**

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	VND	
	<i>Current year</i>	<i>Previous year</i>
Net profit after tax attributable to ordinary equity holders adjusted for the effect of dilution	178,352,230,269	99,615,432,848
Weighted average number of ordinary shares for basic earnings per share	59,937,798	59,937,798
Earnings per share (par value of VND 10,000/share)		
- Basic	2,976	1,662
- Diluted	2,976	1,662

There have been no dilutive ordinary shares during the year and the date of completion of these financial statements.

**30. OPERATING LEASE COMMITMENT**

The Group leases assets under operating lease arrangements. The lease commitment as at 31 December 2018 under the operating lease agreements is as follows:

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Less than 1 year	231,960,000	857,580,000
From 1 to 5 years	1,362,000,000	1,362,000,000
More than 5 years	10,243,375,000	10,413,625,000
<b>TOTAL</b>	<b><u>11,837,335,000</u></b>	<b><u>12,633,205,000</u></b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018


**31. OFF BALANCE SHEET ITEM**

	<i>Ending balance</i>	<i>Beginning balance</i>
Foreign currency:		
United States Dollar (USD)	<u>568,969</u>	<u>208,537</u>

**32. EVENTS AFTER THE CONSOLIDATED BALANCE SHEET DATE**

According to Resolution No. 04-2019/NQHDQT dated 7 January 2019, the Board of Directors of the Group decided to approve the record date of shareholders' list to pay dividend for 2017 by shares at 7% of charter capital, to exercise the right to purchase shares for existing shareholders at 10% of charter capital, and to issue 600,000 shares to employees under ESOP.

Except the event as mentioned above, there has been no significant matter or circumstance after the balance sheet date which would require adjustments or disclosures to be made in the separate financial statements of the Group.

  
\_\_\_\_\_  
Preparer  
Phan Thanh Phu

  
\_\_\_\_\_  
Chief Accountant  
Phan Nhu Bich

  
\_\_\_\_\_  
General Director  
Dang Trieu Hoa

16 March 2019

