

## CENTURY SYNTHETIC FIBER CORPORATION

**Headquarter** Add: B1-1 North West Cu Chi Industrial Zone, Cu Chi District, Ho Chi Minh City  
Tel: [+84.8 3790 7565](tel:+84.8.3790.7565) | Fax: [+84.8 3790 7566](tel:+84.8.3790.7566)

**Branch** Add: Street 8, Trang Bang Industrial Zone, Trang Bang District, Tay Ninh Province  
Tel: [+84.66 389 9537](tel:+84.66.389.9537) | Fax: [+84.66 389 9536](tel:+84.66.389.9536)

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

ANNUAL REPORT 2016 | Century Synthetic Fiber Corporation

# ANNUAL REPORT 2016

## INTRODUCTION

Company's name	Century Synthetic Fiber Corporation
Trading name	Century Corp
Stock quote	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, Tay Ninh Province
Representative office	102-104-106 Bau Cat, Ward 14, Tan Binh District, Ho Chi Minh City
Chartered Capital	VND 535,160,240,000
Telephone	+84.8 3790 7565   +84.66 389 9537
Fax	+84.8 3790 7566   +84.66 389 9536
Email	<a href="mailto:csf@century.vn">csf@century.vn</a>
Website	<a href="http://www.theky.vn">www.theky.vn</a>
Tax Registration Number	0302018927



## FINANCIAL HIGHLIGHTS

### BALANCE SHEET

Unit: VND bn.	2011	2012	2013	2014	2015	2016
Current Assets	289	312	404	463	467	594
Non-current Assets	585	704	621	782	1,252	1,431
<b>Total Assets</b>	<b>874</b>	<b>1,016</b>	<b>1,025</b>	<b>1,245</b>	<b>1,719</b>	<b>2,025</b>
Short-term Liabilities	315	267	306	207	401	678
Long-term Liabilities	169	280	216	363	628	652
<b>Total Liabilities</b>	<b>484</b>	<b>547</b>	<b>522</b>	<b>570</b>	<b>1,029</b>	<b>1,330</b>
<b>Total Owner's equity</b>	<b>390</b>	<b>469</b>	<b>503</b>	<b>675</b>	<b>690</b>	<b>695</b>

### INCOME STATEMENT

Unit: VND bn.	2011	2012	2013	2014	2015	2016
<b>Net Sales</b>	<b>935</b>	<b>1,099</b>	<b>1,453</b>	<b>1,458</b>	<b>1,035</b>	<b>1,358</b>
Gross profit	178	174	177	213	187	129
Operating profit	107	97	95	135	86	29
Financial income	26	3	7	2	14	0.8
Financial expenses	(48)	(18)	(21)	(13)	(53)	(30)
Profit Before Tax	107	97	95	136	87	31
<b>Profit After Tax</b>	<b>83</b>	<b>84</b>	<b>74</b>	<b>106</b>	<b>71</b>	<b>29</b>

### CASH FLOW STATEMENT

Unit: VND bn.	2011	2012	2013	2014	2015	2016
<b>Profit Before Tax</b>	<b>107</b>	<b>97</b>	<b>95</b>	<b>136</b>	<b>87</b>	<b>31</b>
Depreciation	57	65	84	81	85	123
Operating profit	183	177	191	228	208	179
Net cash from operating activities	187	52	125	172	(95)	202
Net cash from investing activities	(47)	(184)	0,4	(112)	(539)	(296)
Net cash from financing activities	(107)	87	(73)	13	492	174
Increase/decrease in net cash in year	33	(45)	51	72	(142)	80
<b>Cash and cash equivalents at the year end</b>	<b>69</b>	<b>24</b>	<b>76</b>	<b>148</b>	<b>6.6</b>	<b>86.6</b>



## MESSAGE FROM THE CHAIRMAN

Dear valuable shareholders and investors,

It is my pleasure to share with you annual report for fiscal year 2016 of Century Synthetic Fiber Corporation ("STK"). We hope that this report will provide you with useful information about STK in the past year and the Company's business strategies and plans in coming years.

The Year 2016 was especially difficult for textile sector in general and for synthetic fiber industry in particular. The global economy grown and recovered slower than expectation, causing slow growth in demand for textile products in primary markets. Meanwhile, slow growth of China coupled with excessive supply lead to severe price competition in almost all industries.

Polyester filament yarn industry has been heavily effected by excessive supply from Chinese companies and decline in demand. In addition, by the end of 2016, Vietnamese companies were impacted by ridiculously high anti-dumping tax, which was imposed by the Turkish government, resulting in sudden decline in export to this market.

Amid this situation, STK tried to overcome difficulty by developing new markets, new customers, new products to gradually replace the lost of Turkish market. The Company has successfully built up stable relationship with Korean customers. In addition, at the end of 2016, the Company started to export to Japan. Thanks to its reputation for good quality of products, good customer services, competitive price, the Company also acquired more new customers in domestic market. Since third quarter of the year 2016, after signed agreement in cooperation with a prominent counterpart in the sector to produce and sell recycled yarn in Vietnam and international markets, the Company has started to sell this product to big customers, opening a great potential business for the Company. These efforts of the Company has helped to increase revenue by **34%** in comparison to the year 2015 but due to sharp decrease in selling price, profit in 2016 was moderate, achieving only **23%** of the targeted budget.

With the foundations built in the year 2016, the Company will strongly push the exploitation of the new markets. In the year 2017, STK will continue to develop new value added products such as hollow yarn, dope dyed yarn to meet demand for clean and environmentally friendly products. In these projects to develop new products, the Company will cooperate to some partners in the sector to alleviate competition and to expand integrated production chain. With Trang Bang factory phase 4 starting operation in the first quarter of 2017, total capacity of STK will reach 60,000 tons, and therefore the Company will be capable to meet demand of the new customers and the new markets.

With the trend that demand has been improving while excessive supply is decreasing as many loss-making companies have to shut down operations, we hope that market in the year 2017 will be less difficult and price will recover.

Despite of the US' withdrawal from the Trans-Pacific Partnership Agreement ("TPP") (the US is the biggest textile importer within the TPP group), Vietnam will still continue to be the destination of production chain relocation of global textile sector. In medium and long term, number of textile factories in Vietnam will increase and will boost demand of yarn in domestic market. However, as the customers' requirements on quality of products and services will be increasingly more stringent, the Company should continue to improve production procedure to improve products' quality and reduce production costs.

In addition, the Company also focuses on improving corporate governance. Based on the platform built in 2016, the Company will set up internal auditing system and risk management system in 2017. We hope that with outstanding endeavours of Board of Directors, the management team and employees and strong supports of its shareholders, STK will achieve sustainable growth in the coming years.

Chairman

Dang Trieu Hoa



# CONTENTS

9	VISION - MISSION
12	KEY MILESTONES
14	GEORAPHIC SALES MIX
15	HISTORY OF CHARTERED CAPITAL INCREASE
16	HISTORY OF FORMATION
18	ORGANIZATION CHART
20	BOARD OF DIRECTORS
22	BOARD OF MANAGEMENT
24	SUPERVISION COMMITTEE
26	HUMAN RESOURCE AND EMPLOYMENT
28	STRATEGIC DIRECTION
42	SWOT ANALYSE
44	RISK MANAGEMENT
46	BUSINESS PERFORMANCES
48	HIGHLIGHTED ACTIVITIES IN 2016
53	MANAGEMENT REPORT
63	PLAN FOR PROFIT DISTRIBUTION IN 2016
64	SHAREHOLDERS STRUCTURE
69	HISTORICAL DIVIDEND PAYMENTS
74	BUSINESS PLAN FOR 2017
82	SUPERVISION COMMITTEE REPORT
87	SUSTAINABLE DEVELOPMENT REPORT
136	AUDITED FINANCIAL STATEMENTS

## ABBREVIATION

BOD	The Board of Directors	ILO	International Labor Organization
CIT	Corporate Income Tax	MSDS	Material Safety Data Sheet
DTY	Draw Textured Yarn	POC	Plant Operation Center
EAT	Earnings After Tax	POY	Partially Oriented Yarn
ERP	Enterprise Resource Planning	QC	Quality Control
FDY	Fully Drawn Yarn	REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
FTA	Free Trade Agreement	SOP	Standard Operation Procedures
GPS	Generalized Systems of Preferences	STK, CENTURY, Company	Century Synthetic Fiber Corporation
GRI	Global Reporting Initiative	TPP	Trans-Pacific Partnership
GRS	Global Recycle Standard	USD	US Dollar
EVFTA	Europe – Vietnam Free Trade Area	VCOSA	Vietnam Cotton and Spinning Association
HEPZA	Ho Chi Minh City Export Processing and Industrial Zones Authority	VND	Vietnam Dong

## VISION – MISSION



### 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 environmentally 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

We appreciate customers and always provide reasonable and profitable solutions to satisfy customers' requirements.

SERVING  
CUSTOMERS

UNITING  
OURSELVES

Each of Century Synthetic Fiber Corporation (CSF) members always cooperate and support each other to achieve the Company's goals.

We are never satisfied with the current achievements and longing for improvement in our performance, effectiveness and quality of life.

IMPROVING  
CONTINUOUSLY

DEVELOPING  
TOGETHER

CSF's development is aligned with the prosperity of our partners, our staffs and the community.



### OUR COMMITMENTS

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

## AWARD & RANKING

2016

- 2016 Awarded the titles “Top 10 Annual Report 2016” and “Top 10 Sustainable Development Report” and “Outstanding Improvement Annual Report” by Ho Chi Minh City stock exchange.
- Awarded the title “100 Sustainable Business 2016” by Vietnam Chamber of Commerce and Industry.

2011

- Certificate of Merit from Vietnam Prime Minister in 2011 for “Outstanding achievements in attracting investment, development of industrial zones and contributing to HCMC’s social economic development”.

2010

- Certificate of Merit from HCMC Department of Labor, Invalids and Social Affairs in 2010 for “Outstanding achievements in social insurance and health insurance”.
- Certificate of Merit from the Ministry of Planning and Investment for “Outstanding achievements in attracting investment, development of the national economy in 2010”.

2009

- Certificate of Merit from HCMC People’s Committee for “Excellent Performance in 2009”.
- “Vietnam Trade Service Award – 2009” granted by the Ministry of Trade and Industry.

2008

- “Vietnam Trade Service Award – 2008” granted by the Ministry of Trade and Industry.
- Certificate of Merit from the Ministry of Trade and Industry for “Excellent Performance in 2008”.
- “Consumer Protection Medal” granted by the Vietnam Trademark Magazine – The Vietnam Union of Scientific and Technological Associations in 2008.
- Mr. Dang Trieu Hoa, CEO was voted as “Outstanding Entrepreneur 2008” by Vietnam Trademark Magazine - The Vietnam Union of Science & Technology Associations.
- “Top Ten Businesses of the Garment and Textile sector in 2008” award by the Vietnam Trademark Magazine – The Vietnam Union of Scientific and Technological Associations in 2008.
- “Top Hundred Trademark of Vietnam in 2008” award by the Vietnam Trademark Magazine – The Vietnam Union of Scientific and Technological Associations in 2008.

2007

- Certificate of Merit from the Ministry of Trade and Industry for “Excellent performance in 2007”.
- Mr. Dang Trieu Hoa, CEO was voted as “Outstanding Businessman 2007” by Vietnam Ministry of Industry and Trade.

2005

- Certificate of Merit from HCMC People’s Committee for “Excellent performance in 2004”.
- Certificate of Merit from HEPZA in 2005 for “Outstanding achievements in investment and development of industrial zones”.

# KEY MILESTONES

## 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.

## 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.



## 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.

## 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.

## Officially listed on Ho Chi Minh Stock Exchange (HOSE), successfully develop new product “Recycled yarn”

Century shares are 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”).

Continue Trang Bang phase 4 expansion project, raising the Company's total capacity to 60,000 tons of DTY and FDY by the end of 2016.

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 is catching opportunities from new markets which have preferential tariffs under Free Trade Agreements (FTAs).

## Catched 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 the Trans Pacific Pack as well as to optimize the Company's production scale, STK completed an expansion project for Trang Bang factory with a capital expenditure of USD 34.2 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 raising capital: 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.

## 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.

## Building a platform for stable development

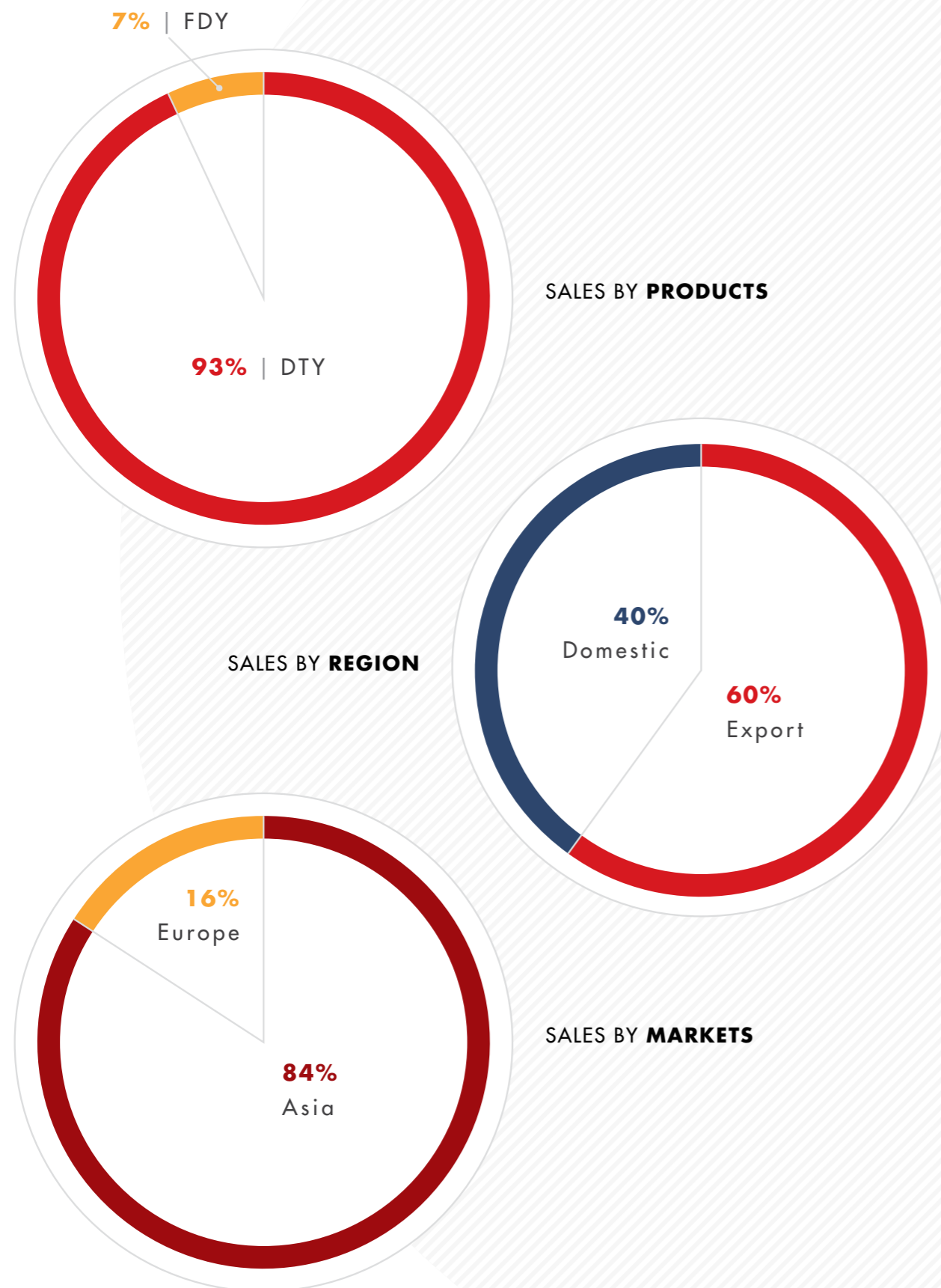
STK continued investment to expand Trang Bang factory in phase 4, raising total capacity of company to 60,000 tons of DTY and FDY per year by Quarter 1-2017.

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.

A trademark licensing agreement regarding production of recycled yarn was signed between STK and a leading company in the sector and the Company started to sell this product in Vietnam's and international markets.

## GEORAPHIC SALES MIX



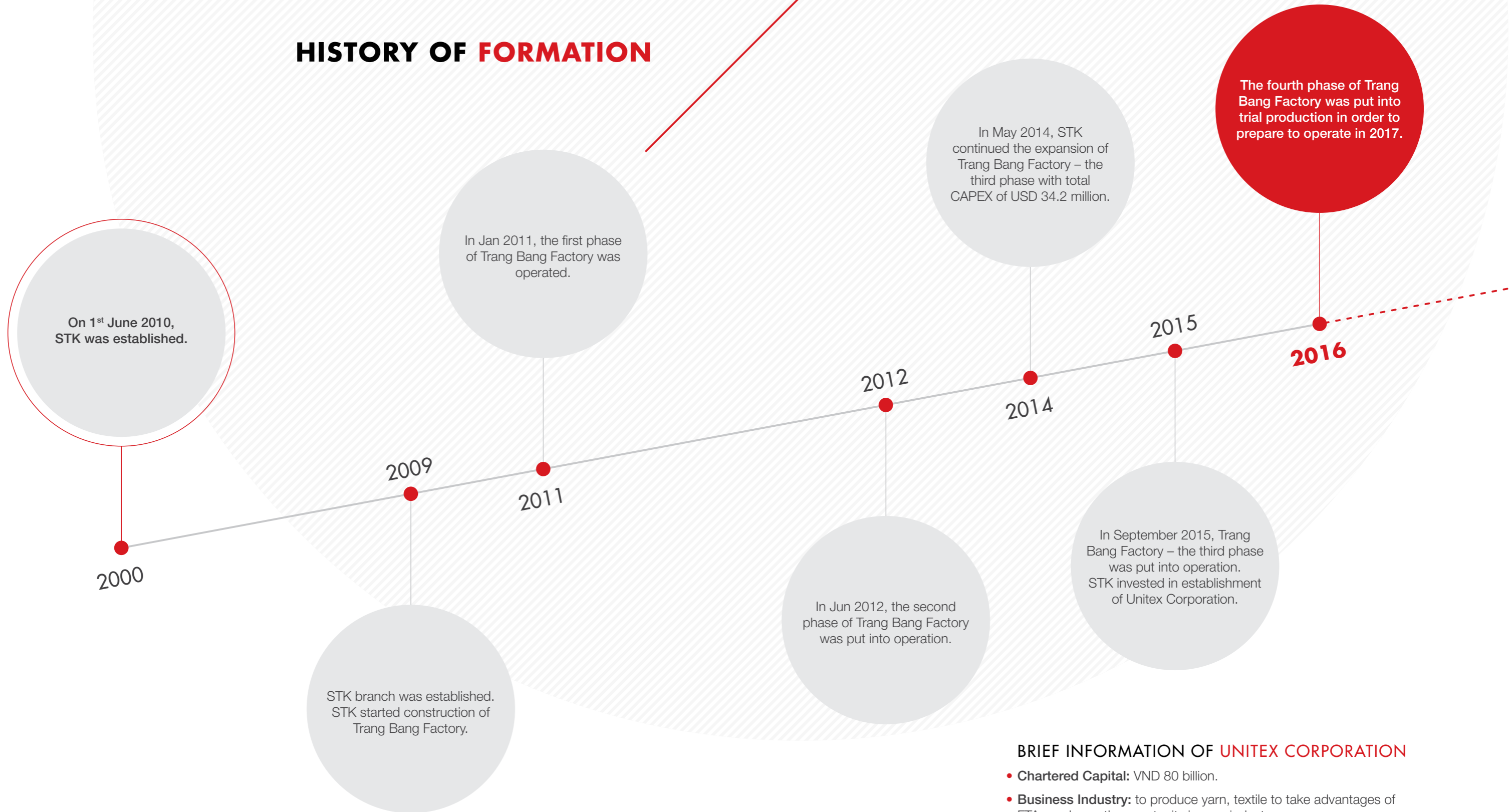
## HISTORY OF CHARTERED CAPITAL INCREASE

Unit: VND 1,000

Date	Type of shares issuance	Incremental Capital	Revised Chartered capital
05/2005	Incorporation: Initial charter capital contribution		50,000,000
05/2007	Contribution by founding shareholders; Staff	15,000,000	65,000,000
09/2007	Contribution by existing shareholders; Strategic shareholders	26,500,000	91,500,000
01/2008	Contribution by strategic shareholders	26,500,000	91,500,000
12/2008	Contribution by existing shareholders (Bonus shares: 12%)	8,500,000	100,000,000
11/2009	Contribution by existing shareholders (New shares issuance: 25%)	28,000,000	140,000,000
01/2010	Contribution by strategic shareholder (Private placement)	40,000,000	180,000,000
09/2010	Contribution by existing shareholders (Bonus shares: 10%)	17,326,400	197,326,400
06~07/2011	Contribution by existing shareholders (Stock dividend: 15%); Staff (ESOP 2010)	32,561,940	229,888,340
05/2012	Contribution by existing shareholders (Stock dividend: 20%)	45,026,570	274,914,910
06/2013	Contribution by existing shareholders (Bonus shares: 15%)	40,510,930	315,425,840
06/2014	Contribution by existing shareholders (Stock dividend: 15%) (Bonus shares: 10%)	77,627,520	393,053,360
12/2014	Capital raising from IPO	30,000,000	423,053,360
12/2015	Contribution by existing shareholders (Bonus shares: 10%)	42,304,990	465,358,350
6/2016	Contribution by existing shareholders (Stock dividend: 10%) (Bonus shares: 05%)	69,801,890	535,160,240

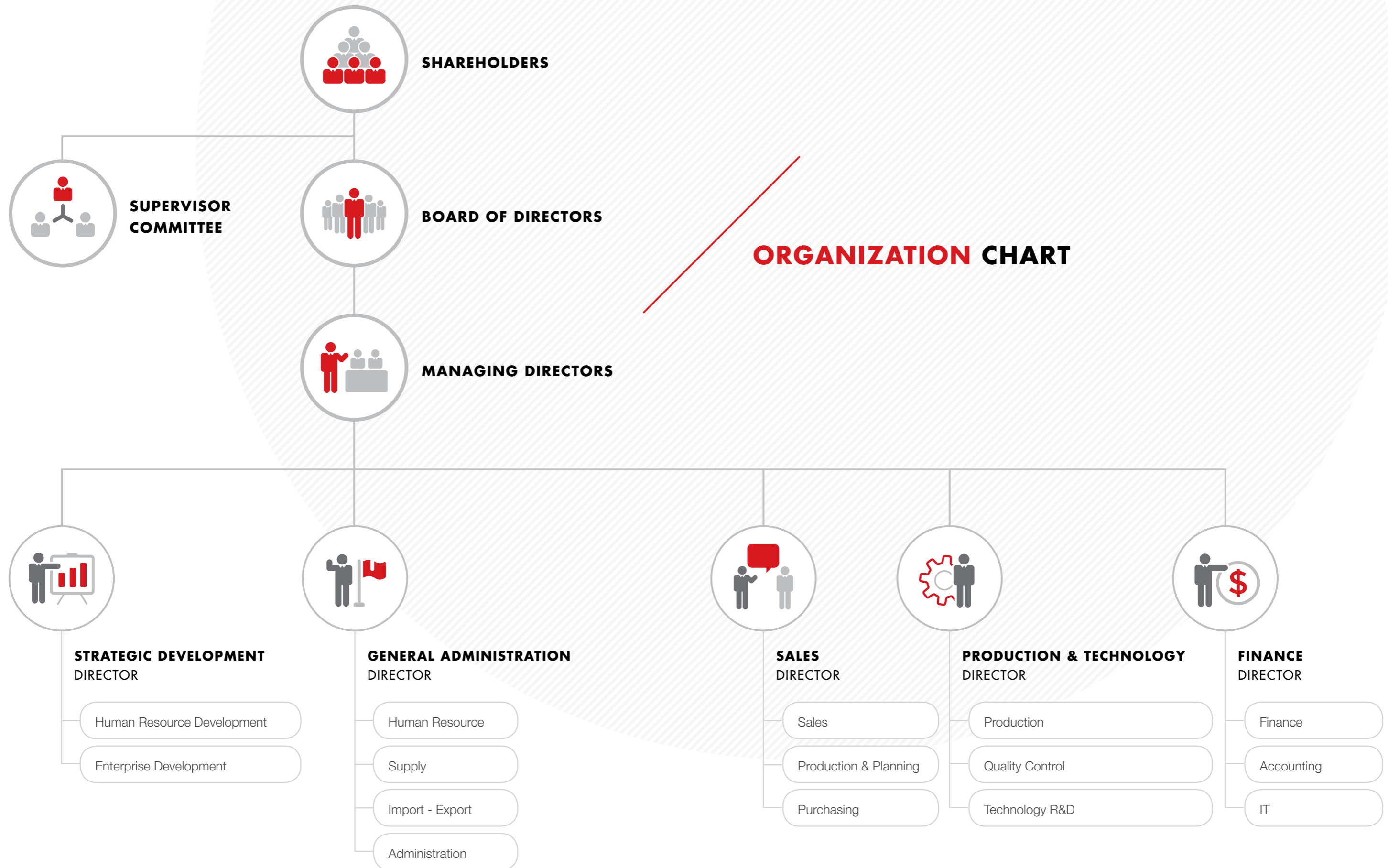


## HISTORY OF FORMATION



### BRIEF INFORMATION OF UNITEX CORPORATION

- **Chartered Capital:** VND 80 billion.
- **Business Industry:** to produce yarn, textile to take advantages of FTAs and growth opportunity in yarn industry.



## BOARD OF DIRECTORS TENURE 2013 – 2018



### MR. **DANG TRIEU HOA**

Chairman/Managing Director | 48 years old

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 & Services Co., Ltd and Viet Phu Trading & Services before setting up STK.

At the position of Chairman and Managing Director, Mr. Hoa played a crucial role in forming visions & missions for the Company. He received 2007 Outstanding Businessman Award from Vietnam's Ministry of Industry and Trade.



### MDM. **CAO THI QUE ANH**

Member of BOD | 51 years old

She joined the BODs of STK on 12/01/2015. 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.



### MR. **DANG HUONG CUONG**

Member of BOD | 41 years old

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.



### MR. **THAI TUAN CHI**

Member of BOD | 54 years old

Mr. Thai Tuan Chi has joined the BOD of STK since the time STK converted to the form of joint stock company in 2005.

He is the Founder/Chairman/Managing Director of Thai Tuan Group. He was Outstanding Businessman of Ho Chi Minh City and received third runner-up labor medal awarded by the Vietnam government, Certificate of Merit awarded by Prime Minister of Vietnam in honoring his business success from 2004 – 2008 and Vietnam Businessman Award in 2006.



### MDM. **DANG MY LINH**

Member of BOD | 45 years old

Ms. Dang My Linh is one of co-founders of STK. Currently, she is the General Director of Lien An Trading & Investment Joint Stock Company.

Before joining with STK, she had more than 10 years working experience at Worldtex Enterprise Co., Ltd. (Taiwan).



### MR. **LEE CHIEN KUAN**

Member of BOD | 55 years old

Mr. Lee Chien Kuan has joined the BOD of STK since 2008. He has many years experience in textile and yarn business. He also contributed actively to production and business activities of STK.

## BOARD OF MANAGEMENT



### MR. **DANG TRIEU HOA**

Chairman/Managing Director | Year: 1969

Education: Business Administration

#### WORKING EXPERIENCE:

- 06/2000 to present: Chairman/Managing Director, STK.
- 1995 - 2000: Director, Hoan A Trading & Services Co., Ltd.
- 1991 - 1995: Director, Viet Phu Trading & Services Co., Ltd.



### MR. **LU YEN KUN**

Production Manager | Year: 1952

Education: Production Expert

#### WORKING EXPERIENCE:

- 11/2012 to present: Production Manager, STK.
- 10/2010 - 03/2012: Deputy Director, Xianglu Petrochemicals Enterprise, China.
- 02/2005 - 03/2009: Deputy Director, Hangzhou XiangSheng Textile Ltd.
- 11/2002 - 01/2004: Director, Xianglu Petrochemicals Enterprise, China.
- 04/1999 - 02/2000: Senior Assistant, Tuntex Distinct Corporation, Tuntex Group, Taiwan.



### MDM. **NGUYEN PHUONG CHI**

Chief Strategic Officer (CSO) | Year: 1972

Education: Master of Applied Finance

#### WORKING EXPERIENCE:

- 01/2015 to present: CSO, STK
- 03/2008 - 12/2014: Investment Advisory Manager, Tri Tin Consulting & Investment JSC.
- 04/2005 - 02/2008: Senior Project Manager, Openasia Consulting Ltd.
- 10/2004 - 02/2005: Business Development Officer, Mekong Private Sector Facility ("MPDF").
- 10/2002 - 10/2004: Senior Financial Analyst, PricewaterhouseCoopers (Vietnam) Ltd.
- 03/1997 - 03/2000: Legal Assistant, Deacons Graham & James, Hanoi Branch.



### MR. **PHAN NHU BICH**

CFO/Chief Accountant | Year: 1970

Education: Bachelor of Economics. Major: Audit/Accountant

#### WORKING EXPERIENCE:

- 11/2010 to present: Chief Accountant, STK.
- 03/2004 - 03/2010: Controller/ Accountant, Thanh Cong Textile Garment & Investment Trading JSC.
- 1997 - 03/2004: Accountant, Binh Phuoc Electricity Company.

## SUPERVISION COMMITTEE

### MR. NGUYEN TU LUC

Chief Supervision Committee | Year: 1952

Education: Bachelor of Accounting

#### WORKING EXPERIENCE:

- 01/2015 - present: Chief Accountant, Mai Hoang Vu Co. Ltd.
- 2007 - present: Chief Supervision Committee, STK.
- 2006 - present: Assistant to Managing Director, STK.
- 2000 - 2006: Chief Accountant, STK.
- 1984 - 2000: Chief Accountant, South Asia Shoes.
- 1979 - 1984: General Accountant, HCM Hotel, Chief Accountant of Saigon Hotel.



### MR. LE ANH TUAN

Member of Supervision Committee | Year: 1951

Education: Master of Economics

#### WORKING EXPERIENCE:

- 2013 - present: Member of Supervision Committee, STK.
- 1999 - 2012: Deputy Director, Ho Chi Minh City Export Processing and Industrial Zones Authority (HEPZA).
- 1998 - 1999: Officer, Human Resource Department, Ho Chi Minh Party.



### MDM. NGUYEN THI NGOC LINH

Member of Supervision Committee | Year: 1976

Education: Bachelor of Banking – Finance, Master of Public Finance of Fulbright Program – John Kennedy School of Government, Harvard University, U.S.

#### WORKING EXPERIENCE:

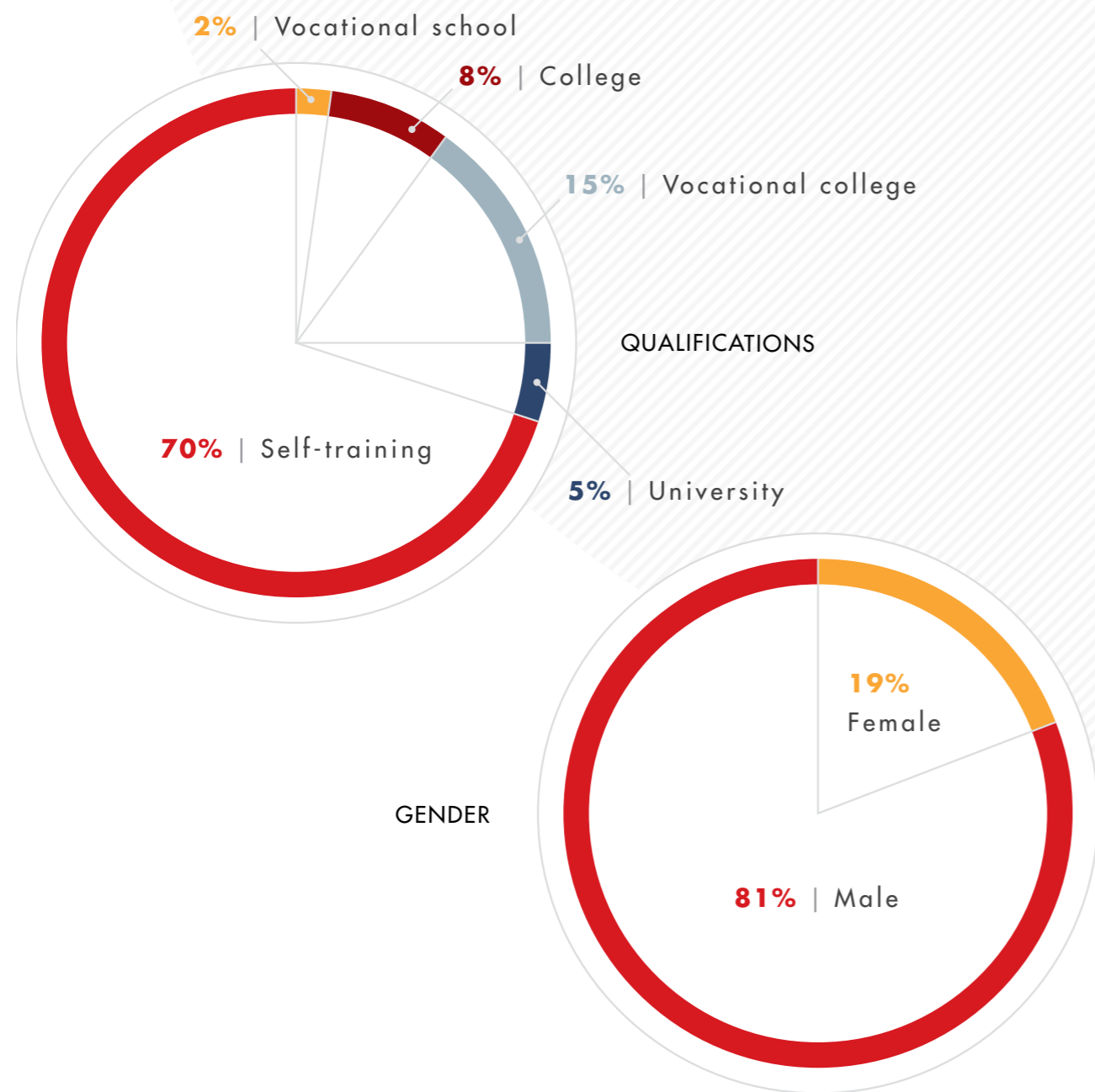
- 2007 - present: Member of Supervision Committee, STK.
- 2006 - 2014: Member of Supervision Committee, Incomfish, Phu Hoa Tan Water Supply JSC., Ben Thanh Water Supply JSC., Nha Be Water Supply JSC.
- 2004 - 2014: Director of Customer Services/Director, Ha Noi Branch of Dong A Securities Company.



# HUMAN RESOURCE AND EMPLOYMENT

## EMPLOYMENT STATISTICS

Number of official employees as at 31<sup>st</sup> Dec 2016: **989** 



## AVERAGE INCOME

Classification	Actual average salary (2016)	Planned average salary (2016)
Average income/ month		
Managers		
Senior Managers	82,387,113	81,779,822
Middle Managers	26,486,189	26,420,220
Supervisors	10,064,782	9,956,824
Officers	6,541,751	6,500,000
Workers	6,789,084	7,000,000



# STRATEGIC DIRECTION

## 1. THE BUSINESS ENVIRONMENT

### THE WORLD ECONOMY SLOWLY RECOVERS

Growth and recovery of global economy in the year 2016 was slower than initial expectation.

GDP Growth Rate (%)	2016F	2016A	2017F
Global	2.40%	2.30%	2.70%
US	1.90%	1.60%	2.20%
EU	1.60%	1.60%	1.50%
Japan	0.50%	1.00%	0.90%
China	6.70%	6.70%	6.50%
Vietnam	6.20%	6.21%	6.70%

Source: IMF, World Bank, ADB

Growth of global GDP in the year 2016 reached **2.3%** only, which was the lowest level since 2010. The causes include:

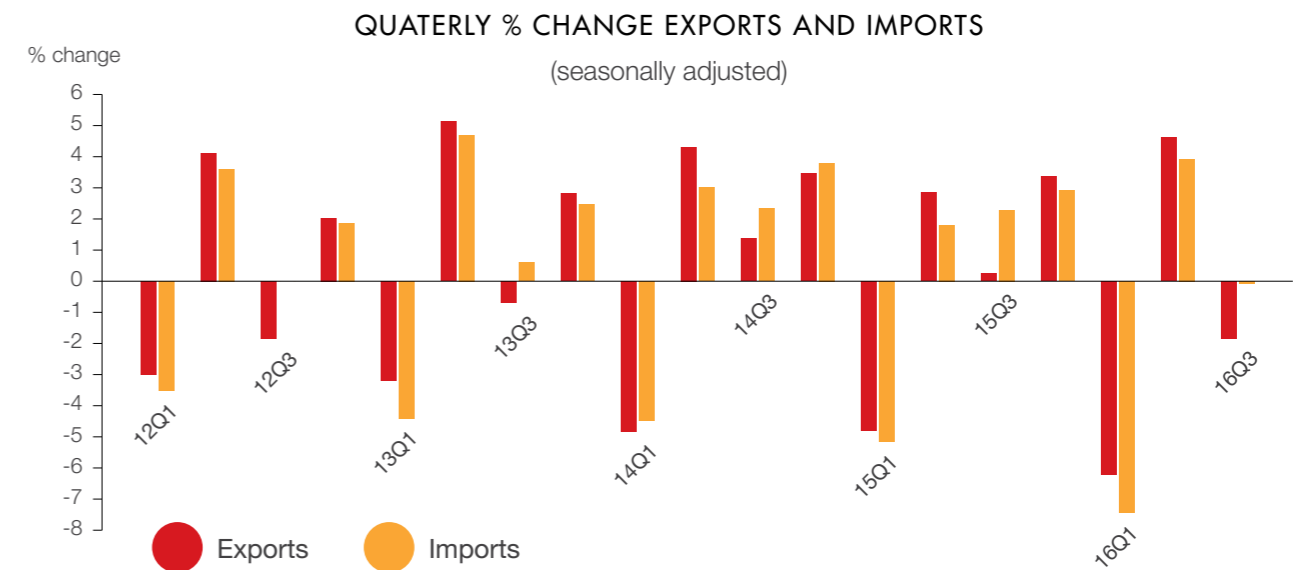
- GDP growth of USA, the biggest economy in the world, reached **1.6%** only, despite of improvement in unemployment rate and personal spending.
- EU region recovered slowly due to sluggish wage increase, high inflation and immigration crisis. Although there was sign of recovery in third quarter of the year 2016, personal consumption and retail revenue were still stagnant.
- Japan faced very low personal consumption due to slow wage increase, slow economic recovery since export faced difficulty as a result of stronger JPY and decline in global demand.

Although China achieve GDP growth rate higher than expectation thanks to personal spending (fueled by wage raise and job creation in urban regions), this second largest economy in the world still struggled with export revenue decrease by 7.7% and low private investment (given pessimistic prospects of export).

Subject to the continued recovery of the US economy (thanks to strong personal spending and public investment in infrastructure of the newly elected President, Donald Trump) and European economy (as results of improvement in labor market, loosening austerity and monetary policy to support economic development), the world economy for the year 2017 is expected to grow higher than the year 2016, reaching 2.7%.

### DEMAND ON COMMODITIES DECLINED

As a results of low growth of global economy (including big economies USA, EU, Japan and China) in the year 2016, demand on commodities declined dramatically.

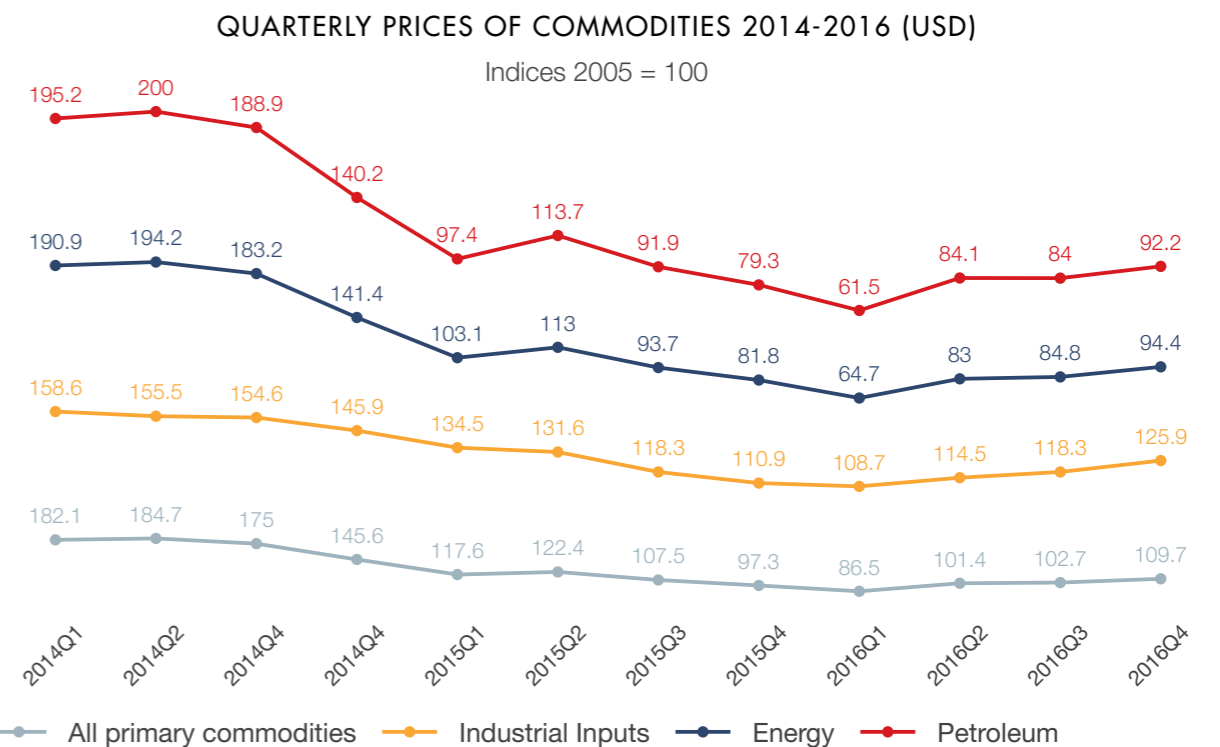


Source: <http://unctadstat.unctad.org>

Chart above shows that import and export revenue growth rate fell sharply in first quarter of the year 2016 and slowly recovered in following quarters.

### PRICES OF COMMODITIES PLUMMETED

In the year 2016, prices of almost all of commodities (including industrial materials, energy, oil as well as consuming products such as textile) declined, due to weak demand.

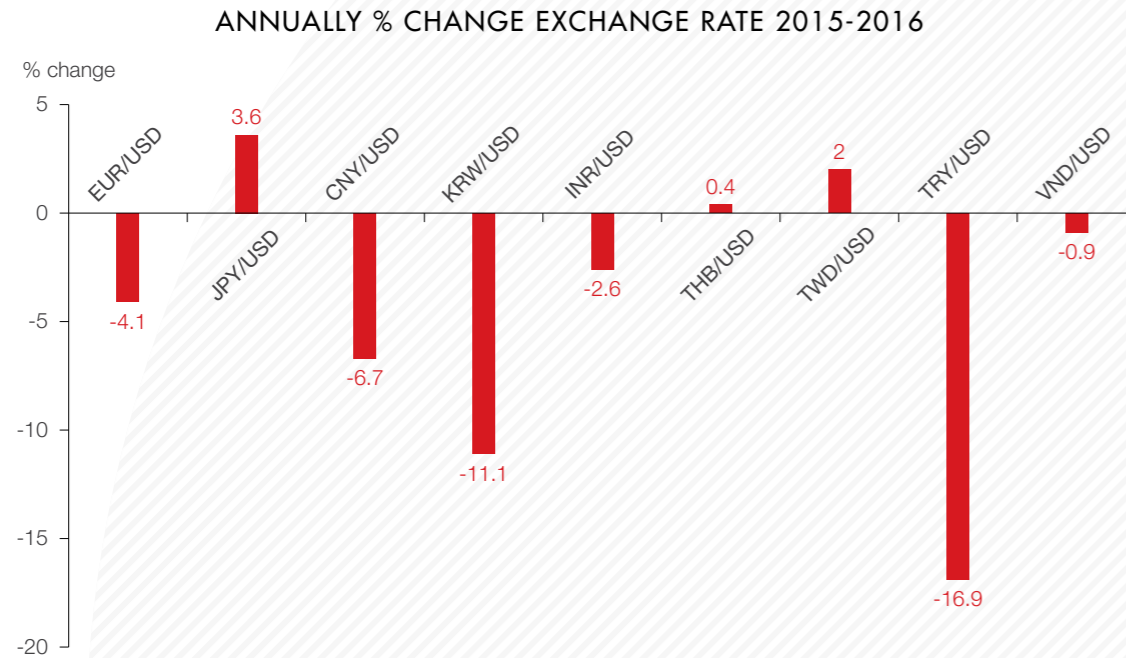


Source: IMF

Chart above shows that prices declined since second quarter of the year 2015 to the lowest level in the first quarter of 2016 and tended to recover in second and third quarters, but prices were still lower than the level at the first quarter of 2015.

## US DOLLAR WAS STRONGER IN COMPARISON TO ALMOST ALL CURRENCIES

	EUR/USD	JPY/USD	CNY/USD	KRW/USD	INR/USD	THB/USD	TWD/USD	TRY/USD	VND/USD
% change	-4.1%	3.6%	-6.7%	-11.1%	-2.6%	0.4%	2.0%	-16.9%	-0.9%



Except Japanese Yen (JPY) and Taiwanese Dollar (TWD) which strengthen against USD, almost all currencies of those countries where the Company export into, depreciated against USD in the year 2016.

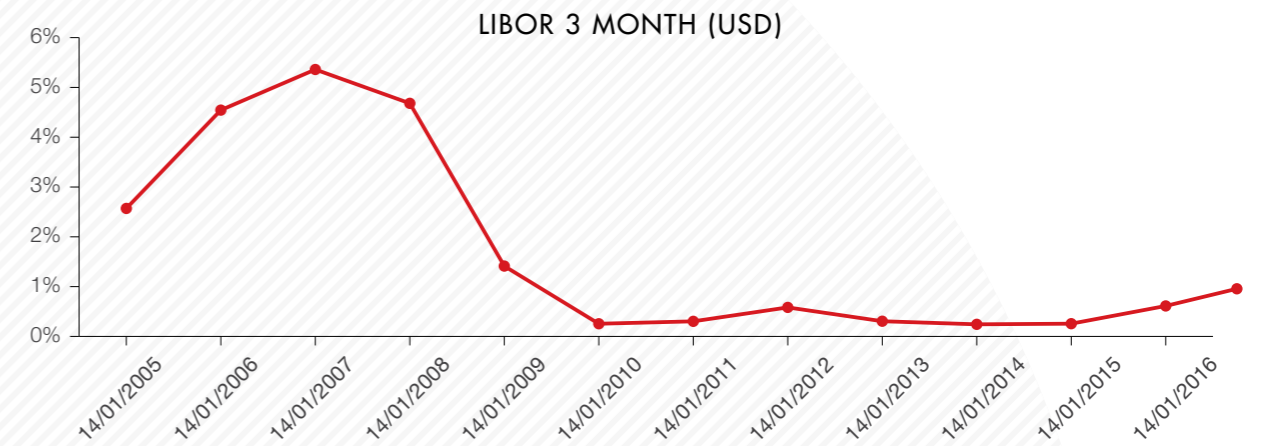
According to forecast of financial institutions, USD will continue to be stronger in the year 2017, thereby VND is forecasted to depreciate about 2%-3%.

USD/VND	Actual	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18
Standard Chartered Bank forecast	22,639	22,900	23,000	23,200	23,200	23,300		
Future rate vs. current rate		1.15%	1.59%	2.48%	2.48%			
ANZ forecast	22,639	22,715	22,900	23,000	23,100	23,200	23,400	23,600
Future rate vs. current rate		0.34%	1.15%	1.59%	2.04%			
Long forecast	22,639	22,634	22,858	23,082	23,306			
Future rate vs. current rate		-0.02%	0.97%	1.96%	2.95%			

Source: Standard Chartered Bank, ANZ, Long forecast

## INTEREST RATE TENDS TO RISE

Due to stronger USD, LIBOR 3-month rate increased 34 points in 2016.



Source: [www.global-rates.com](http://www.global-rates.com)

With trend of USD to get stronger and higher inflation rate in USA, financial institutions foresee that LIBOR rate will increase about 50 points (bp) in 2017.

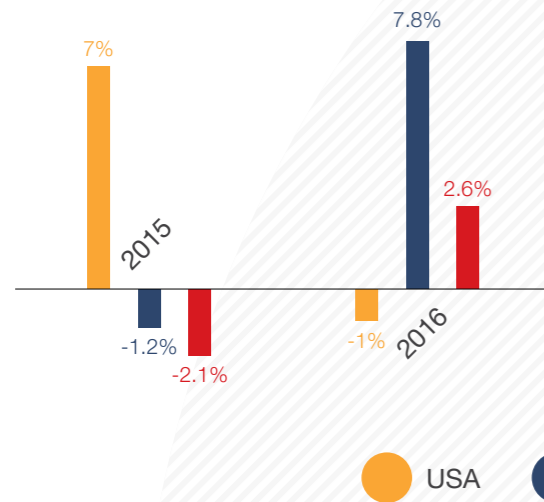
Libor 3M	Actual	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18
Trading Economics	0.96	0.95	0.96	0.96	1					
Long forecast		0.93	1.021	1.126	1.134	1.231	1.313	1.445	1.565	1.683
ANZ	0.95		1.13	1.2	1.33	1.45	1.6	1.75	2	2.25



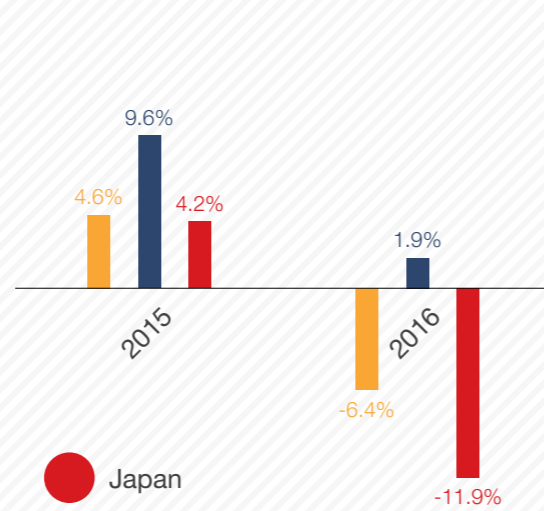


## GLOBAL TEXTILE EXPORT FACES DIFFICULTY

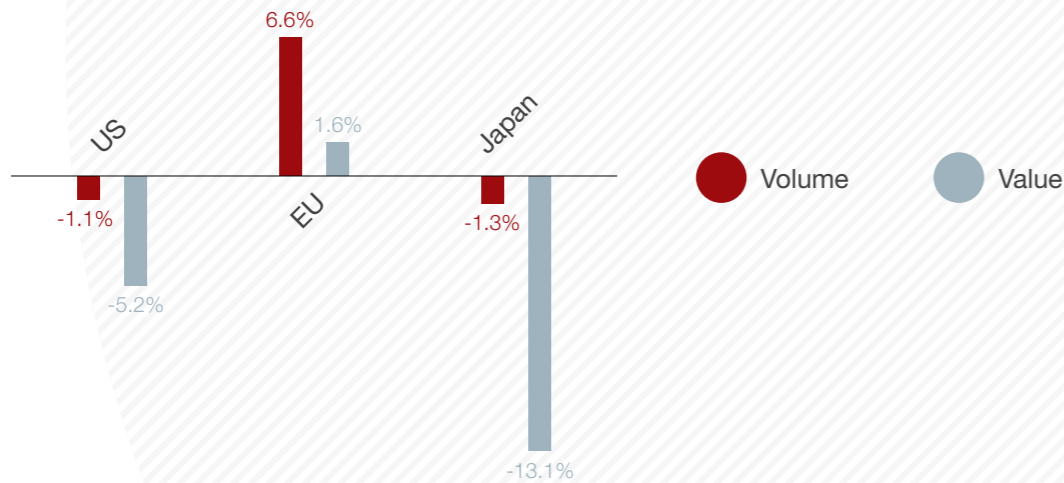
GROWTH RATE OF TEXTILE AND APPAREL IMPORT **VOLUME** IN USA, EU, JAPAN



GROWTH RATE OF TEXTILE AND APPAREL IMPORT **VALUE** IN USA, EU, JAPAN



2016 GROWTH RATE OF APPAREL IMPORT VOLUME IN USA, EU, JAPAN



Source: OTEXA, MOF-Japan, EUROSTAT

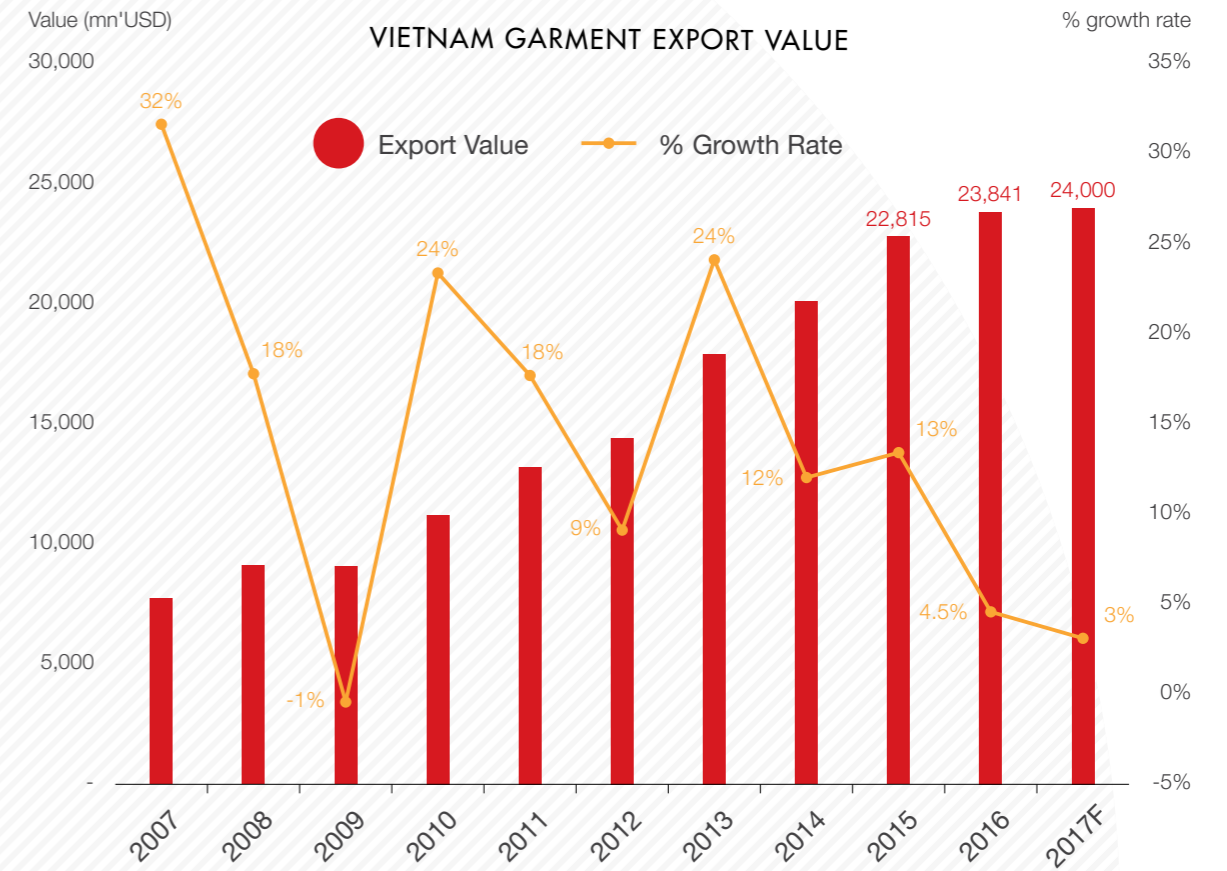
In 2016, textile import of USA decreased 1% in volume and 6.4% in value in comparison to the same period of previous year. Meanwhile, garment import decreased 1.1% in term of volume and 5.2% in value.

In 2016, textile import of EU increased 7.8% in volume and 1.9% in value in comparison to the same period of previous year. Meanwhile, garment import increased 6.6% in volume and 1.6% in value.

In 2016, textile import of Japan increased 2.6% in volume and decreased 11.9% in value in comparison to the same period of previous year. Meanwhile, garment import decreased 1.3% in quantity and 13.1% in value.

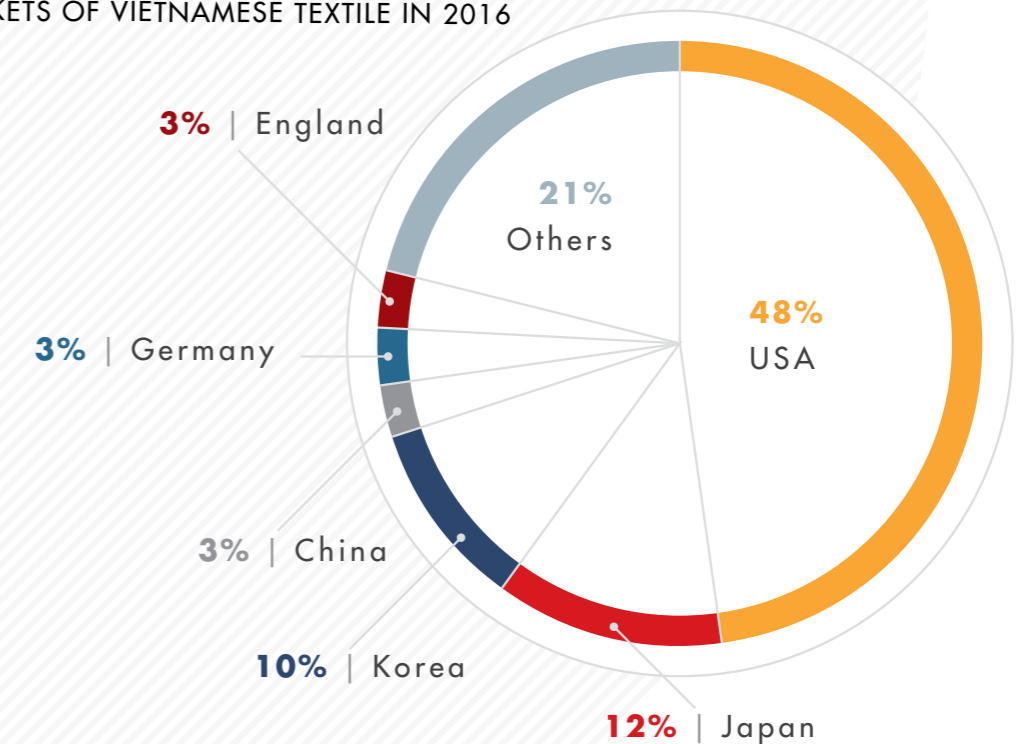
In the context of weak global demand and severe competition from other textile exporting nations such as Myanmar, Cambodia, Vietnam's textile export in 2016 reached 23.84 billion USD only, rising only 4.5% in comparison to the year 2015. This is the lowest level in the past 10 years of Vietnam's textile.

VIETNAM GARMENT EXPORT VALUE



Source: General Department of Vietnam Customs

CORE MARKETS OF VIETNAMESE TEXTILE IN 2016

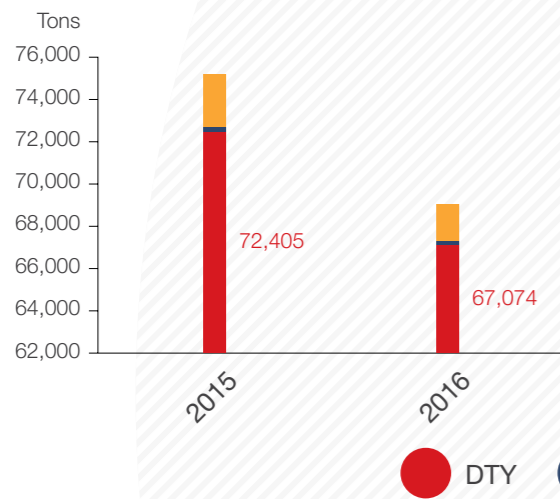


Source: General Department of Vietnam Customs

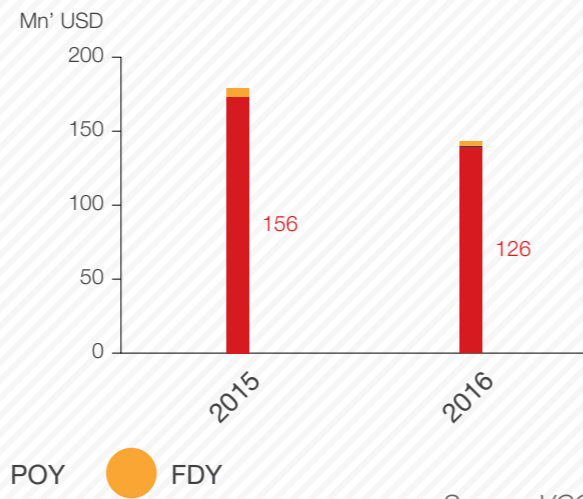
**VIETNAMESE POLYESTER FILAMENT YARN EXPORT STRUGGLED IN 2016, BUT THERE WAS STILL GOOD NEWS**

Product	2015		2016		+/- %	
	Quantities (tons)	Value (million USD)	Quantities (tons)	Value (million USD)	Quantities	Value
DTY	72,405	156	67,074	126	-7.4%	-19.2%
POY	234	0.175	214	0.125	-8.5%	-28.6%
FDY	2,459	5	1,736	3	-29.4%	-34.0%
<b>Total</b>	<b>75,098</b>	<b>161</b>	<b>69,024</b>	<b>129</b>	<b>-8.1%</b>	<b>-19.9%</b>

**VIETNAM FILAMENT YARN EXPORT VOLUME**



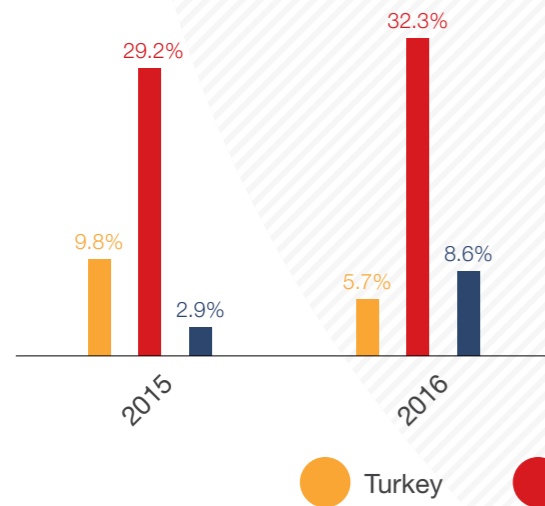
**VIETNAM FILAMENT YARN EXPORT VALUE**



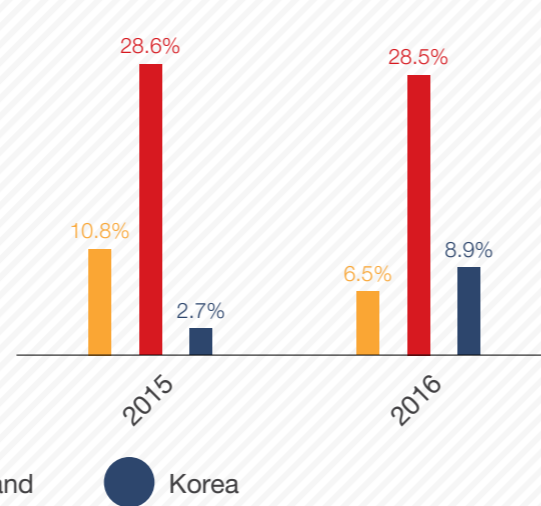
Source: VCOSA

Chart above shows that in 2016, Vietnamese polyester filament yarn export declined in 8.1% revenue and 19.9% in value. Main causes were weak demand plus severe competition in markets and imposed anti-dumping tax in Turkey. Vietnam's market share in Turkey fell from 9.8% in the year 2015 to 5.7% according to data of 2016.

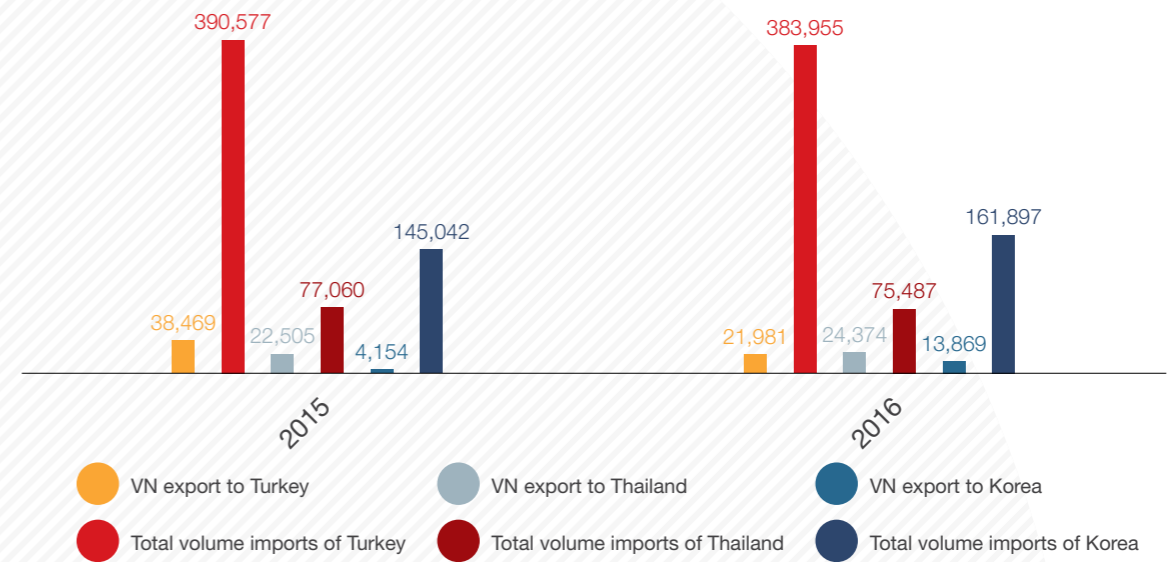
**VIETNAMESE VOLUME EXPORT MARKET SHARE FOR FILAMENT (%)**



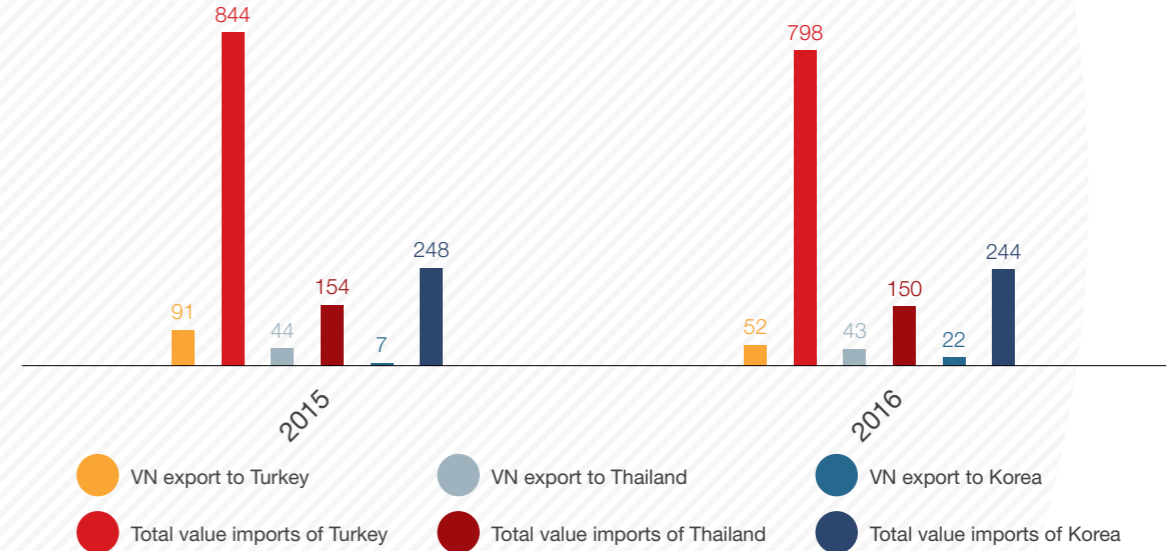
**VIETNAMESE VALUE EXPORT MARKET SHARE FOR FILAMENT (%)**



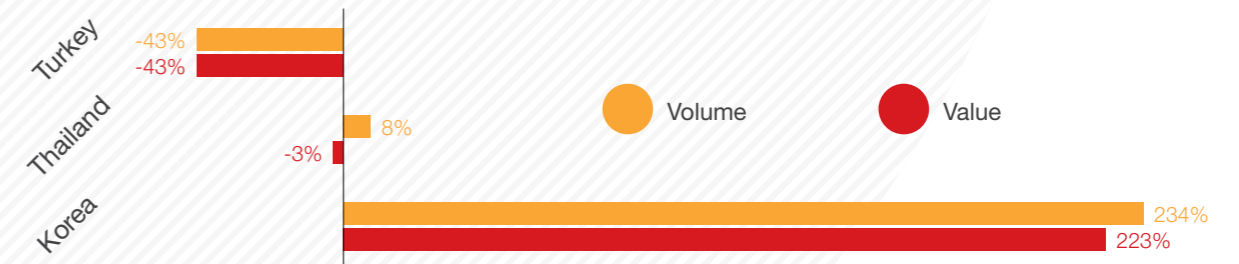
**VIETNAMESE VOLUME EXPORT TO TURKEY, THAILAND, KOREA FOR FILAMENT (TONS)**



**VIETNAMESE VALUE EXPORT TO TURKEY, THAILAND, KOREA FOR FILAMENT (MN'USD)**



**2016 GROWTH RATE OF VOLUME AND VALUE EXPORT OF VIETNAMESE FILAMENT IN TURKEY, THAILAND, KOREA**



Source: Turkish, Thai, Korean Customs Government

However, thank for decrease in polyester filament yarn imported tariff from 8% to 0% at the end of 2015, Vietnam's yarn export to Korea increased 234% and its market share in total yarn imported increased from 2.9% in (2015) to 8.6% according to data of the year 2016. In Thailand market, the Vietnam market share increased from 29.2% in the year 2015 to 32.3% according to data of 2016.

## DOMESTIC DEMAND ON POLYESTER FILAMENT YARN HAS BEEN INCREASING

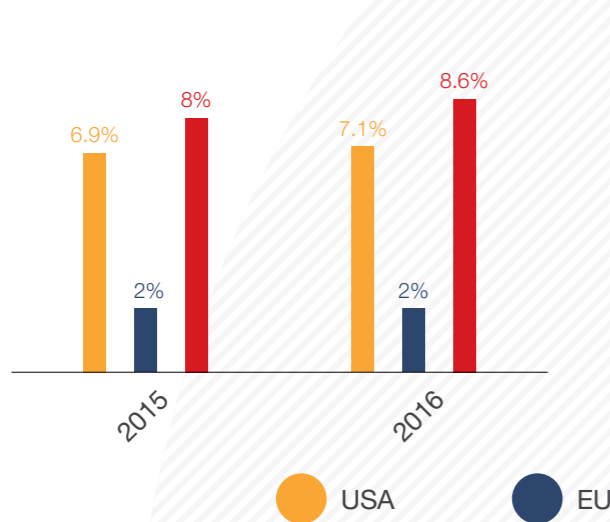
Demand for polyester filament yarn is expected to continuously increase in domestic market as a result of relocation of textile factories from Taiwan, Korea, Hong Kong, China to Vietnam in past years catch orders from USA, EU and Japan. The following table shows textile projects which have started operation in the year 2016.

Year	Name of project	Parent's company	Domestic partner	Sector	Investment capital (USD mil.)	Operation status	Location
2014	Nam Phuong Textile Ltd.	Haputex Development Ltd. (Hong Kong)	Viet Huong Investment – Development JSC.	Fabric	120		Binh Duong Province
2014		TAL (Hong Kong)		Staple/Dyeing/ Garment	600	Officially put 02 factories into operation since June 2016, added up total capacity 800,000 spindles per year	Hai Duong Province
2014-2015	Delta Galil Industries (Israel)	Delta Galil Industries (Israel)		Knitting/Dyeing/ Garment	13		Binh Dinh Province
2014-2015	Jiangsu Yulun Textile Group	Yulun (China)		Staple/Dyeing/ Garment	68		Nam Dinh Province
2014	Forever Glorious	Sheico (Taiwan)		Knitting and specific textiles products for water sports	50		HCM
2014-2015	Gain Lucky Limited (British Virgin Island),	Shengzhou International (Hong kong)		Knitting (capacity: 55,000 tons/year – phase 1 and add up 27,000 tons/year – phase 2)	140		Tay Ninh Province
2015	Polytex Far Eastern Ltd	Subsidiary company of Far Eastern (Taiwan)		Filament/Dyeing/ Garment	274	Established the factory – phase 1, reached the capacity of 96 million square kms of cotton per year and 127 million square kms of polyester filament	Binh Duong Province

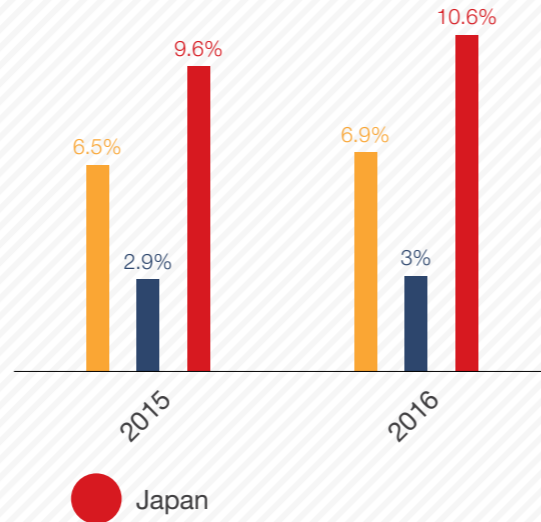
Year	Name of project	Parent's company	Domestic partner	Sector	Investment capital (USD mil.)	Operation status	Location
2015	Hyosung Istanbul Tekstil (South Korea)			Staple/ Fabric	660		Dong Nai Province
2015	Lu Thai (Vietnam)	Lu Thai Textiles Ltd. (Hong Kong)		Staple/ Colour Fabric	160,88	The 10 million km2 of fabric capacity of dyeing company was put into operation since Aug 2016, the remaining of 20 million km2 is expected to explore in the middle of 2017	Phuoc Dong IP, Tay Ninh Province
2015	Tay An Thread Company	Rio Industries Ltd. (South Korea)		Thread	6		Tay An IP, Quang Nam Province
2015	Thien An Thinh Investment – Garment Corp.			Staple	12		Phu Bai IP, Hue City
2015	Far Eastern New Century (Taiwan)			Filament/Dyeing/ Garment	320	Expanded the factory capacity	Binh Duong Province
2016	Unisoll Vina Ltd	Hansoll Textile Ltd. (Korea)		Garment	50	Officially put the factory number 3 into operation since Sep 2016	Ben Tre Province

The trend of relocation of orders to Vietnam is expected to continuously increase in coming years. Statistics shows that despite that Vietnam textile export to main market such as USA, EU, Japan grown slower in 2016, Vietnam was still leading in term of growth rates in these markets. Thank for higher growth than its rivals, Vietnam's market share in these markets increased in 2016.

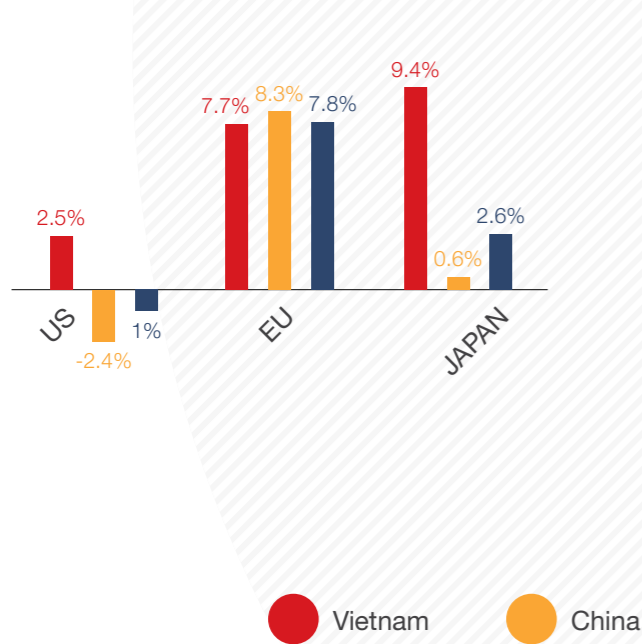
**VN VOLUME EXPORT MARKET SHARE FOR TEXTILE IN US, EU, JAPAN**



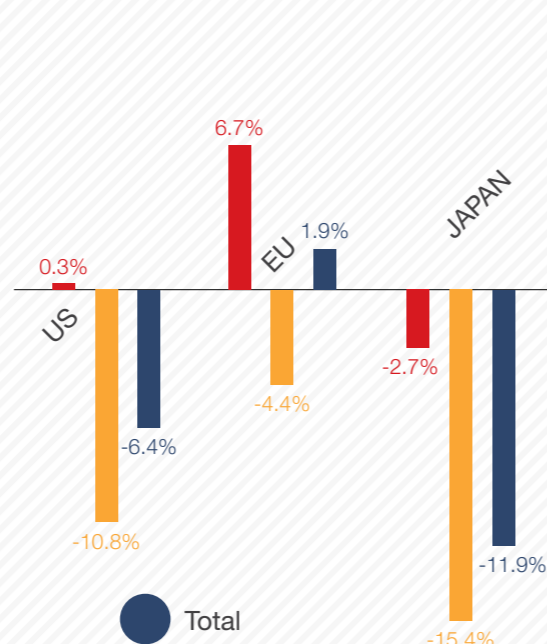
**VN VALUE EXPORT MARKET SHARE FOR TEXTILE IN US, EU, JAPAN**



**2016 GROWTH RATE OF EXPORT VOLUME TEXTILE IN US, EU, JAPAN**



**2016 GROWTH RATE OF EXPORT VALUE TEXTILE IN US, EU, JAPAN**



Source: OTEXA, Eurostat, MOF-Japan

These are signs confirming the trend of garment production relocation to Vietnam to take advantage of free trade agreements.

Countries has signed FTAs with Vietnam		Status	Vietnam	China
Japan (ROO*: From fabric onwards)	Yarn	Effective from 12/2008	0%	5%
	Garment		0%	8.4%-10.9%
Korea (ROO: Cutting and Sewing)	Yarn	Effective from 20/12/2015	0%	8%
	Garment		0%	13%
Europe (ROO: From fabric onwards)	Yarn	Signed at 02/12/2015	0%	4%
	Garment		0%	12%
TPP (ROO: From fabric onwards)	Yarn	US officially withdraws from TPP	0%	10%
	Garment			17.5%

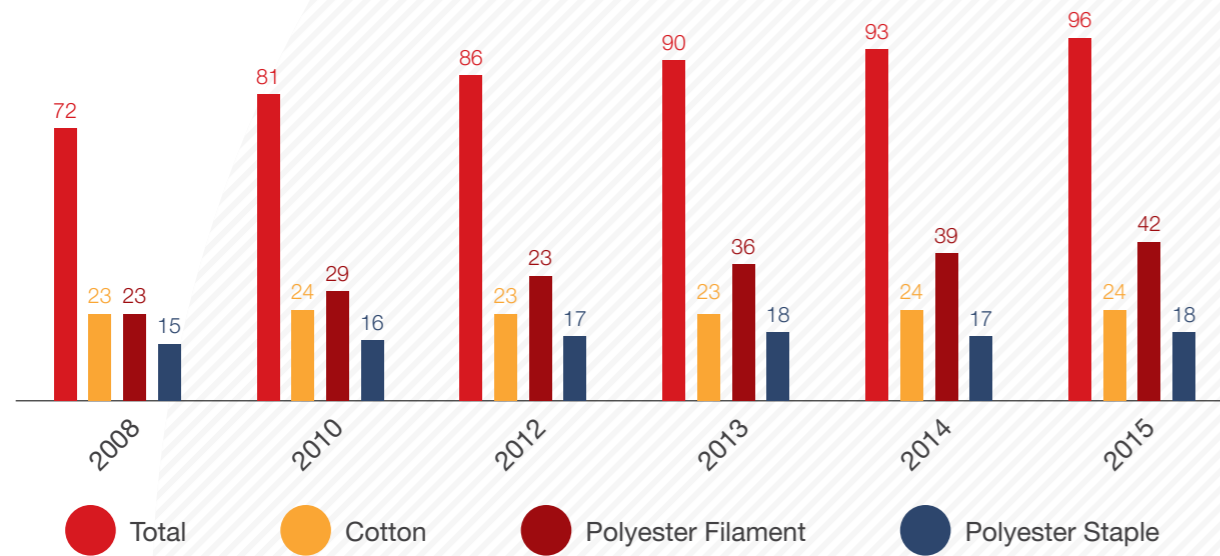
\*ROO: Rules of Origin



## POLYESTER FILAMENT YARN WILL CONTINUE TO TAKE MARKET SHARE OF NATURAL YARNS

With competitive price, stable supply and ability to continue improving new functions for products as well as the ability to use recycle material, polyester filament yarn has been taking market share of natural yarns (especially cotton yarn). Market share of polyester filament yarn in total global yarn demand increased from 25.2% (2008) to 36.4% (2015).

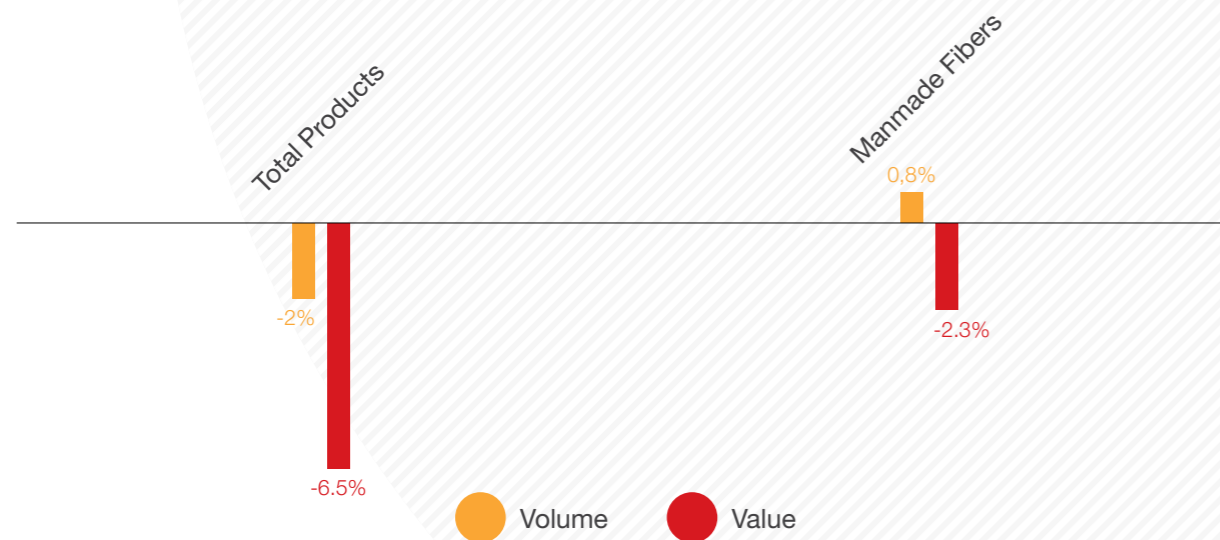
WORLD FIBER CONSUMPTION



Source: The Fiber Year 2016

Although cotton price was in the trend to fall in 2016, garment producers continued to switch to artificial yarns. Chart below shows that in 2016, despite of decline in total garment import to USA, import of garment made of manmade fiber increased by 0.83% in term of volume while import value only declined by 2.33% in 2016.

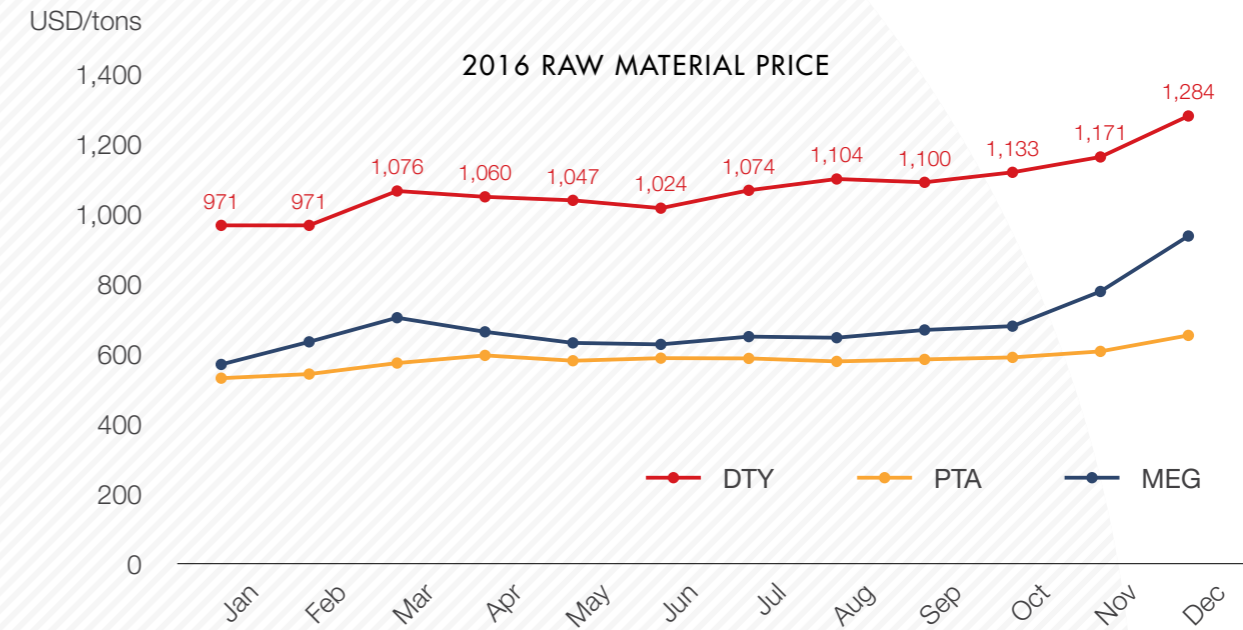
2016 GROWTH RATE USA IMPORT OF TEXTILE AND APPAREL



Source: OTEXA

## YARN'S PRICE DECLINED IN 2016 AND TENDS TO RECOVER IN THE YEAR 2017

Imbalance between supply and demand of polyester filament yarn caused severe competition in price, causing decline in polyester filament yarn price in the international market.

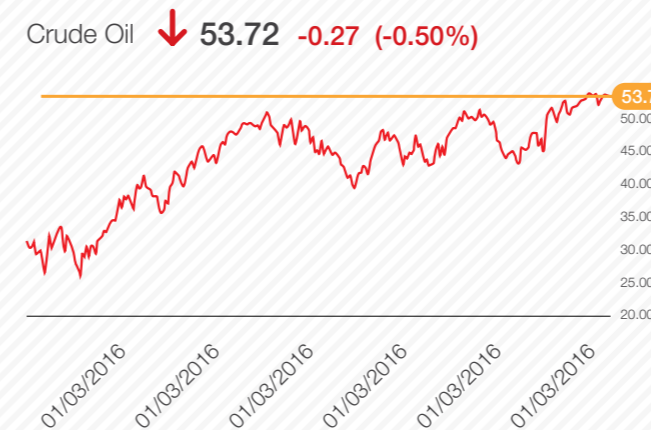


Source: VCOSA

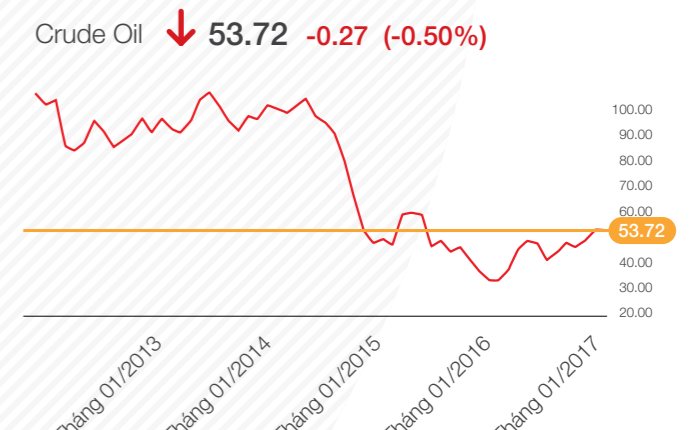
Notice: price of commodities 150D/48F is used as a proxy for DTY price

However, with recovery of oil price as well as restored equilibrium between supply and demand of polyester yarn, price of polyester filament yarn is expected to stabilize in 2017.

MONTHLY CRUDE OIL CHART IN 2016



CRUDE OIL CHART FROM 2012 TO 2016



Source: Investing.com

## SWOT ANALYSE

### STRENGTH

- Vision, mission, core value, strategy is clearly determined;
- Modern facilities with the state of art technology and equipment provided by Oerlikon Barmag (Germany);
- Applying modern computerised technologies such as SAP All-In-One and Plant Operation Center ("POC") in production procedure, to enhance productivity and quality of products;
- Skillful and loyal employees;
- Modern management system; and healthy business culture;
- Ability to transform the above mentioned factors into high quality product and service to meet high requirements from such markets as Thailand, Japan, Korea.
- Well recognized brand name in domestic and international markets;
- Good relationship with suppliers and diversified customer base;
- Healthy financial standing, ensuring sustainable growth.

### OPPORTUNITY

- Global textile demand continues to sustainably increase by 3%;
- Polyester filament yarn is expected to continue to grow thanks to its advantageous properties and competitive prices;
- Vietnamese textile sector will strongly grow, thanks to shifting orders from China because it no longer maintains lower and favorable cost in China like the years before.
- Textile and dyeing sector is expected to grow dramatically thanks to FDI projects which were deployed in 2015-2016 and put into operation in 2017; therefore, it will raise the demands on yarn in domestic market.



### WEAKNESS

- Research and development needs to be further enhance through technology transfer from international experts
- Lack of senior management who have experiences in doing business in international market;
- Newly set up internal audit system needs further training in order to become more efficient.

### CHALLENGE

- Trend of trade protection in large imported textile markets such as USA, EU will cause competitions in the sector to be more severe in future;
- USD strengthening against currencies of Vietnam's major yarn importing nations, and VND pegging to USD will weaken competitiveness of Vietnamese yarn these markets;
- Possible shortage of electricity in future
- Underdeveloped infrastructure leading to rising transportation expense and higher operating costs;
- Unstable legal environment may cause legal risk for the business (i.e rising tax, loss of favourable tax incentives or rising operating costs);
- Risk of returning inflation, causing costs to increase.

## 2. MEDIUM AND LONG TERM STRATEGY

- Develop new products (R&D): highly stretched yarn, cationic dyeable yarn, quick dry yarn, hollow yarn, dope dyed melange yarn, dope dyed fancy yarn, recycled yarn to create added value for the Company.
- Enhance the Company's internal competency and improve quality of products, bring new and green (environmentally friendly) products to the community and protect natural environment

Form strategic alliances to establish foundation for sustainable and extra-ordinary development. Firstly, establish cooperation/alliance with partners/customers to create vertical integration in the supply chain. Secondly, set up strategic cooperation with global top tier enterprises in the same sector to produce functional yarns in order to meet domestic and international demand and to exploit the benefit of FTAs.

# RISK MANAGEMENT

## 1. ECONOMIC RISKS

- **Risk of economic crisis:** Global economic crisis may affect demand for garment and textile products and hence affecting the Company's sales. In order to mitigate this risk, STK has been making efforts to diversify customer base, develop loyal customers, build up reputable brand name for good quality product and customer services, strictly control costs in orders to sustain sales during economic crisis.
- **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. 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.

## 2. FINANCIAL RISKS (MARKET RISK, CREDIT RISK)

- **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. However, the chance for STK to have foreign exchange risk (if VND depreciates against USD) is quite low since STK can maintain export sales at 60% of total sales and it can use USD revenue stream for raw material purchase and debt repayment. The foreign exchange risk only impacts STK regarding the provisioning for those loans in USD at the end of the period. This provisioning affects STK's reported earnings but it does not impact STK's cash flow.
- **Price risk:** fluctuation of prices in global market can affect STK's raw material purchasing price and selling prices of finished product. 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.
- **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. However, as STK maintains prudent borrowing policies and has abundant cash flows, it can repay loans when interest rates increase;
- **Credit risk:** If a customer fails to fulfill its contracted obligation, it may cause financial loss to STK. However, in order to reduce credit risk, the Company requests most of its customers to make immediate payment on delivery and it only give credit terms for few traditional customers.

## 3. OPERATIONAL RISKS

- **Risks to assets:** Natural disasters (earthquake, storms, and floods) or fire and explosion or intentional destruction may cause damage to the Company's assets. STK already bought insurances for all of these risks as well as business disruption insurance.
- **Operational risks:** Staffs' failure to comply with operational procedures may affect the quality of products and services. In order to mitigate this risk, 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.

## 4. LEGAL RISKS

- Changes in laws regarding to tax, customs, environmental protection and labor may cause increase in operating expenses. STK has set up a system to frequently monitor, update the information in order to have the best adaptation to these changes.
- **Risk of anti-dumping investigation in exporting markets:** in the context of free trade throughout global markets, trade safeguard measures (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. Therefore, in order to minimize this type of risk, STK apply reasonable selling price policies for domestic and exporting markets and maintain a 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.

## 5. ENVIRONMENTAL RISKS

- 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. 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 policies so as to reduce the bad influence of production and business process on the surrounding environments.

# BUSINESS PERFORMANCES

## 1. BUSINESS PERFORMANCES COMPARED TO BUDGET PLAN

KPIs	Recognized 2015	Actual 2015 <sup>(1)</sup>	2016				
			Plan	Actual	Actual/Plan	Actual 2016 /Recognized 2015	Actual 2016/2015
1. Sales volume DTY, FDY (tons)	26,885	30,685	45,176	41,217	91.2%	53.3%	34.3%
2. Net sales (billion VND)	1,035	1,184	1,645	1,358	82.6%	31.2%	14.7%
3. Profit After Tax (billion VND)	71.3	71.3	127.1	28.6	22.5%	-59.9%	-59.9%

- Although the sale revenue in 2016 increased 34% as compared to the same period thanks to boost sale for new domestic customers and expand into new market such as Korean. However, sales revenue just increased 15% since due to competitive market, weak demand in Q1-2016, the losing Turkey market in the first half of 2016 because of the Turkish government's imposition of the antidumping duties on imported DTY from Vietnam at 34.81%, the Company actively reduced the selling price (a decreased of 15% as compared to the average selling price in 2015) in order to increase sale revenue and remain the market share against the rivals.
- The average selling price was lower than the budget by 9% but raw material's price such as PET-chip price still remained high (just declined by 1.64% as compared to the budget) and the Company depreciated Trang Bang Factory- the third phase; therefore, the gross profit decreased sharply in 2016. Besides, the provisioning for unrealized foreign exchange losses was VND 10.1bn. Therefore, the profit after tax decreased by 59.9% as compared to 2015, fulfilling 22.5% of the budget.

<sup>(1)</sup> The recognized revenue in Q4-2015 was lower than the actual revenue in this period due to the capitalization of "trial run" revenue and expenses related to Trang Bang phase 3. Although this factory was put into operation in September 2015, only little equipment was commercially commissioned by 31 December 2015 since operation of other equipment did meet the technical standards. Therefore, according to Vietnam's and International accounting standards, the factory revenue and operating costs incurred in 2015 was treated as trial revenue and operating costs and was recognized in Construction in progress. Majority of TB3 factory's equipment was put into operation in 2016 and revenue and expenses were recognized in 2016.



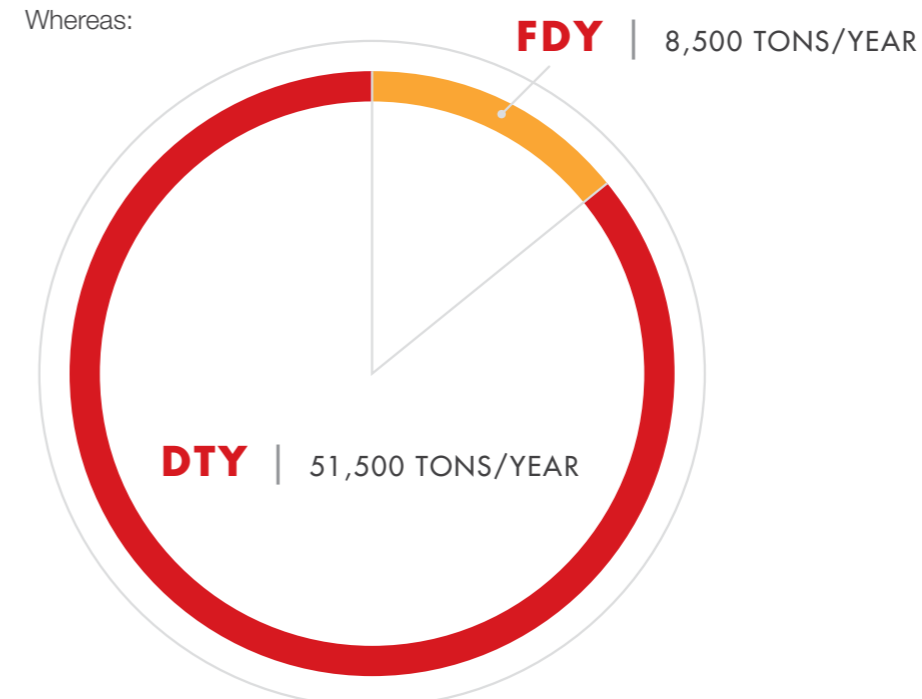
## 2. INVESTMENT ACTIVITIES

### Trang Bang Factory – the fourth phase will be officially put into operation in Q1/2017

By 31 December 2016, STK concluded contracts for machines & facilities purchase with the total value of USD 11.89 mil., which accounted for 95.2 % of total budget (USD 12.5 mil.) and completed installation of DTY machine for Trang Bang Factory- the fourth phase. It is expected that the Company will complete installation of auxiliary equipment and officially put the new factory into operation in Q1/2017.

The project raises the total capacity up to **60,000 TONS/YEAR**

Whereas:





# HIGHLIGHTED ACTIVITIES IN 2016

## SALES

### MARKET

- In 2016, sale mix by geographic markets changed significantly: Due to the Turkish government's imposition of the antidumping duties on imported DTY from Vietnam, the proportion of Europe market declined sharply to 16%. Because of the decreasing of Turkish market, although STK pushed sales in Korean market, export sales volume and export revenue just increased by 35% and 15%, respectively. On the other hand, with the increasing demand from FDI customers, the proportion of domestic sales revenue achieved 60%.
- After 1 year for development, Century brandname has gradually been acknowledged at Korean market and the orders from this market is expected to increase significantly in 2017. Since the end of the year 2016, STK started to sell to Japan market.

### CUSTOMER

- Thanks to aggressively update information on customers' demand and closely follow the trial-testing of new products and new product specification for customers, STK increased the orders from existing customers.
- In 2016, STK developed 87 new customers (of which: 47 domestic customers, 31 Korean customers, 4 Japanese customers, 4 Turkish customers and 5 Pakistan customers), contributing 15% to total sales revenue.

Country	New customers	Sales volume	Sale revenue
JAPAN	4	674,231	23,146,788,201
KOREA	31	2,324,613	84,680,314,819
MALAYSIA	1	8,999.40	298,486,700
PAKISTAN	5	95,065.18	2,740,391,987
THAILAND	1	2,204	88,474,015
TURKEY	4	127,501	5,114,961,244
VIETNAM	41	2,251,228	83,952,248,905
<b>Total</b>	<b>87</b>	<b>5,483,841</b>	<b>200,021,665,871</b>

### NEW PRODUCTS

- In 2016, STK succeeded in production and commercialization of recycled yarn. Thanks to the ability to quickly win the major customers' confidence on product quality, the orders of recycled yarn increased dramatically in Q4-2016, reaching 746 tons in term of volume and VND 36.84 bn. in term of sales revenue. Although just penetrating into this segment, thanks to excellent product quality and competitive selling price, STK's recycled yarn could compete against the major companies such as Far Eastern New Century, Formosa and Shinkong.
- Besides, STK developed new products such as: quick dry yarn, high stretched yarn, soft package yarn, cationic dyeable yarn. In the last 6 months of 2016, total sales volume of these functional yarns reached 50 tons.

### CUSTOMER SERVICES

- Sales team associates with Quality Assurance Department in focusing on the smallest requirements of customers in term of services and quality, supporting the customers to increase the efficiency of Century 's products usage, resolving customers' complaints satisfactorily, conducting customer satisfaction survey on Century 's products.

## PRODUCTION

Implemented quality control comprehensively for 04 factors (4M) including Management, Manpower, Machineries, Materials to ensure product quality (increase the proportion of high quality products, reduced defect products, wasted yarn and minimized customer complaints) and reduce production costs.

### METHODS

In 2016, production department deployed the following improvements:

- Raised standards for all products to improve product quality and to meet customer requirements.
- Restructured the factory's organization so that each production unit would be a profit center which will be responsible for their financial efficiency.
- Decentralize management in production to ensure product quality.
- Devided into tasks according to the specific production stage and developed KPIs for each stage and monitored KPI achievement.
- Daily and weekly collected and analyzed the statistics in term of technical indicators and quality, thereby improving technical capacity and management procedures in order to increase the product quality and productivity of STK.
- Strictly controlled the compliance with SOPs by conducting site inspection regularly and reviewing reports, forms and KPI achievement periodically.
- Deployed LEAN production.

### HUMAN RESOURCES

- Recruited qualified employees in accordance with job requirements and trained well to ensure the necessary skills.
- In 2016, STK hold 03 training courses on LEAN production for managers who are directly in charge of production in order to reduce the wastes, increase the productivity, enhance the Company's competitiveness in the market. Thanks to compliance with the theory of LEAN production, the Company implemented 47 PDCA+ 31 Standard Work technical improvements and saved VND 1,505,945,650 and reduced 05 headcounts.

### FACILITIES

- Invested in modern facilities, increased automation in order to improve product quality to meet customer requirements, reduce energy consumption and increase productivity (automatic doffing machine, automatic mixing machine to produce functional yarn...).
- Standardized maintenance schedule, lifetime of equipment to ensure technical standards and increase the homogeneity of products.
- Invested in equipment for controlling and evaluating the quality of products such as uster, circular knitting machine...

### RAW MATERIAL

- Strictly controlled the quality of raw material based on the detailed technical standards which were established in order to find out the anomalies earlier. Did not use the disqualified raw materials.
- Cooperated with the suppliers to improve the quality of input materials.

### NEW PRODUCT DEVELOPMENT

- Successfully produced DTY and FDY that used recycled material.
- Trial production for functional yarns: full dull yarn, bright yarn, high stretched yarn, dope dyed yarn...

## PRODUCTION PLANNING

Aiming to maximize the balance between production and consumption, ensure timely shipment, optimize actual working days and maintain the safety level of inventories in term of quality and quantity. Some highlighted activities of Production Planning department in 2016 as follows:

- Set up the production plan, monitored and adjusted production plans;
- Controlled inventories of raw materials, semi-finished product (POY) and finished products (DTY, FDY). Planned for purchasing raw materials and adjusted this plan if necessary. Coordinated activities of import and export semi-finished product (POY).
- Cooperated with production department to improve technical conditions for many machines to produce uninterruptedly one lot of product in several months, helping sales department easier in receiving large orders and regulating shipment for customers. Besides, it helped to reduce inventories management cost in accordance with production code.

## PURCHASING

Aiming to provide raw materials and services for production at the competitive prices and to ensure the requirements of the quality and timely shipment, in 2016, Purchasing had the following improvements:

- Developed 33 new domestic suppliers who can offer substitute products which meet the Company's requirements in term of quality at a lower price than initial products, helping the Company to save VND 751 million for the Company.
- Using substitute products from domestic suppliers would not only help the Company to reduce the cost but also to cut lead time, hence saving inventory management cost and warehouse space.
- Periodically evaluated the suppliers for each kinds of products/services based on price, quality, shipment time in order to select the most qualified suppliers.
- Cooperated with the suppliers to improve the quality of products in order to maximize the efficiency of products.

## IT

- Developed new modern and friendly website with 02 version English and Vietnamese for the Company.
  - Developed new modern and friendly website with 02 versions: English and Vietnamese
- Regarding ISO 27001 Standard of Information Security, the Company has completed the documents preparation and internal evaluation phase.
  - Passed the evaluation process of ISO 27001:2013 and received the Information Security certificate.
- Installation and configuration of Plant Operation Center (POC) has completed and the POC were deployed to Trang Bang Factory – the first, second, and third phase.

## ACCOUNTING- FINANCE

- Monitor the actual performance in order to urge other departments to achieve the budget plan.
- Gradually improved the standard costing system as the basis of assessment in order to support sales department to quote accurate price for customers.
- Balanced the cash flow, and reduced the interest expense by prepaying the principles before due date and refinancing the loan related to Trang Bang Factory – the third phase by cheaper loans from other banks to save interest expense of VND 471 million.
- Prepared cash flow from previous projects' depreciation in order to finance Trang Bang Factory – the fourth phase.
- Registered for the preferential CIT treatment: Trang Bang Factory – the first phase & second phase in 2015 and 2016 were entitled to 50% CIT reduction and Trang Bang Factory – the third phase & fourth phase were entitled to 100% CIT exemption in 2016, helping STK to save CIT payment of VND 3.3 bn.
  - Installed POC to Trang Bang Factory – the first, second, and third phase. The Company is currently testing the results after deployment.

## HUMAN RESOURCE

### RECRUITMENT

- Implemented recruitment policies to attract workers to meet the Company's production and business requirements.

### TRAINING

- Trained for new employees on the Company's culture, the Company's rules, ISO 9001, ISO 27001, 5S, professional awareness, instilling the attitude for products respect and common mistakes in operation process.
- Trained professional qualifications and techniques for production workers.
- Re-trained for existing staffs, enhance skills and work efficiency.

### REMUNERATION AND BENEFITS

- Average salaries for supervisors, officers and workers were increased by 10% in 2016.
- Gradually deployed HR management on SAP for making labor contracts.

# MANAGEMENT REPORT

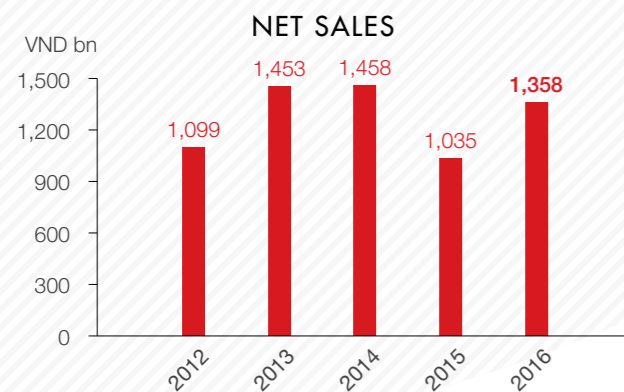
## PRODUCTION

	2012	2013	2014	2015	2016
Production capacity (tons/year)	37,000	37,000	37,000	40,200	47,000
Actual working days	288.35	328.50	345.74	313.04	296.6
Utilization rate (%)	79%	90%	94%	85.77%	89.51%
Actual production volume (tons)	23,080	30,375	32,442	34,783	42,068
Selling volumes (tons)	22,930	31,525	33,053	26,885	41,217

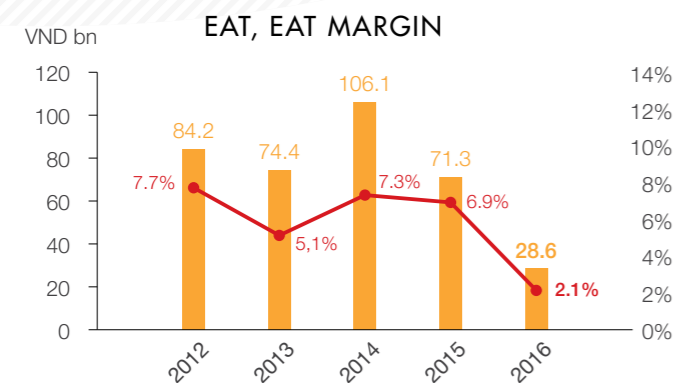
Sales revenue increased by 34% as compared to 2015 but sales volume was still lower than the actual production because of the unstable global fiber demand and the difficulty in selling at Turkey market in 2016, so that the Company only achieved sales volume of **41,217 tons**. As a result, the inventories of STK remained at **7,400 tons**.

## BUSINESS PERFORMANCE

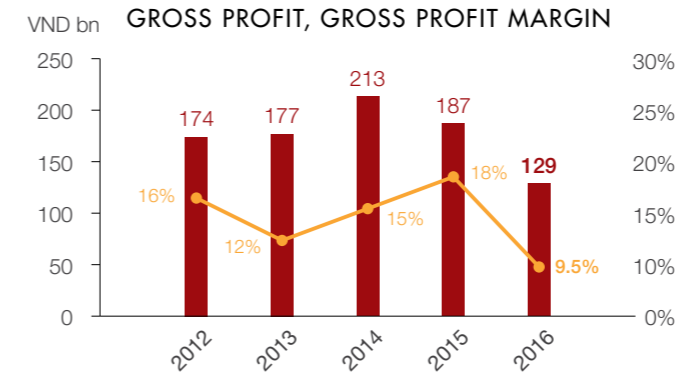
### 1. PROFITABILITY



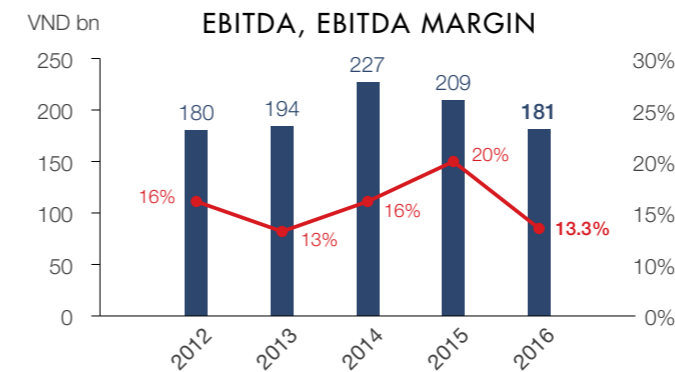
FY 2016  
**Net sales** ↑ **31%**  
 as compared to same period



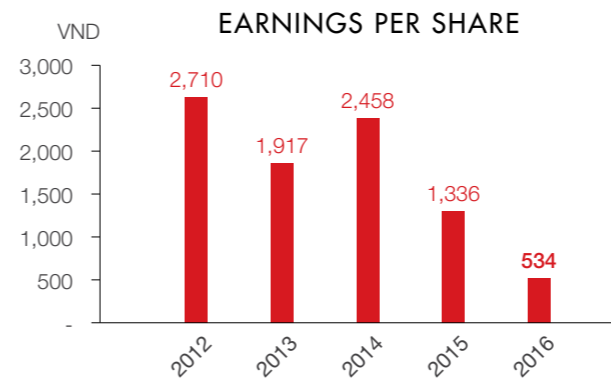
FY 2016  
**EAT** ↓ **60%**  
 as compared to same period  
**EAT margin** **2.1%**



FY 2016  
**Gross profit** ↓ **31%**  
 as compared to same period  
**Gross profit margin** **9.5%**

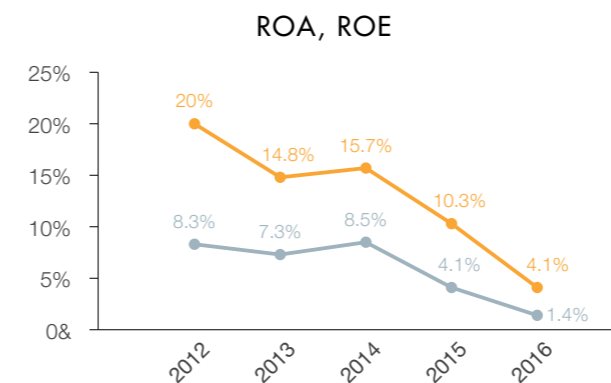


FY 2016  
**EBITDA** ↓ **13.4%**  
 as compared to same period  
**EBITDA margin** **13.3%**



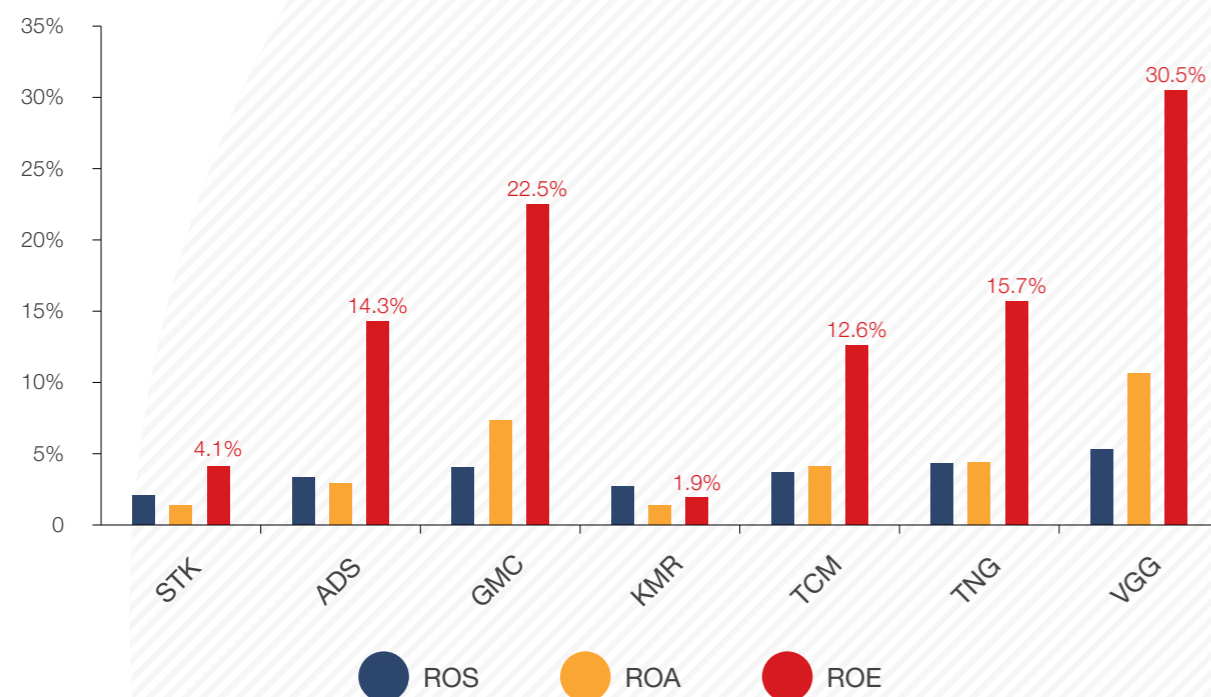
FY 2016  
**Earnings Per Share** ↓ **60%**  
 as compared to same period

Earnings per share in FY2016 decreased by 60% as compared to 2015 due to underperformance (profit after tax decreased by 59.9% as compared to the same period) and 15% of share issuance to pay dividend and raise share capital from owner's equity.



FY 2016  
**ROA ratio** **1.41%**  
**ROE ratio** **4.11%**

## 2. COMPARISON TO ITS PEERS



	STK	ADS	GMC	KMR	TCM	TNG	VGG
ROS (%)	2.1%	3.3%	4.0%	2.7%	3.7%	4.3%	5.3%
ROA (%)	1.4%	2.9%	7.3%	1.4%	4.1%	4.4%	10.6%
ROE (%)	4.1%	14.3%	22.5%	1.9%	12.6%	15.7%	30.5%
Net Sales (VND bn)	1,358.2	1,100.8	1,611.5	364.4	3,070.6	1,887.8	7,519.9
Net Profit (VND bn)	28.6	36.5	64.2	9.9	115.0	81.5	401.5

## 3. DUPONT ANALYSIS

Items	2012	2013	2014	2015	2016	Notes
EAT/EBT	87.0%	78.1%	78.0%	82.3%	93%	Tax burden
EBT/EBIT	86%	87%	93%	69%	53%	Interest burden
EBIT/Net Sales	10.2%	7.5%	10%	12%	4.3%	Operating profit margin
Margin [(1)x(2)x(3)]	7.7%	5.1%	7.3%	6.9%	2.1%	
Net Sales/Total Assets	1.08	1.42	1.17	0.60	0.67	Sales to total assets ratio
ROA [(4)x(5)]	8.3%	7.3%	8.5%	4.1%	1.41%	Profitability on assets
Total Assets/Total Equity	2.17	2.04	1.84	2.49	2.91	Financial leverage
ROE [(6)x(7)]	19.9%	14.8%	15.7%	10.3%	4.11%	Profitability on equity

- In 2016, thank to preferential CIT of Trang Bang Factory – the expansion project, the tax burden decreased as compared to 2015.
- Due to the significant rising financial expenses in 2016, the EBT/EBIT ratio decreased from 69% to 53%.
- Operating profit margin (EBIT/Net Sales) decreased sharply from 12% (2015) to 4% (2016) due to low gross profit margin (the decrease in selling price was faster than the decreased in raw material price).
- Although the tax burden decreased, due to reduction in EBT/EBIT ratio and operating profit margin decreased, hence net profit margin only reached 2.1%.
- Return on Asset (ROA) in 2016 just reached 1.41%, a sharp decline as compared to 2015 due to the decrease in net profit margin although the Net sales/Total Asset ratio increased as compared to same period.
- Return on Equity (ROE) achieved 4.11%, a sharp decrease as compared to 2015 due to the sharp decrease in ROA. However, as result of higher financial leverage, reduction in ROE was lower than the decrease in ROA.

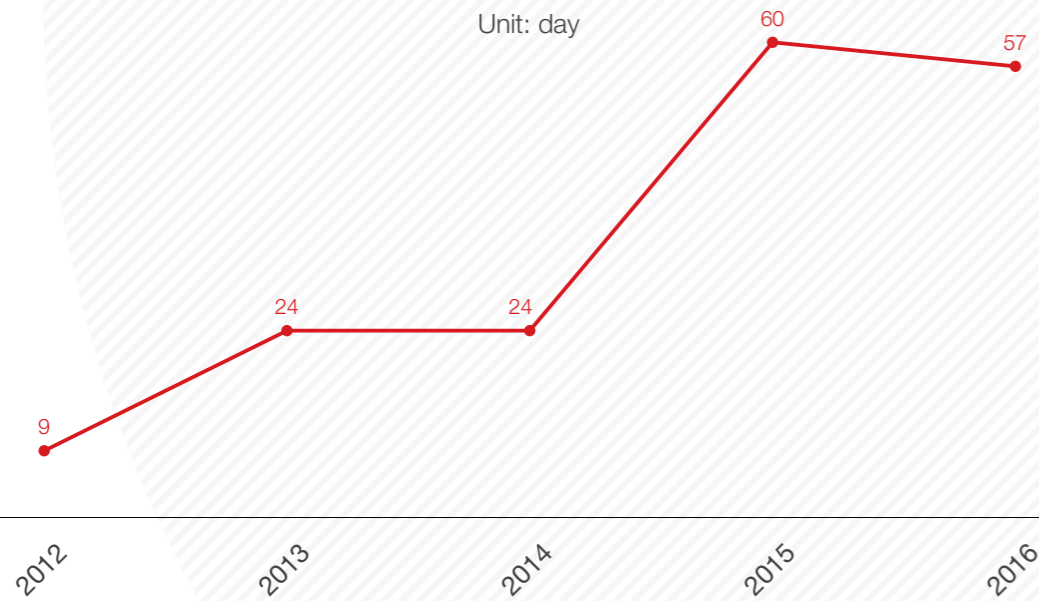
#### 4. OPERATING PERFORMANCE RATIO

	2012	2013	2014	2015	2016
Average number of inventory days	67	58	57	116	113
Average number of receivable days	20	22	18	13	8
Average number of payable days	78	56	51	69	63
Cash conversion cycle	9	24	24	60	57

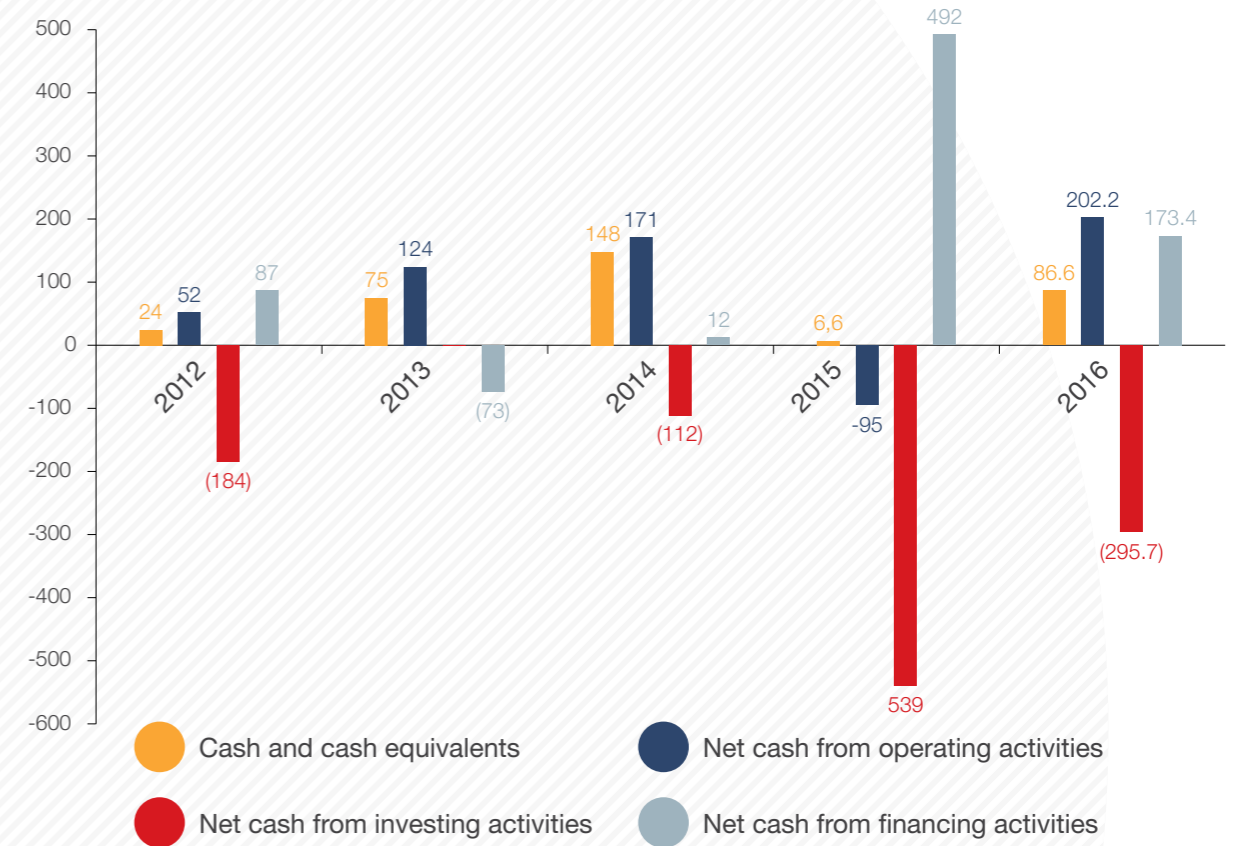
- Although the inventories increased by 13% as compared to 2015, the Company actively decreased the selling price so the inventory turnover ratio and average number of inventory days declined to 113 days (in 2016) as compared to 116 days (in 2015).
- Average number of receivable days was 8 days, a decrease of 05 days as compared to 13 days (in 2015). The reason was that the Company boosted collection of debts.
- However, STK still fulfilled its payment obligation to suppliers; therefore, the average number of payable days decreased at 63 days.
- Cash conversion cycle slightly decreased from 60 days (in 2015) to 57 days (in 2016) due to the decreasing in average number of receivable days, indicating efficient utilization of working capital.

#### CASH CONVERSION CYCLE

Unit: day



#### 5. CASH GENERATING ABILITY



- Due to 31.2% of increased in net revenues, the net cash from operating activities increased from VND -95 bn. (in 2015) to VND 220.2 bn. (in 2016)
- Net cash from investing activities was a negative value of VND 295.7 bn. because the Company completed disbursement for Trang Bang Factory- the third phase and continued to invest in facilities, machineries for Trang Bang Factory – the fourth phase with the capital expenditure of VND 279 bn. (USD 12.5 million.)
- Cash and cash equivalents in 2016 were around VND 86.6 bn..

	2012	2013	2014	2015	2016
Current ratio	1.21	1.33	2.25	1.16	0.88
Quick ratio	0.45	0.64	1.36	0.28	0.28

- Current ratio in 2016 just reached 0.88x, a sharply decrease as compared to 1.16x (in 2015). It reflected that current ratio was not good because current assets was not enough to pay current liabilities.
- Although current ratio decreased, quick ratio was 0.28x, still remained at the same level as 2015.

## 6. ANALYSIS OF LARGE FLUCTUATIONS ON INCOME AND EXPENSE ITEMS

	2012	2013	2014	2015	2016
Net Sales	100%	100%	100%	100%	100%
Cost of goods sold	84%	87.6%	85.4%	82%	91%
Gross profit	16%	12.4%	14.6%	18%	9%
Financial activities income (not including interest from deposits)	0.3%	0.4%	0.2%	1.3%	0.1%
Financial charges (not including interests)	0.1%	0.5%	0.4%	5.1%	1%
Selling expenses	2.5%	2.3%	2.2%	2.3%	2%
G&A expenses	3.1%	2.3%	2.4%	3.7%	3.3%
Other income	0.0%	0.0%	0.1%	0.1%	0.1%
Earnings before interest & taxes (EBIT)	10.2%	7.5%	10%	12%	4.3%
Interest expense	1.5%	1%	0.5%	0.5%	1.2%
Profit Before Tax	8.8%	6.5%	9.3%	8.4%	2.3%
Corporate Income Tax	1.1%	1.4%	2.0%	1.5%	0.2%
Profit After Tax	7.7%	5.1%	7.3%	6.9%	2.1%

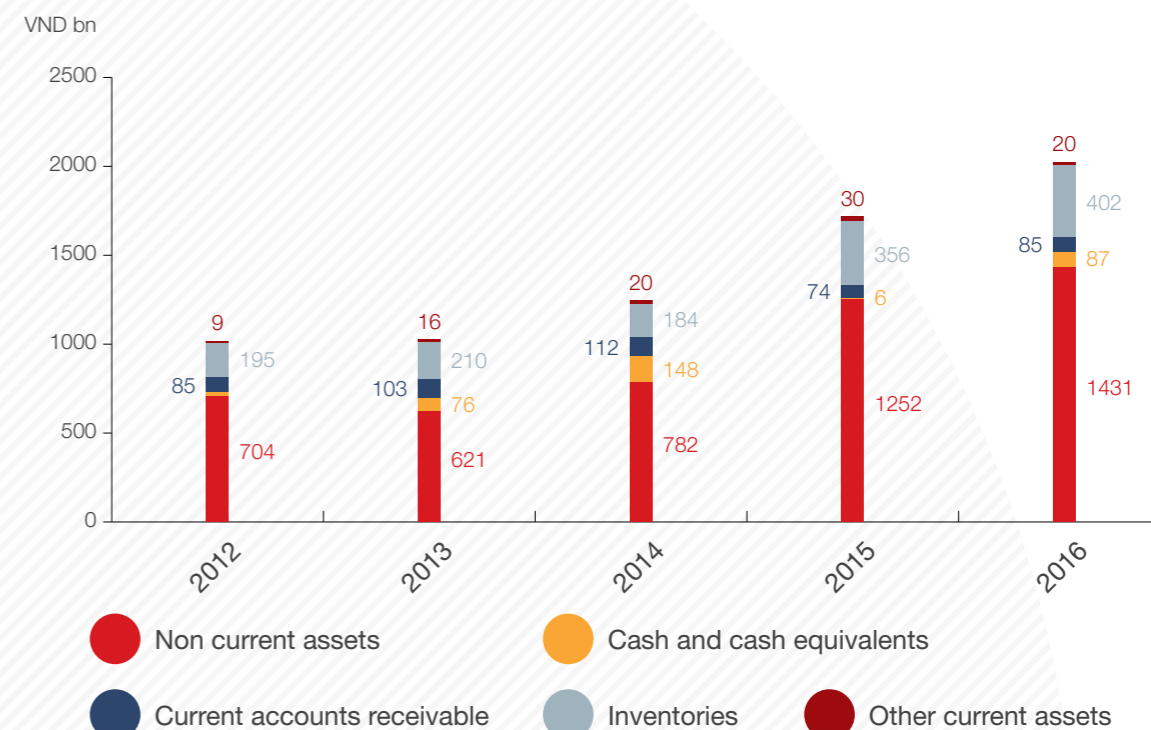
Gross profit decreased sharply, just achieved 9% (in 2016) as compared to 18% (in 2015) because cost of goods sold increased but selling price did not increase accordingly.

## 7. DEBT PAYING ABILITY

	2012	2013	2014	2015	2016
Debt-to-equity ratio	0.67	0.57	0.35	1.18	1.50
Interest coverage ratio	6.25	7.89	19.23	24.39	3.55

- Debt-to-equity ratio increased from 1.18x (in 2015) to 1.50x (in 2016) because the Company incurred medium and long-term loan for Trang Bang Factory – the fourth phase.
- Interest coverage ratio (EBIT/interest expense) sharply declined from 24.39 times (in 2015) to 3.55x (in 2016) because the business performance was not as favourable as the last year.

## 8. ANALYSIS OF ASSETS STRUCTURE

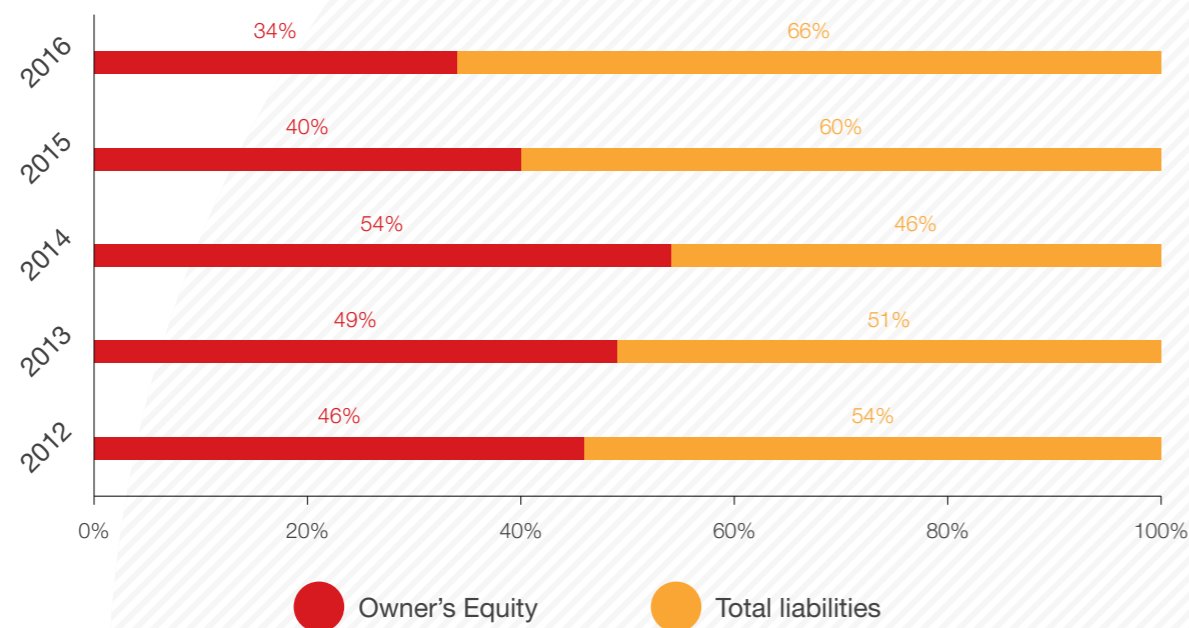


In 2016, STK invested in Trang Bang Factory – the fourth phase leading to an increase in total asset by 14% to VND 2,025 billion as compared to VND 1,719 billion (in 2015).

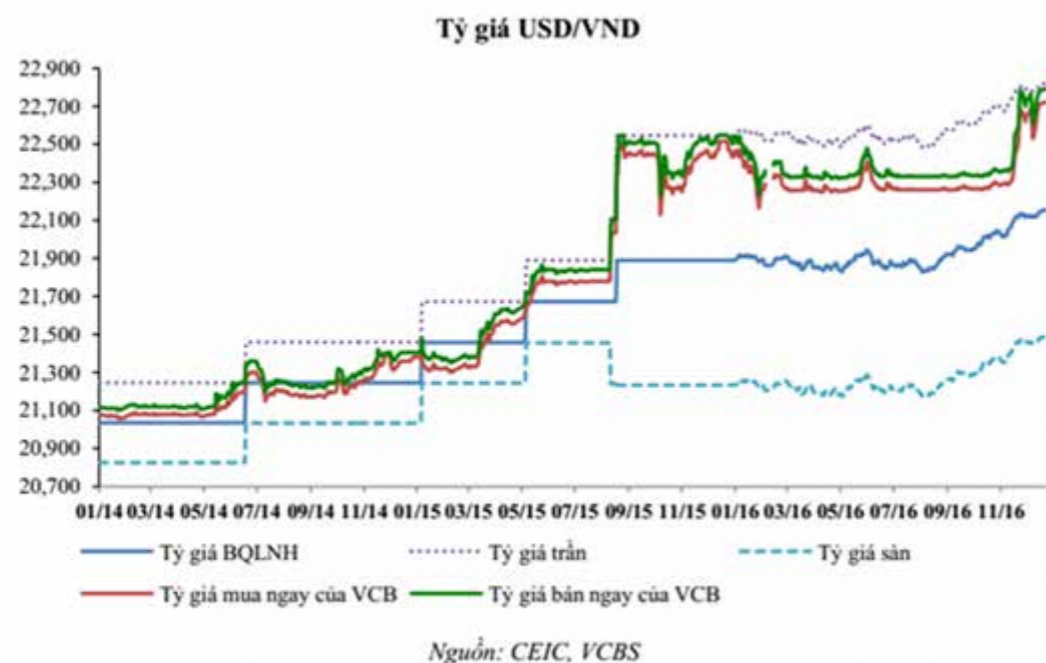
	2012	2013	2014	2015	2016
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	2.4%	7.4%	11.9%	0.4%	4.3%
Current accounts receivable	8.3%	9.9%	9.0%	4.3%	4.2%
Inventories	19.1%	20.5%	14.7%	20.7%	19.9%
Other current assets	0.9%	1.6%	1.6%	1.7%	1.0%
<b>CURRENT ASSETS</b>	<b>30.7%</b>	<b>39.4%</b>	<b>37.2%</b>	<b>27.1%</b>	<b>29%</b>
<b>NON CURRENT ASSETS</b>					
Long -term receivables	0.1%	0.1%	0.0%	0.0%	0.0%
Fixed assets	64.9%	56.3%	59.8%	68.2%	66.7%
Long-term investments	0.0%	0.0%	0.0%	2.3%	2.0%
Other long-term assets	4.3%	4.2%	3.0%	2.4%	2.0%
<b>NON CURRENT ASSETS</b>	<b>69.3%</b>	<b>60.6%</b>	<b>62.8%</b>	<b>72.9%</b>	<b>71%</b>
<b>TOTAL ASSETS</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## 9. ANALYSIS OF CAPITAL STRUCTURE

The total liabilities increased from 60% (in 2015) to 66% (in 2016) because STK incurred a long-term loan to finance Trang Bang Factory – the fourth phase.

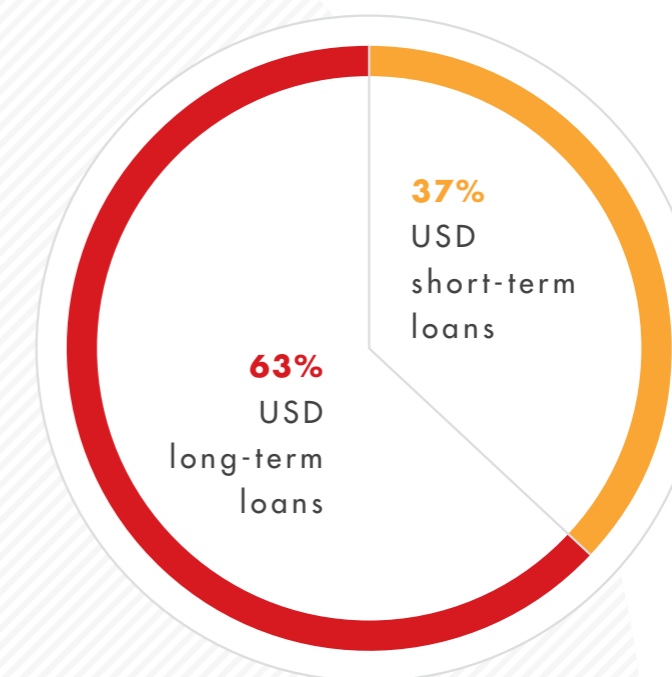


## 10. ANALYSIS OF IMPACT OF EXCHANGE RATE



In 2016, the exchange rate USD/VND as at 31 December 2016 was VND 22,800, an increased of VND 280 as compared to VND 22,540 at 31 December 2015.

### STK'S LOANS STRUCTURE



	Change in exchange rate	Impact on EBT (VND billion)
This year USD	+1.2%	<b>-10.1</b>
Previous year USD	+5.3%	<b>-30.8</b>

	FY 2016 (VND bn.)	FY 2015 (VND bn.)	FY 2016 vs. FY2015 (%)
<b>Financial incomes</b>			
Interest income	0.65	0.7	-7.1%
Realized foreign exchange gains	0.18	13.1	-98.6%
<b>Financial expenses</b>			
Unrealized foreign exchange losses	10.09	30.8	-67.2%
Realized foreign exchange losses	3.06	17.0	-82.0%
Interest expense	16.37	5.1	221.0%

## PLAN FOR PROFIT DISTRIBUTION IN 2016

### BONUS, WELFARE FUND

Year	Beginning balance	Provisioning	Expenditure	Ending balance
2010	186,284,408	4,700,686,009	4,013,463,946	873,506,471
2011	873,506,471	4,949,560,426	(1,644,902,207)	7,467,969,104
2012	7,467,969,104	4,800,000,000	4,490,362,674	7,777,606,430
2013	7,777,606,430	4,380,000,000	9,488,936,508	2,668,669,922

Note: Annually, STK paid the bonus for Company's staff at the rate 6% of EBT. Since the fiscal year 2014, after BOD promulgated the financial rules, STK has treated bonus and welfare fund as operating costs. Therefore, STK will no longer deduct this fund from Profit After Tax.

### EARNING DISTRIBUTION

KPIs	2016 Distributed rate	Amount in VND
Profit after tax	186,284,408	71,320,629,019
2015 Dividend Payment	5% by cash	23,267,917,500
	10% by share	46,535,835,000
Undistributed Income		1,516,876,519





# SHAREHOLDERS STRUCTURE

## I. SHAREHOLDERS STRUCTURE: 352 SHAREHOLDERS

(AS AT 03/02/2017)

1. NUMBER OF LISTED SHARES: 53,516,024 shares.

### 2. SHAREHOLDERS STRUCTURE

Type of investors	Number of shares	Number of shares can be transferred	Proportion (%)
<b>I. Inside shareholders</b>	<b>16,776,369</b>	<b>16,776,369</b>	<b>31.35%</b>
1. BOD and management team	16,668,325	16,668,325	31.15%
2. Supervisor Committee	108,044	108,044	0.20%
3. Chief Accountant			
4. Authorized spoke person			
<b>II. Treasury shares</b>			
<b>III. Other shareholders</b>	<b>36,739,655</b>	<b>36,739,655</b>	<b>68.65%</b>
1. Domestic	30,371,317	30,371,317	56.75%
1.1 Individuals	18,109,806	18,109,806	33.84%
1.2 Organizations	12,261,511	12,261,511	22.91%
In which: state-owned shareholders			
2. Foreign	6,368,338	6,368,338	11.90%
2.1 Individuals	21,254	21,254	0.04%
2.2 Organizations	6,347,084	6,347,084	11.86%
<b>Total</b>	<b>53,516,024</b>	<b>53,516,024</b>	<b>100.00%</b>

### 3. MAJOR SHAREHOLDERS (as at 03/02/2017)

Name of shareholders	Type of ownership	Nationality	Number of shares	Proportion (%)
Huong Viet Investment Consultant Corporation	Organization	VN	10,788,763	20.16%
Dang Trieu Hoa	Individual	VN	7,439,994	13.90%
Dang My Linh	Individual	VN	4,564,436	8.53%
Dang Huong Cuong	Individual	VN	4,564,436	8.53%
VietNam Holding Limited	Organization	Cayman Islands	4,041,502	7.55%
<b>Total</b>			<b>31,399,131</b>	<b>58.67%</b>

4. ISSUING SHARES RESULTS: 6,980,189 shares.

The ex-rights date to shareholder: 02/06/2016. Listing day of additional shares: 15/07/2016.

The total shares which have voting rights: 53,516,024 shares.

## II. STOCK TRANSACTIONS OF INSIDE SHAREHOLDERS, MAJOR SHAREHOLDERS

### 1. STOCK TRANSACTIONS OF MAJOR SHAREHOLDERS IN 2016

Investors	Date of transaction	Type of investors	Stock ownership before transaction	Stock ownership after transaction	Reason of change
Vietnam Holding Limited	07/01/2016	Major shareholders	3,736,425	3,636,425	Sell 100,000 shares to restructure the portfolio.

### 2. STOCK TRANSACTION OF INSIDE SHAREHOLDERS IN 2016

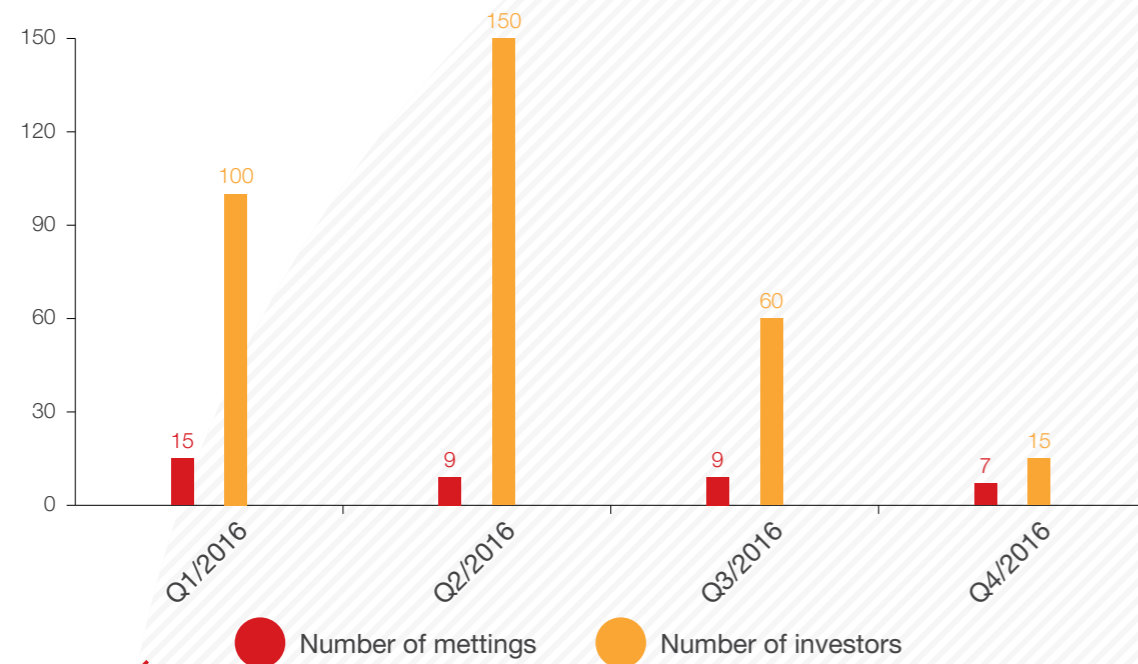
Investors	Type of investors	Stock ownership as at 01/01/2016	Stock ownership as at 31/12/2016	Reason of change
Nguyen Tu Luc	Chief Supervision Committee	54,810	45,000	Sales of shares to restructure the portfolio. Received 7,149 shares as dividend and bonus shares

## III. INVESTOR RELATION IN 2016

STK's Investor Relation Department met over 325 individual investors, brokerage firms, financial institutions, local and international financial investing funds (as at 31/12/2016).



## NUMBER OF COMPANY'S MEETINGS



## EVENTS PARTICIPATION

- **Vietnam Access Day** hosted by VietCapital Securities (26/3).
- **Meeting Individual Investors** at HCM Securities (15/4).
- **Promoting STK Stocks Seminar** hosted by HCM Securities (06/5).
- Welcoming group of investors from Thailand **VVI** visiting Company's factories (22/7).

## AWARDS

### Granted by HOSE:

- Achieving "Top Ten Annual Report" Award.
- Achieving "Remarkably Progressive Annual Report" Award.
- Achieving "Top Ten Sustainable Development Report" Award.

### Granted by VCCI:

- Achieving "Top Hundred Sustainable Development Businesses in Vietnam" Award.

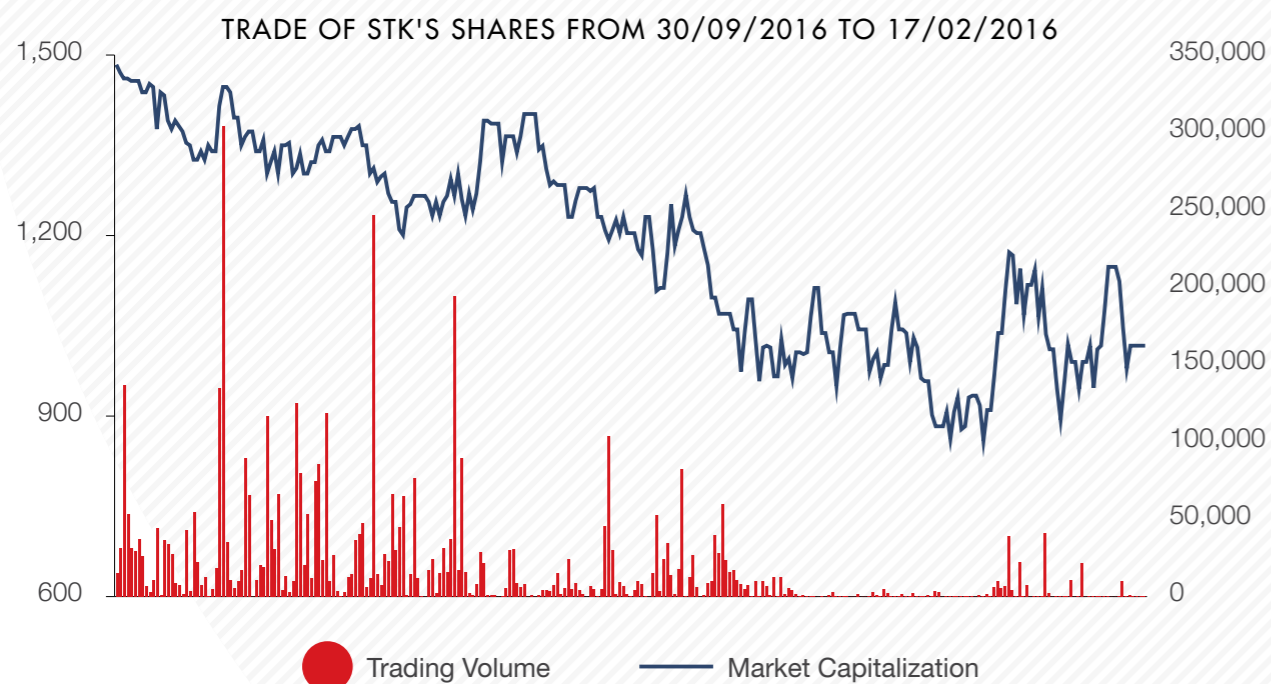
Number of information disclosure in 2016 (as at 31/12/2016): 49 times.

Number of warnings and violation: 0 times.

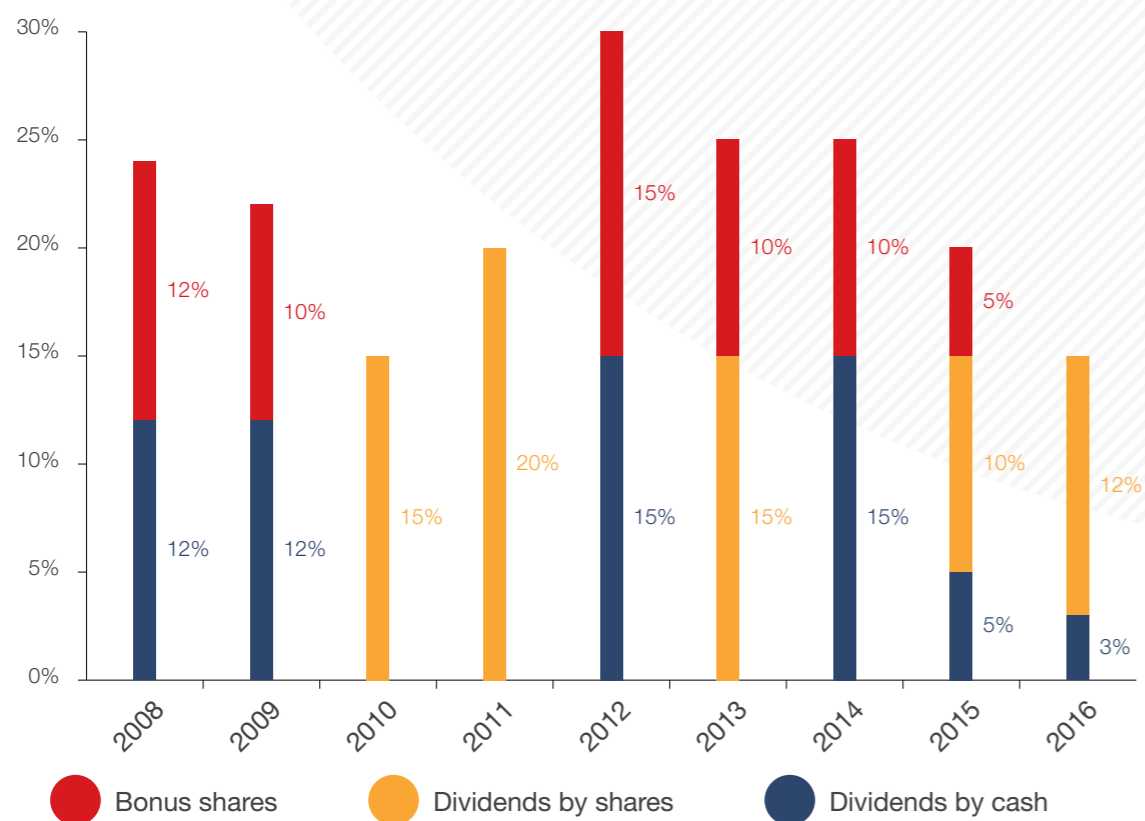
Number of STK's IR bulletin published (as at 31/12/2016): 4 issues.



## STK'S PRICE PERFORMANCE FROM THE LISTED DATE 30/09/2015 TO 31/12/2016.



### HISTORICAL DIVIDEND PAYMENTS



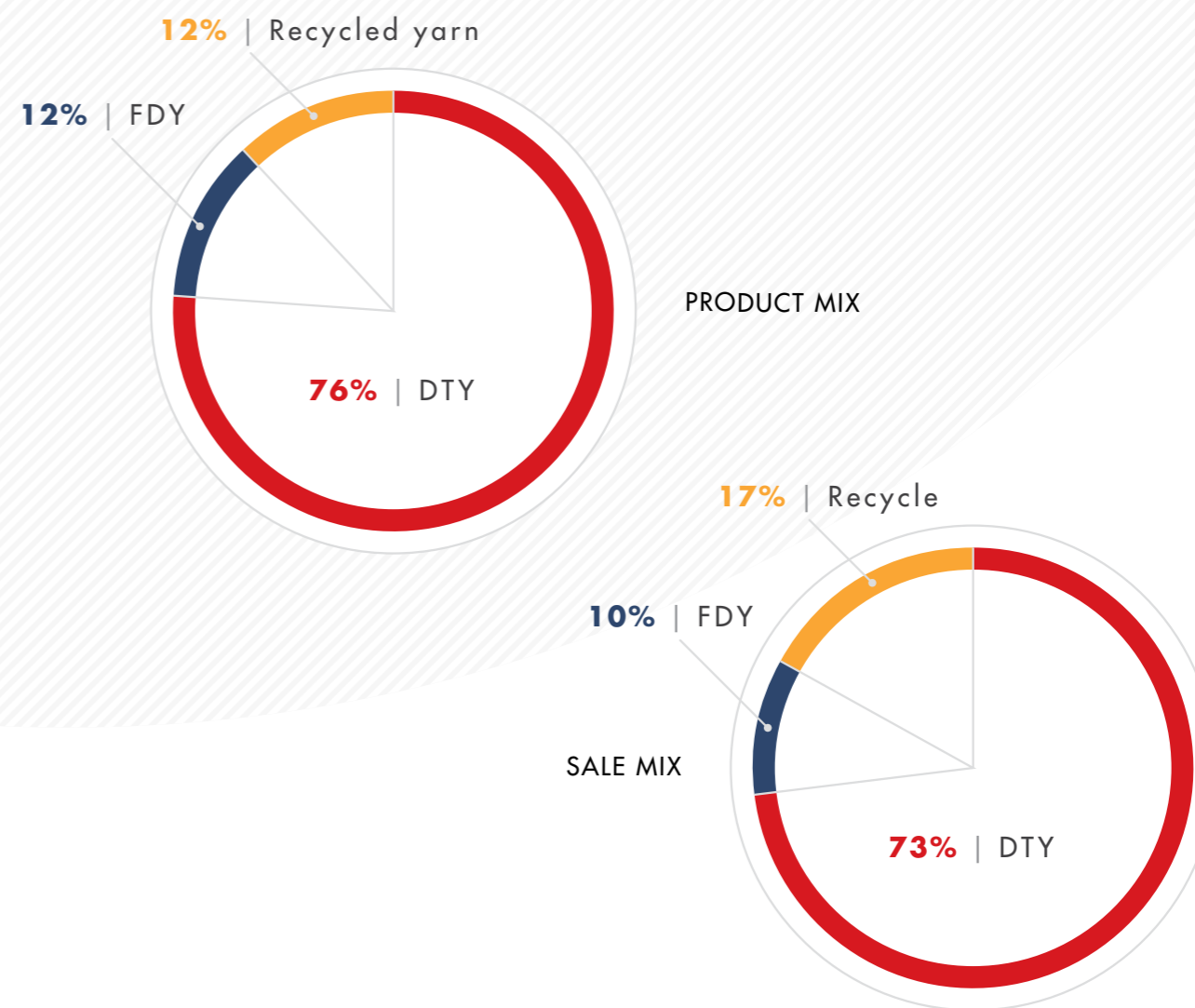
Note: Dividend was paid by previous year profit (dividend paid in 2016 was financed by profit of fiscal year of 2015).

## BUSINESS PLAN FOR 2017

### 1. BUSINESS PLAN FOR 2017

KPIs	Actual FY2016	Plan FY2017	Growth 2017/2016 (%)
1. Volume (tons)	41,217	55,800	35%
2. Net Sales (VND billion)	1,358	1,915	41%
3. Profit before tax (VND billion)	30.7	91.7	199%
4. CIT (VND billion)	0.4	4.6	119%
5. Net profit after tax (VND billion)	28.6	87.1	205%

### 2. ASSUMPTIONS UNDERLYING 2017 BUDGET



## NET SALES

Targeted revenue for 2017 is VND 1,915 bn, an increase of 41% as compared to 2016 (Recycled yarn accounts for 17% in total revenue), average selling price is 1.51 USD, an increase of 4.1%<sup>(2)</sup> as compared to 2016. In which, the proportion of local market and export sales is 44% and 56%..

Sale volumes and selling price forecasts are based on the following assumptions:

- Although the US withdrew from TPP, Vietnam - EU Free Trade Agreement (FTA) has been completing the legal side in order to make it come into force in 2018. This means that in the last 6 months of 2017, there will have many activities for preparations of the EU market. This is an opportunity of textile and apparel industry to welcome new investment flows into Vietnam, making an increase of demand for yarns in domestic market in 2017.
- In addition, the Company has also further developed its product's portfolio: quick dry yarn, cationic dyeable yarn ("CD"), bright yarn in order to meet the diversified demands of local and international customers. In 2017, the Company will continuously expand the markets such as: Korea and Japan, aiming to achieve stable order flow and stable product quality.
- In 2017, the commodity price will recover as the world economy is expected to improve as compared to 2016. Therefore, the selling price is expected to rise. In addition, functional yarns with higher selling price than normal yarns will also raise the Company's average selling price.

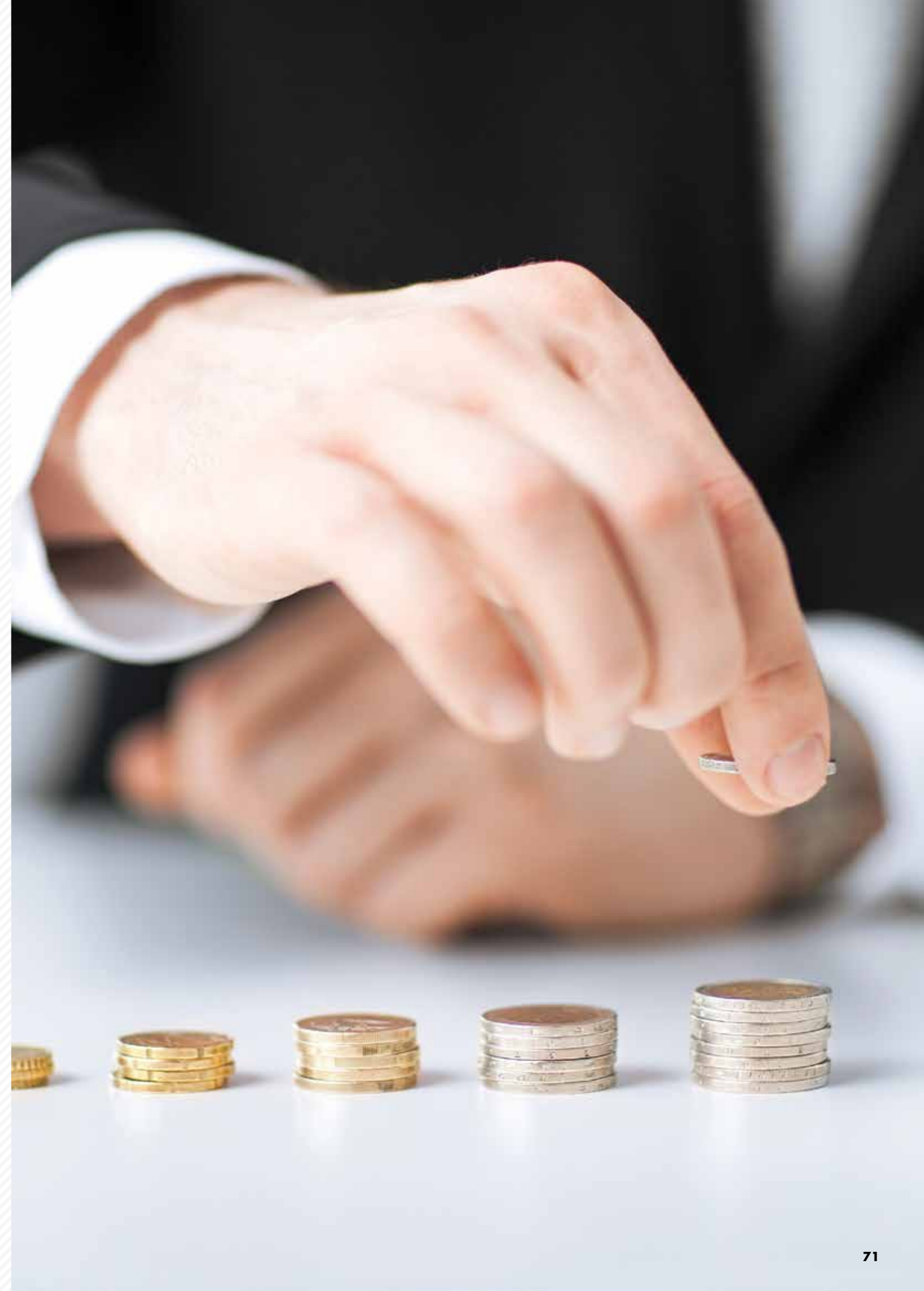
## PROFIT AFTER TAXES

Some production costs are assumed to increase in 2017, PET chip price increases by 5,5%, while electricity unit price increases by 3% and the average staff's salary will increase by 5%.

Interest expenses will increase by VND 7,6 bn. as compared to 2016, due to fully recognition of interest expenses of TB3,4 project and forecasted increase in LIBOR.

- Trang Bang –phase 3: interest rate of 2%/year + 0.937% 3 month LIBOR (LIBOR is expected to increase by 0,25% in June 2017 and 0,25% in December 2017). It is expected that the interest rate will reach 2%/year + 1,44% 3 month LIBOR at the end of the year 2017.
- Trang Bang –phase 4: interest rate of 1.65%/year + 0.937% 3 month LIBOR (LIBOR is expected to increase by 0.25% in June 2017 and 0.25% in December 2017). It is expected that the interest rate will reach 1.65%/year + 1.44% 3 month LIBOR at the end of the year 2017.
- The provisioning for the unrealized exchange rate losses: The exchange rate is expected to increase 2 times in 2017, the first increase of 1% at 30/06/2017 as compared to 31/12/2016 and the second increase of 1% at 31/12/2017 as compared to 30/06/2017.
- The exchange rate is expected to increase by 2% due to the change of the new economic policies promulgated by newly elected President and the surging demand for US dollars.

<sup>(2)</sup> The average selling price increases from VND 32,954 to VND 34,312.



### 3. HIGHLIGHTED ACTION PLAN IN 2017

#### SALES

- **Markets:** The sales team continues to expand the local customer bases and restructures export customer portfolio, then continues to explore markets requiring premium quality such as Thailand, Korea, Japan, whereby taking Century's advantage regarding quality and services and preferential tariffs treatment offered by FTAs with Vietnam such as Korea (the import tariff will reduce from 8% to 0%) in order to raise the sale volume in such markets in 2017. In addition, STK will continue to push sales in Japan market, at the same time, through Japanese trading companies, step by step further explore Mexico market. The two markets Korea and Japan are expected to offset the reduction of the orders from Turkish market in 2017.
- **Products:** for existing products, STK will improve and stabilize the quality in order to enhance the Company's competitiveness as compared to other rivals and to bring added value for STK. Besides that, the Company will diversify products by using its state-of-art technology which follow the market's trend and targeting the high added value product segments such as: recycled yarn, color yarn, dope dyed mélange and fancy yarn, high stretched yarn, CD yarn.
- **Collect customers' database:** The sales team continues to follow the existing customers, and their capacity expansion and products development. The sales team also collects the information about new customers who are setting new textile mills in Vietnam. The team aggressively introduces new products for customers as well as follow up customer's new samples testing process in order to boost the orders received.

#### PRODUCTION

- To continue to restructure the organization in the way that each production stage is the revenue center in order to improve quality and effective operation of every production unit.
- To continue making improvements based on LEAN production method.
- To recruit more foreign technical experts (regarding POY, DTY and FDY production) in order to transfer technical expertise the production team to enhance the quality of human resources.
- To develop new products: full dull, bright yarn, highly stretched yarn ("HCR"), Dope Dyed Melange yarn, Dope Dyed Fancy yarn, quick dry yarn..

#### PLANNING PRODUCTION

- To continue production plan in order to serve the Company's production and business.
- To continue to train staffs on the new technology of new products: Recycled yarns, Bright Yarns, Full dull in order to be capable in arranging appropriate plans to ensure timely shipment to customers.

#### PURCHASING

- To maintain purchasing schedule based on quarterly forecasts of demand and to find substitute products and new suppliers.
- To maintain assessment of direct suppliers at their factories in order to assess the actual capacity of every supplier of every product to maximize product quality.
- To cooperate with factory and warehouse teams in purchasing, importing – exporting tasks in order to make timely orders, especially to minimize over-aged inventories.

#### IT

- To develop website with modern and user-friendly interface, in both English and Vietnamese languages.  
→ To continue to further develop interface, content, website accessing speed.
- To complete document preparation and internal evaluation stages regarding ISO 27001 on information security.  
→ To maintain and improve the existing procedures which are based on ISO existing procedures, frequently check, evaluate the department compliance to ensure the procedures are always done correctly.
- The installation of the central control system POC in configuration Trang Bang 1,2,3 Factories has been completed.  
→ **Plan for 2017:** after completing POC in POY factory, the IT team will deploy POC for DTY factory.

#### ACCOUNTING – FINANCE

- To maintain the balance between cash inflow and outflow.
- To prepare the application dossier for preferential CIT treatment for POY products in Trang Bang project.
- To control and support the functional units in achieving treatment the quality goal and production cost reduction in order to enhance the competitiveness of products.

#### HUMAN RESOURCE

- To add respecting products program and common mistakes in production process to the training programs in order to minimize errors caused by newcomers.
- To complete adoption of the SAP application for timekeepings, calculation and recording of payrolls, social insurances, accident insurances, and preparation of labor contract appendices, reports and the staff evaluation on SAP.

# CORPORATE GOVERNANCE REPORT

## 1. INFORMATION OF CORPORATE GOVERNANCE

List and ownership proportion of BOD, SC, and Board of Management's shares

Full name	Position	Ownership	Percentage (%)
<b>MEMBER OF BOD</b>			
Dang Trieu Hoa	Chairman cum Managing Director	7,439,994	13.90%
Dang My Linh	Member	4,564,436	8.53%
Dang Huong Cuong	Member	4,564,436	8.53%
Cao Thi Que Anh	Member		
Lee Chien Kuan	Member		
Thai Tuan Chi	Member		
<b>SUPERVISION COMMITTEE</b>			
Nguyen Tu Luc	Chief	44,400	0.08%
Le Anh Tuan	Member	63,644	0.12%
Nguyen Thi Ngoc Linh	Member		
<b>BOARD OF MANAGEMENT</b>			
Lu Yen Kun	Production and Technology Director	63,250	0.12%
Nguyen Phuong Chi	Chief Strategy Officer		
Phan Nhu Bich	CFO	36,209	0.07%

## 2. ACTIVITIES OF BOARD OF DIRECTORS

### ASSESSMENT OF BOD'S ACTIVITIES

- The BOD has complied with the Enterprise Law and Company's charter. The BOD has carried out its functions, including strategy development, setting business direction, supervising the activities of Managing Director and Management Board.
- The composition of BOD was in accordance with Circular 121 whereby 3 out of 6 BOD members were independent ones.
- The BOD's meetings were convened and conducted in accordance with the Company's charter. The minutes, Regulations, and decisions of BOD were passed based on the consensus of its members, are kept in accordance with regulations.

## BOD MEETINGS

In 2016, BOD has conducted 05 face-to-face meetings and 14 meetings via mailing form to solve matters belonging to the BOD's functions and authority. BOD has issued 23 Minutes and 21 Resolutions. The minutes and resolutions of the BOD were sufficiently sent to BOD members and BOS members. In the BOD's meetings, the Board of Supervision and Board of Management were invited to discuss about strategy, business orientation and direction.

Attendance ratio of BOD's members (Term 2013 – 2018) until 31 December 2016

Board of Directors	Title	Attendance	Ratio	Notes
Dang Trieu Hoa	Chairman	19/19	100%	
Dang My Linh	Member	19/19	100%	
Dang Huong Cuong	Member	19/19	100%	
Cao Thi Que Anh	Independent member	19/19	100%	
Lee Chien Kuan	Independent member	19/19	100%	
Thai Tuan Chi	Independent member	18/19	95%	Reason: Conflicting Business schedule

Contents and results of BOD meetings

Sessions	Resolutions
<b>Quarter 1-2016</b>	
14/01/2016	Resolution No. 01-2016/NQHĐQT, approving the plan for organisation of 2016 AGSM.
18/01/2016	Resolution No. 02-2016/NQHĐQT, approving 2016 business plan as submitted by the Board of Management.
08/03/2016	Resolution No. 03-2016/NQHĐQT, approving the sales agreements with Lien An Trading and Investment Joint Stock Company. Resolution No. 04-2016/NQHĐQT, approving the sales agreements with P.A.N Asia.
09/03/2016	Resolution No. 05-2016/NQHĐQT, approving the report of the Board of Management on 2015 business results, proposals on dividend policy for fiscal year 2015 and plan for organization of 2016 AGSM.
15/03/2016	Resolution No. 06-2016/NQHĐQT approving the adjusted business plan for fiscal year 2016 as submitted by the Board of Management.

Sessions	Resolutions
<b>Quarter 2/2016</b>	
04/04/2016	Resolution No. 07-2016/NQHĐQT, approving the proposal to pay dividend in cash for fiscal year 2015 (5% over par value).
25/04/2016	Resolution No. 08-2016/NQHĐQT, approving the proposal to pay dividend in share and to increase the chartered capital using shareholders' capital.
01/05/2016	Resolution No. 08A-2016/NQHĐQT, approving VND150 billion credit limit offered by Joint Stock Commercial Bank for Industry and Trade (Vietinbank).
13/05/2016	Resolution No. 09-2016/NQHĐQT, approving the Rules on Information Disclosure Procedures (the updated version).
18/05/2016	Resolution No. 10-2016/NQHĐQT, approving the selection of Ernst & Young Vietnam as an independent auditor for the fiscal year 2016.  Resolution No. 11-2016/NQHĐQT, approving shareholder's list for share issuance to pay dividend and to raise chartered capital using shareholders' capital.
07/06/2016	Resolution No. 12-2016/NQHĐQT, approving results of the issuance to pay dividend and to raise chartered capital using shareholders' capital and the amendment to Article 5 of the Company's Charter.
<b>Quarter 3/2016</b>	
25/07/2016	Resolution No. 13-2016/NQHĐQT, approving VND250 billion credit limit offered by Vietnam Export and Import Bank (Eximbank).
26/08/2016	Resolution No. 14-2016/NQHĐQT, approving the amendment to Business Registration Certificate of the Company's Branch at Trang Bang Industrial Zone, Tay Ninh Province.
<b>Quarter 4/2016</b>	
05/10/2016	Resolution No. 14A-2016/NQHĐQT, approving VND200 billion credit limit offered by Commercial Joint Stock Bank for Foreign Trade of Vietnam (Vietcombank).
26/10/2016	Resolution No.15-2016/NQHĐQT, approving the appointment of Mr. Phan Nhu Bich as Finance Director of the Company.
25/11/2016	Resolution No.15A-2016/NQHĐQT, approving VND350 billion credit limit offered by Joint Stock Commercial Bank for Industry and Trade (Vietinbank).
22/11/2016	Resolution No.15B-2016/NQHĐQT, approving VND30 billion credit limit offered by Vietnam Export and Import Bank (Eximbank).
29/11/2016	Resolution No.15C-2016/NQHĐQT, approving the adjustment to the schedule of Trang Bang Project- phase 3.
28/12/2016	Resolution No.15D-2016/NQHĐQT, approving the maintenance of USD5 million credit line from ChinaTrust Bank.

## THE IMPLEMENTATION OF AGSM 2016'S RESOLUTIONS

Resolutions being implemented: The Company fully implemented 2016 distribution of profit plan. In particular, the Company paid dividends in cash by 5% and in shares by 10% and increased the shareholders' capital from the owner's equity by 5%.

## THE IMPLEMENTATION OF AGSM 2016'S RESOLUTIONS

Basically, BOD has fully implemented the AGSM 2016's approved resolutions.

**ACTIVITIES OF BOD'S NON-EXECUTIVE MEMBERS:** No.

## CERTIFICATE OF TRAINING ON CORPORATE GOVERNANCE

4 (out of 6) BOD members and 3 (out of 3) BOS members 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** – Chief of SC
6. **Le Anh Tuan** – SC member
7. **Nguyen Thi Ngoc Linh** – SC member

## 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 2016, STK has updated the Company Prospectus, promulgated Information Disclosure process, Corporate Governance Rules. The Company also updated its Charter regarding chartered capital in accordance with business certificate No. 15 dated 15 June 2016.

## REVIEW OF BODS ON THE ACTIVITIES OF THE BOARD OF MANAGEMENT

- The Boards of Management has carried out its tasks in accordance with the Resolutions of the AGSM 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.
- Due to the difficulties and challenges of the market in 2016, the Board of Management (the "BOM") commented that the BOM tried to push the Company's staffs to focus on business and production, research new products and expand sales channels to new markets in Korea, Japan. However, the BOD requested that the BOM should focus on improvement of internal business administration.
- The Company failed to achieve 2016 business plan. In 2017, the BOD requested that the BOM should set specific strategies for sales, restructure the markets, the proportion of Recycled yarns, product quality improvement in order to lower production cost and enhance the Company's competitiveness.
- The Board of Management with 3 members, including Managing Director, Chief Strategy Officer in charge of investors relationship and strategy development and Production and Technology Director in charge of manufacturing, research and development. 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 2016, the Director of the BOM should support the Managing Director to complete the organizational structure and operating procedures of the business units under their responsibility.
- 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.

## THE BOARD OF DIRECTORS' PLAN AND ORIENTATION

- Continuing to supervise and direct the activities of the BOM in order to achieve 2017 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

## RAISING CAPITAL PLAN FOR YARN/KNITTING/DYEING UNITEX CORP

In 2017, the Company will cooperate with foreign partner to implement the following projects:

- **Color Yarn Project:** The total expected investment is USD 10 million, in which the proportion of equity and debt financing is 34% and 66% respectively. STK's ownership percentage is 36%. This project is built on the Company's existing advantage of technology and technical management. The project's objective is to create added-value for the Company and to satisfy the demand for color yarn of large branded customers' requirements in international markets to cut the dyeing activities in order to reduce water usage and environmental pollution.
- **Air-covering yarn Project:** Through its subsidiary Unitex, the Company will cooperate with foreign strategic partner (an American corporation). This project uses Recycled yarn as the source of material which is produced and provided by STK, the project will be implemented in 2017. The contribution plan is discussed by the parties. remuneration subcommittee);

## WORKING SCHEDULE OF THE BOD IN 2017

- Quarterly meeting of Q4/2016: the first week of Feb 2017.
- Meeting to discuss the convention and agenda of the ASGM 2017: early March 2017 (after getting the audited financial statements).
- Quarterly meeting of Q1/2017: the last week of April 2017.
- Quarterly meeting of Q2/2017: the last week of July 2017.
- Quarterly meeting of Q3/2017: the last week of October 2017.

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.

## TRANSACTIONS, REMUNERATIONS AND BENEFITS OF BOD, BOS AND BOM

Board of Directors	Title	Remuneration and bonus (excluded income tax)
<b>MEMBER OF BOD</b>		
Dang Trieu Hoa	Chairman cum Managing Director	90,000,000
Dang My Linh	BOD member	90,000,000
Dang Huong Cuong	BOD member	90,000,000
Cao Thi Que Anh	BOD member	90,000,000
Lee Chien Kuan	BOD member	90,000,000
Thai Tuan Chi	BOD member	90,000,000
<b>SUPERVISION COMMITTEE</b>		
Nguyen Tu Luc	Chief of SC	32,000,000
Le Anh Tuan	Member	32,000,000
Nguyen Thi Ngoc Linh	Member	32,000,000
<b>TOTAL</b>		<b>636,000,000</b>

### Salary and bonus of the Board of Management

Total before-tax income & social insurance from salary and bonus of the BOM in 2016 was **VND4,545,155,066**.



## SUPERVISING ACTIVITIES OF THE BOARD OF MANAGEMENT

The BODs approved important decisions relating to STK's operation and commanded the Managing Director to organize Annual Shareholder Meeting, pay dividends, implement public offering.

The SC has inspected and supervised the BOD's and the BOM's compliance to regulations and supervision and administration of the Company's operation. At the same time, reviewed the legality and the BOD's and the BOM's procedures related to issued resolutions.

## REPORT ON CHANGE IN CHARTERED CAPITAL IN THE FISCAL YEAR 2016

Issuing of shares to pay dividend and increase the shareholders' capital from the owner's capital

On 28 March 2016, the AGSM passed Resolution NO 02-2016/NQ-ĐHĐCĐ/TK, which approved issuance of shares to pay dividend and increase the shareholders' capital from the owner's capital as follows:

- **Issuing of shares to pay dividends:**

Number of shares: **46,535,835**  
 Number of shares to be paid dividends: **4,653,505**  
 Total value of new issued shares: **46,535,835**  
 At rate of **10%**

- **Issuing of shares to increase the shareholders' capital from the owner's capital:**

Number of issued shares: **23,266,840**  
 Number of new shares to be issued: **2,326,684**  
 Total value of new issued shares: **23,266,840**  
 At rate of **05%**

The BOD hereby report to shareholders the result of share issuance, which was completed on 07 June 2016 as follows:

Total shares before issuing: **46,535,835**  
 Number of issued shares: **6,980,189**  
 Number of shareholders to receive new shares: **346**

**Settlement of odd lot shares:** number of new shares to be issued would be rounded down. The odd shares (if any) will be cancelled.

Total number of issued shares as at 07 June 2016 was **53,516,024**.

The Company's chartered capital after issuing is **VND535,160,240,000**.

## PREVENTION OF INTEREST CONFLICT AND TRANSACTIONS WITH RELATED PARTIES

### 1. PREVENTION OF INTEREST CONFLICT

Members of the BOD, Supervision Committee, BOM, and other managers ("Managers") must comply with the Article 33 of STK's charter regarding transparency and must avoid the interest conflict 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 organizations.
2. Managers have obligations to disclose to BOD all benefits, which they can get from other economic institutions, transactions or other individuals and which may conflict to Company's interest.
3. The Company should not offer loans or guarantee to Managers and their related persons or related institutions 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 institutions, 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.
  - 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.

### 2. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES DURING THE YEAR WERE AS FOLLOWS

Related Parties	Relationship	Type	Value by VND
Unitex Corp.	Related party	Joint-venture	-
P.A.N Pacific Co., Ltd	Related party	Sales of goods	98,856,751,422 (including VAT)
Lien An Trading & Investment JSC.	Related party	Sales of goods	4,065,122,685 (including VAT)

Note: the BOD passed resolutions to approve these transactions.

# SUPERVISION COMMITTEE REPORT

## 1. REPORT OF SUPERVISION COMMITTEE IN 2016 – THE FOURTH YEAR OF TENURE II FROM 2013 TO 2018

The working program of the SC in 2016 is set after AGSM, the SC conducts the meeting to build the working plan for the next year, which assigns the tasks for each SC's member, holds minimum 03 meetings during the year in accordance with Company's Charter and Century Synthetic Corporation activities as below

Content	Day of meeting	Detailed content	Results
<b>Meeting 1:</b> - "To set up Building the working plan for the SC in the fourth year of tenure II from 2013 to 2018 and to assign the tasks for each SC's member. SC discusses the number of meetings in the year."	28/3/2016	<b>Members' assignment:</b> <ul style="list-style-type: none"> <li>• Mr. Nguyen Tu Luc (Chief of SC): Management Accounting – Finance and Investment.</li> <li>• Mr. Le Anh Tuan: Business activities.</li> <li>• Ms. Nguyen Thi Ngoc Linh: Investor Relation, human resource and employment.</li> </ul> <b>Discuss about SC meeting schedule:</b> 3 times/ year.	
<b>Meeting 2:</b> - "Evaluation of performance in first 6 months of 2016".	27/7/2016	<b>Business performance in first half 2016:</b> <ul style="list-style-type: none"> <li>• Volume: 19,998,465 kg</li> <li>• Sale revenues: VND 663,513,224,834</li> <li>• Profit After Tax: VND 32,122,950,058</li> </ul>	<b>Opinion regarding the first 6 months performance:</b> 3/3 agreed

Content	Day of meeting	Detailed content	Results
<b>Meeting 3:</b> - "Evaluation of performance in the first 09 months, estimated actual results of FY2016 and the business target for 2017". - "Progress of Trang Bang Factory – the fourth phase, the anti-dumping lawsuit in Turkey market". - "Progress of Functional yarns joint venture project".	26/10/2016	<b>Business performance in first 09 months 2016 and Estimated results of FY2016.:</b> <ul style="list-style-type: none"> <li>• First 09 months 2016:                             <ul style="list-style-type: none"> <li>- Volume: 29,383,150 kg</li> <li>- Sales revenues: VND 970,570,278,915</li> <li>- Profit After Tax: VND 39,183,683,706</li> </ul> </li> <li>• Estimated FY2016:                             <ul style="list-style-type: none"> <li>- Volume: 41,341,498 kg</li> <li>- Net revenues: VND 1,362,801,428,081</li> <li>- Profit After Tax: VND 25,194,325,744</li> </ul> </li> <li>• 2017 Business target:                             <ul style="list-style-type: none"> <li>- Volume: 55,800,000 kg</li> <li>- Net revenues: VND 1,362,801,428,081</li> <li>- Profit After Tax: VND 25,194,325,744</li> </ul> </li> </ul> <b>Progress of Trang Bang Factory – the fourth phase:</b> By 30/9/2016, the Company signed the contract of factory construction, and purchase of machines & equipment with the total values of 1.89 USD million (accounted for 95.2% of the budget – 12.5 USD million). Update on preferential CIT for Trang Bang project, the anti-dumping lawsuit in Turkey market, the progress of Functional yarns joint venture project were presented in the meeting at 26/10/2016 by the BOD.	<b>Opinion regarding first 09 months performance, whole year 2016 and estimated results:</b> 3/3 agreed  <b>Opinion regarding 2017 business target:</b> 3/3 agreed  <b>Opinion regarding Trang Bang Factory-Phase 4:</b> 3/3 agreed  <b>Opinion regarding issues presented by the BOD in the meeting at 26/10/2016:</b> 3/3 agreed

## 2. EVALUATION OF BUSINESS OPERATION AND FINANCIAL PERFORMANCE OF STK

### 2.1 FINANCIAL RESULTS

KPIs	Budget 2016	Actual 2016	Actual / Budget	
			(3) = (2) - (1)	2/1
(a)	(1)	(2)	(3) = (2) - (1)	2/1
Sale volumes DTY, FDY (Ton)	45,176	41,217	-3,959	91%
Revenues (VND billion)	1,645	1,358	-287	83%
Profit After Tax (VND billion)	127.1	28.6	-98.5	23%

### 2.2 FINANCIAL PERFORMANCE

Supervision Committee totally agreed with audited financial report for FY2016 by Ernst&Young Ltd. (Vietnam) with a general conclusion that the audited financial report reflects truly and fairly the Company's financial standings and performance as follows:

Revenues	VND 1,358,284,815,225
Cost of good solds	VND 1,229,541,663,657
Profit after tax	VND 30,668,262,118
Of which:	
Operating profit	VND 29,417,560,775
Other incomes	VND 1,250,701,343
Profit after tax	VND 28,599,093,117
Earnings per share (EPS)	VND 534

Some financial ratios (as at 31/12/2016) which show the Company's financial standing and business results in general are presented as the table follows:

KPIs	Unit	As at 31/12/2016	As at 31/12/2015
<b>Assets structure</b>			
Current assets/Total assets	%	29.3%	27.1%
Non-current assets/Total assets	%	70.7%	72.9%
<b>Capital Structure</b>			
Liabilities/Total capital	%	65.7%	60%
Owner's equity/Total capital	%	34.3%	40%
Debt/Owner's equity	Lần	1.50	1.18
<b>Liquid ratios</b>			
Current ratio (current assets/current liabilities)	Lần	0.88	1.16
Quick ratio (current assets – inventory – other current assets/current liabilities)	Lần	0.28	0.28
<b>Profit Ratios</b>			
After-tax profit / revenue (ROS)	%	2.1%	6.9%
After-tax profit / total assets (ROA)	%	1.4%	4.1%
After-tax profit / share capital (ROE)	%	4.1%	10.3%

Through the financial indicators above, 3 primary ones are:

- Current ratio is 0.88 times < 1, reflecting the short-term paying ability is not good because the short-term assets is not enough to pay for the short-term debts.
- Profit after tax/owner's equity ratio is 4.11%
- Earnings per share (EPS) is VND534.

## 3. IMPLEMENTATION OF THE AGSM'S RESOLUTIONS

To implement Trang Bang Factory-The Fourth Phase (progress, capital drawdown), to choose auditing company, to pay dividend (date, rate of payment), to issue bonus shares in order to increase chartered capital from owners' equity.

### 3.1 TRANG BANG FACTORY – THE FOURTH PHASE

The Company signed the contract of factory construction, and purchase of machines & equipment with the total values of 11.89 USD million (accounted for 95.2% of the budget – 12.5 USD million and expected to put the machines into operation in Quarter 1-2017).

### 3.2 AUDITING COMPANY

Unanimously choosing Ernst&Young Ltd.

### 3.3 PROFIT DISTRIBUTION

Based on 2016's AGSM resolutions, the management team made profit distribution from the profit after tax of VND71,320,629,019 as follows:

- 2016 dividend by cash (at the rate of 5% nominal value): VND 23,267,917,500.
- 2016 dividend by share (at the rate of 10% chartered capital): VND 46,535,835,000.
- Undistributed earnings: VND 1,516,876,519.

### 3.4 DIVIDEND AND BONUS SHARES

STK executed in 2016:

- At the rate of 5% chartered capital in cash from the profit distribution in 2015: (VND 23,267,917,500).
- At the rate of 10% chartered capital in share to increase the share capital from the owner's equity (4,653,505 shares).
- At the rate of 10% chartered capital in bonus share to increase the share capital from the owner's equity (2,326,684 shares).
- On 15/7/2016, these additional shares were listed on HOSE. The charter capital is VND 535,160,240,000.

## 4. SUPERVISING ACTIVITIES OF BOD

- During its course of operation, the Supervision Committee did not record any irregularities of BOD's member, the management team, the Company's departments. The BOD and the management team complied with the law and the Company's charter.
- Members of the Supervision Committee were invited to attend all the meetings of BODs.
- In term of management activities of the Company, the SC evaluated that the Company complied with the prevailing accounting rules and standards. Supervision Committee did not receive any claims of shareholders about violation of any BOD members, SC members and management team.
- Supervision Committee received BOD's reports and after discussions in SC meetings, SC totally agreed with BOD's reports.

## 5. BOD'S RESOLUTION

Conducted to change Business Certificate Number 15th edition on 15 June 2016 by HCM Department of Investment and Planning, increasing chartered capital to VND 535,160,240,000.

## 6. REMUNERATION FOR SUPERVISION COMMITTEE

According to 2016 AGSM's Resolutions, the remuneration for Supervision Committee is VND 96,000,000, every member actually received VND 32,000,000. Total amount of money paid is VND 96,000,000 in accordance with AGSM's Resolutions.

## 7. SUPERVISION COMMITTEE'S SUGGESTION

The Supervision Committee had no opinions and suggestions, because STK is properly managed according to the current prevailing regulations, the Supervision Committee considered that there were no problems during its course of supervision.

# SUSTAINABLE DEVELOPMENT REPORT

## MESSAGE ON SUSTAINABLE DEVELOPMENT

Dear Esteemed Shareholders, Customers, Partners and Stakeholders,

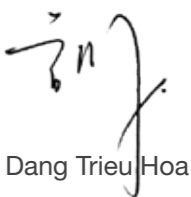
Sustainable Development Strategy of Century Synthetic Fiber Corporation ("STK") is to balance economic growth with social growth and environmental protection in order to ensure the Company's long-term growth. Besides the goal of economic development such as capital preservation and growth of profitability, STK also sets up the social development goals related to people and communities and protects the environment in order to improve the environment and prevent the exhaustion of the resources.

Therefore, the business operation of STK always adheres to the following principles:

- Encourage the compliance with ethical rules and best practices;
- Provide a safe working environment, health care and promotion opportunities for the employees;
- Encourage cultural diversity and equality in the workplace;
- To reduce the negative impacts on the environment;
- Create the development opportunities for local economy, society and communities.

2016 was a difficult year for fiber industry, in general, and STK, in particular. However, STK is still steadfast to its sustainable development model. Continuing our efforts in building up good cooperate governance and environmentally friendly production, in 2016, we have made some progress in improving our code of conducts, establishing the foundation for risk management and establishment of internal audit and remuneration and promotion subcommittees under the Board of Directors, and especially launching recycled yarn to the market. We firmly believe that, with all employees' great efforts together with stakeholders' active supports, STK will continue to achieve stable growth in the future.

Chairman



Dang Trieu Hoa



# 2016 SUSTAINABLE DEVELOPMENT REPORT

## OVERVIEW

Textile industry always plays an important role in Vietnam's economy. Being one of the sectors which contributed most to GDP, creating jobs for millions of employees, the textile industry always received the government's attention and facilitation/encouragement for its development. As a part of the global supply chain, Vietnam is strongly affected by the relocation of global supply chain under the impact of FTAs. During the period 2014-2015, there was strong FDI investment flow on textile industry to take advantage of FTAs, raising concerns over potential risks of environmental pollution. In addition, as a labour intensive sector, textile industry is also subject to attention of consumers and government authorities regarding its liability to employees.

Being a yarn producer, as a part of in the textile supply chain, STK always focuses on sustainable development strategy. The Company sets out targets on economic growth but does not forget its obligations toward the society, community and environment. In addition, the Company always ensures the balance between its operations with the benefit of its stakeholders.

2016 is the second year for which STK prepared sustainable development report. The report was aimed to provide assessment on the Company's implementation of sustainable development plan in order to achieve its sustainable development objectives in year 2016 and the plan for year 2017.

The STK sustainability report is constructed based on the Global Reporting Initiative's standard, version G4.

**Reporting period:** The report was prepared for the fiscal year 2016 from the date 01/01/2016 and ending 31/12/2016.

**Reporting cycle:** Annually performed.

**Contact address (if any question):**

📍 Address: Road No 8, Trang Bang Industrial Zone, Tay Ninh Province, Vietnam.

✉ Email: [ir@century.vn](mailto:ir@century.vn)

☎ Telephone: (+84.66) 389 9537 (Ext: 113)

**Report's scope and boundary:** The report is made in Vietnam regarding activities of Century Synthetic Fiber Corporation in the synthetic fiber industry.



## IMPROVEMENTS IN 2016 SUSTAINABLE DEVELOPMENT REPORT

Having learned from experiences in preparation of 2015 sustainable development report, the Company made the following improvements to this year report:

1. Addition of details on how to seek advices and inputs from stakeholders;
2. Addition of details on important risks and remedy solutions;
3. Provision of information regarding the efforts to set up subcommittees under the Board of Directors;
4. Detailed description on the Company's management system (human resource, reporting system, control on reporting effectiveness, accident remedies) regarding important issues such as working safety, environment, quality of products.
5. Addition of details on material usage and energy.
6. Calculation of carbon footprint.
7. Information about training hours per employee per year.

## 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.

## CODE OF CONDUCT WITH STAKEHOLDERS

### FOR SHAREHOLDERS

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 customers' 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, 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 with their competitors.

### FOR COMPETITORS

STK aims to improve the image and position of the Company in the industry, compete fairly on the high quality product and reasonable price. The Company always adheres to the following principle 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

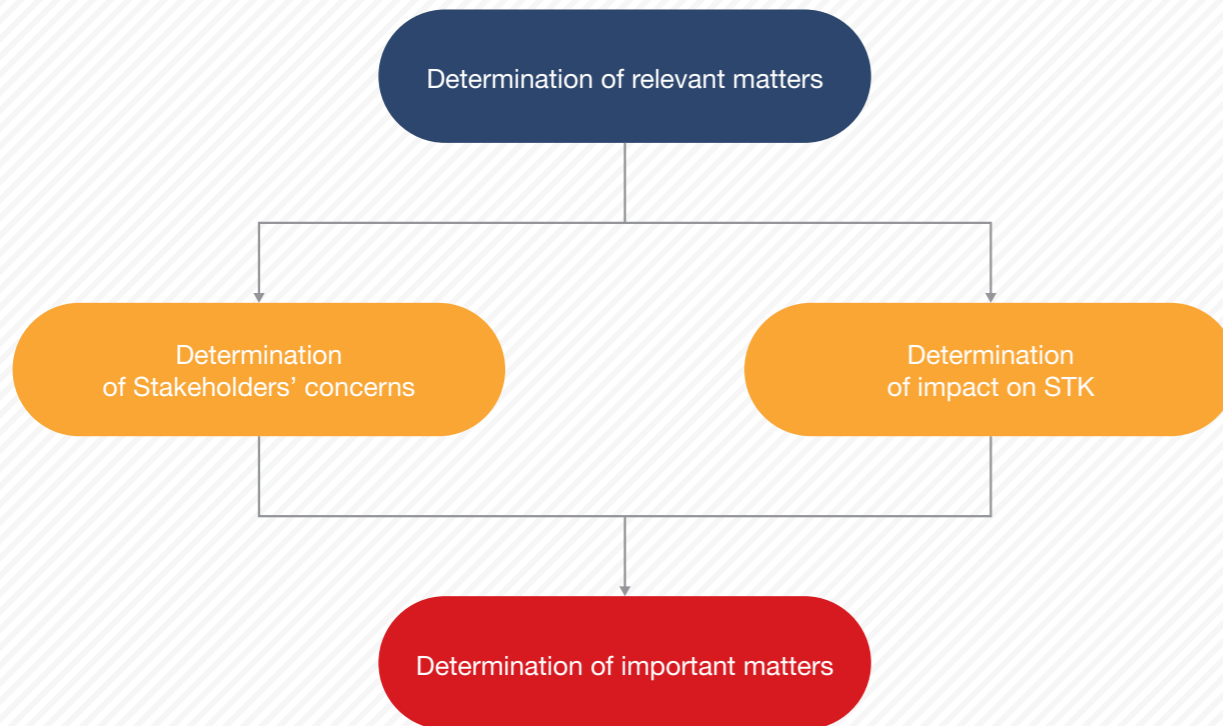
- The Company complies with the law and the constitution of Viet Nam.
- Do not take negative approaches to gain privileges and special benefits from the government, state agencies.
- Fulfill tax obligations and contribute to local budgets in accordance with prevailing regulations.

### 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 feedback, providing information on media. Other departments are not allowed to contact or answer any questions related to the Company.

In 2016, the Company has made some improvements in the Code of Conduct for its practical application. Based on basic principles, the Company provided a detailed guideline to determine whether one person violated the Code of Conduct or not, and at the same time set up a mechanism for compliance, improvement and feedback on issues related to the Code of Conduct.

## METHODS OF DETERMINING THE REPORT CONTENT



### CONTEXT FOR STK'S SUSTAINABLE DEVELOPMENT

The world economy continued to endure a very volatile year in 2016 with many risks and uncertainties. In the context that the US economy did not have much good news, the European economy has not recovered yet, Chinese economy has been slowing down, while emerging economies has been showing the sign of deceleration, consumption has been slowing down, and global trade flows became stagnant, making the world economy's prospect become less optimistic.

Due to the decline in global demand for goods while some textile and garment orders were shifted to Lao, Banglades, Cambodia, which were granted favorable tariff treatment related to its export to USA and Europe under Generalized Systems of Preferences ("GSP"), the Brexit (i.e. the UK separation movement from the EU), in 2016 Vietnam's textile and garment sector recorded the lowest growth rate in the decade. In 2016, Vietnam's textile and garment export only reached USD 23.8 billions, rising by 4.5% as compared to previous year, but failing to reach the target which was set at USD 31 billions at the beginning of the year and then was adjusted down to USD 29 billions.

For the fiber industry, in 2016 Vietnam's fiber export reached USD2.9 billion, rising by 15.4%. However, export of polyester fiber declined by 20% in 2016 because of the weak demand, highly competitive market and the Turkish government's imposition of the anti-dumping on imported DTY from Vietnam.

Beside the decline in demand, more stringent requirements on quality by customers and big brand names put more pressure on Vietnamese textile companies. The consumer's awareness about responsible consumption to protect environment has been enhanced. Therefore, in order to meet this expectation, big brand names set very strict environmental protection policies. For example Nike, Adidas, Puma...have programs to make assessment on suppliers about green (environmental protection) indicators, set out targets on reduction in the usage of energy and clean water, CO<sub>2</sub> emission, using none toxic material, causing no pollution to environment, using recycled material, responsibility to employees and society. That expectation requires much of efforts of Vietnamese companies

The world has never paid such precedented attention to matters related to climate change and sustainable development as at today. At the United Nations' 2015 conference on climate change, COP21 in Paris from 30 November to 12 December 2015, 195 nations discussed and reached an agreement. On 5 October 2016, the Paris Climate Agreement reached the threshold for ratification to take legal effect on 4 November 2016. This is a first time one international treaty received such a strong participation and swift ratification which shows special support of international community to climate issues. Several main contents of the agreement include commitments to reduce emission, by switching from using fossil energy to using clean substitute energy sources, with an aim to develop a low emission economy, limiting global warming to well below 20°C from the level of pre-industrial revolution.

As a developing country, Vietnam is vulnerable, especially by climate change and raising sea level. Being aware of that, Vietnam has early ratified the United Nation's framework convention on climate change, Tokyo protocol and especially Paris climate agreement. In the context that Vietnam is participating in many trade agreements, increasing number of investment projects into Vietnam will pose the higher risk of environmental pollution. Recent serious cases of environmental pollution, particularly the case of Formosa Ha Tinh have raised alarm about importance of sustainable economic development. After this incident, Vietnamese authorities have been paying more attention on compliance of the procedure for appraisal and approval of the reports on environment impact assessment and environmental technical standards. Lesson from China which has to pay an expensive price to heavy environmental pollution due to hot development of the highly polluting industries such as steel, rubber, cement, electroplating, dying...is still there. Therefore, Vietnamese government tends to be more cautious in screening, choosing and monitoring projects and will not attract investments at any prices.

### THE CONSULTATION OF STAKEHOLDERS



Stakeholders	Approaches for interaction and feedback	Scope of consultation and expectation of stakeholders	STK's actions to meet the expectation from stakeholders
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>- Via annual general share-holders meetings, direct meetings with investors, conferences, factory visit programs, the Board of Management as well as the Investor relation department have opportunity to interact and discuss with shareholders thereby to understand the concerns of share-holders.</li> <li>- The Investor relation department is always available to discuss and address concerns of share-holders and investors by telephone and email.</li> </ul>	<ul style="list-style-type: none"> <li>- Information transparency.</li> <li>- Good corporate governance.</li> <li>- Business and financial efficiency.</li> <li>- Sustainable development and concerns on social and environmental affairs.</li> </ul>	<ul style="list-style-type: none"> <li>- Despite of market difficulty in 2016, the company still made efforts to expand new market, develop new customers, new products, increase revenue, maintain profitability to create platform for continuing development in the next years.</li> <li>- The Company strictly complies with regulations on public disclosure. Since its listing on Ho Chi Minh city stock exchange, the Company has not received any warning/punishment regarding violation related to public disclosure.</li> <li>- The Company keeps commitment to pay dividend at least 15% per year</li> <li>- The Company keeps improving its corporate governance. In 2016, the BOD researched, contacted with consulting firms to establish the foundation for the establishment of internal audit and remuneration and promotion subcommittees.</li> <li>- The Company is always aimed at sustainable development. In 2016, company was in the top 100 sustainable development businesses of Vietnam.</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>- The sales and quality assurance departments keep frequent interaction with customers (via meetings, visits to customers premises, email, telephone) to exchange information, to understand demand, expectation from customers on quality, service and price of products.</li> <li>- Regularly, the Company sends to customers questionnaire to collect feedbacks, opinions in order to improve quality of service, satisfying expectation of customers.</li> </ul>	<ul style="list-style-type: none"> <li>- Company's operation is stable, safe and trustworthy.</li> <li>- High quality of products and services.</li> <li>- Competitive prices.</li> <li>- Terms of contract.</li> <li>- Outstanding customer service.</li> <li>- Capacity of technology and operation.</li> <li>- Professionalism in providing service.</li> <li>- High value added products.</li> <li>- Safe products which do not contain toxic substances.</li> </ul>	<ul style="list-style-type: none"> <li>- The Company continued to develop high value added products. In the year 2016, the Company has launched recycled yarn, and in future the Company is going to develop new products, such as dope dyed yarn, hollow yarn, fast dry yarn, high stretch yarn, worth wool yarn....</li> <li>- The Company has been granted, by SGS a certification, confirming that products of the company conform to REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) on using toxic chemical material as stipulated by European Chemical Agency.</li> <li>- The Company has been received a certificate of Global Recycle Standard v3.0 (GRS) for producing recycled yarn. To achieve this certificate, STK complied with strict standards of environmental protection, occupational safety, human health and committed non use of toxic chemical materials.</li> <li>- The Company was highly appreciated by its domestic and international customers on its product quality and customer service, ranked equally to the world leading polyester filament yarn producers such as Nan Ya (Formosa), Lan Fa, Zig Sheng, Hengli, LeaLea, Far Eastern New Century.</li> </ul>

Stakeholders	Approaches for interaction and feedback	Scope of consultation and expectation of stakeholders	STK's actions to meet the expectation from stakeholders
<b>Employees</b>	<ul style="list-style-type: none"> <li>- Weekly, the Company usually conducts the vision and mission program as well as weekly meetings thereby its staffs can exchange information about the Company's operation and problems and the Company can understand the needs, thinking and aspiration of its employees.</li> <li>- Quarterly, the Company carries out periodical dialogue with its employees to share information and to foster better understanding between the employer and the employees to ensure democracy at working place. Annually, at the Employee Benefit Conference, the Company collects opinions from employees to improve regulations and policies, working environment and productivity.</li> <li>- In addition, the employees can address directly to his/her direct supervisors or to the Human Resources department the problems, obstacles, concerns related to his/her job in order to get advice.</li> <li>- Regularly or irregularly, the Company and employees carry out collective negotiation meeting to build up harmonious, stable and progressive relationship, to determine new labor condition in order to sign collective labor agreement, to solve problems in operation.</li> </ul>	<ul style="list-style-type: none"> <li>- Safe working environment, good occupational health.</li> <li>- High salary, bonus, welfare policy.</li> <li>- Opportunity to be trained, to improve skills.</li> <li>- Opportunity to be promoted.</li> <li>- Broad vision of leaders.</li> <li>- Fairness and democracy.</li> </ul>	<ul style="list-style-type: none"> <li>- The Company continues to improve working environment to satisfy employees via policies on salary, bonus, welfare, training, promotion.</li> <li>- The Company made commitments about democratic right, right to be fairly and respectfully treated to employees.</li> <li>- The Company ensures safe working environment and health care to employees.</li> <li>- In the year 2016, the Company has increased average salary for its employees from 8% to 17% depending on the positions. The number of employees who received salary increase and promotion to higher position was 23%. In addition, the Company has arranged 02 training courses on lean production for 60 managers and professional staffs who are responsible for training their department Each session lasted for 3 months.</li> </ul>



Stakeholders	Approaches for interaction and feedback	Scope of consultation and expectation of stakeholders	STK's actions to meet the expectation from stakeholders
<b>Rivals</b>	<ul style="list-style-type: none"> <li>- Based on our market surveys and reports provided by the government, domestic and international analysts, the Company makes analysis and assessment on strategy and perspective of its rivals.</li> </ul>	<ul style="list-style-type: none"> <li>- Fair and transparent competitive environment.</li> </ul>	<ul style="list-style-type: none"> <li>- The Company competes fairly on the basis of offering exceptionally high quality products at reasonable prices.</li> <li>- In the year 2016, the Company has actively shared information and cooperated with other companies in the sector regarding the anti dumping investigation in Turkey.</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>- Based on the Company's purchasing plans, its Purchasing department usually meets and interact with suppliers to reach agreements which are mutually benefitted to both parties.</li> <li>- The purchasing department and quality assurance department usually visit factories of suppliers to assess their technical capacity, exchange information regarding parties' requirements in order to cooperate and mutually develop.</li> </ul>	<ul style="list-style-type: none"> <li>- Prestige, long-term cooperation.</li> <li>- Cooperation whereby both parties are benefitted and can mutually develop.</li> <li>- To set up stable value chain.</li> </ul>	<ul style="list-style-type: none"> <li>- The Company cooperates with suppliers to develop together, enhance the quality of products and bring benefit for both parties.</li> </ul>
<b>The government</b>	<ul style="list-style-type: none"> <li>- Company makes frequent contacts with the authorities via meetings, response to inspection, reports, administrative documents.</li> </ul>	<ul style="list-style-type: none"> <li>- To comply with the laws and regulations.</li> <li>- To fulfill all requirements on certificates and licenses.</li> <li>- To help developing the local community.</li> </ul>	<ul style="list-style-type: none"> <li>- The Company always complies with the laws and has not committed any violations.</li> </ul>
<b>Banks</b>	<ul style="list-style-type: none"> <li>- The Company and its banks usually meet, exchange information, negotiate terms of contracts. The parties often discuss via email and telephone to solve any problems arising from the relationship.</li> </ul>	<ul style="list-style-type: none"> <li>- To have sustainable business and to be trustworthy.</li> <li>- To have transparency in corporate governance.</li> <li>- To be professional in financial management.</li> </ul>	<ul style="list-style-type: none"> <li>- The Company continuously improves its corporate governance.</li> <li>- The Company fulfills its obligations on principal repayment and interest payment on time.</li> </ul>

Stakeholders	Approaches for interaction and feedback	Scope of consultation and expectation of stakeholders	STK's actions to meet the expectation from stakeholders
<b>Local community</b>	<ul style="list-style-type: none"> <li>- Via meetings, exchanging correspondents with local association, and social activities, the Company can understand the concerns and expectations of the local community.</li> </ul>	<ul style="list-style-type: none"> <li>- To be responsible, to share and to join hand to develop local community.</li> </ul>	<ul style="list-style-type: none"> <li>- The Company always takes effort to develop local community, contribute to local economy by using many local services such as boarding house, security guard, lunch catering, uniform provision...</li> </ul>
<b>Industrial Association (VCOSA)</b>	<ul style="list-style-type: none"> <li>- Via forums, dialogues, exchanging correspondences and emails between the Company and the Industrial association, the parties can share problem and expectation of each party.</li> </ul>	<ul style="list-style-type: none"> <li>- To become an active member, sharing information and contributing to the industry's development.</li> </ul>	<ul style="list-style-type: none"> <li>- The Company is always available to cooperate with the Association and other industrial peers in developing synthetic industry and textile supply chain.</li> </ul>

**KEY TOPICS OF THE SUSTAINABILITY REPORT**

<b>1</b>	Product responsibilities;	<b>2</b>	Environmental responsibilities;
<b>3</b>	Responsibilities for employees;	<b>4</b>	Responsibilities for community- local region;

**REPORT ASSURANCE BY THIRD PARTY**

STK adheres to the principles of honesty, accuracy and transparency regarding the disclosure of the data in the reports. Besides, the following data on STK's operations have been assured by the third party to ensure the accuracy, reliability and comprehensiveness of the statistics:

- Information on waste treatment what was certified by the hazardous waste disposal companies.
- Information on energy saving what was certified by HCMC Energy Conservation Center.
- Information on the working environment indicators that has been certified by Consultancy Center of Occupational Safety Health and Environmental Technology.
- Financial information that has been audited by Ernst & Young.

# CONTENTS

## I. PRODUCT RESPONSIBILITY

With an aim to provide high quality products and outstanding customer services, STK has been investing in modern facilities, applying modern management practices, using high quality raw materials that are supplied by reputable manufactures, strictly complying with the rigorous regulation on use of hazardous substances, continuously improving quality of services.

### INVESTED IN MODERN FACILITIES

Having a business strategy which targets high-end segment, STK always focuses on investing in machineries and technology. Machineries and equipment are manufactured by Oerlikon Barmag, a leading European corporation. With the latest production technology, these machineries and equipment will ensure stable quality for finished products, energy-saving, environment protection and improve the product's price competitiveness.

In 2011, to improve transparency and increase efficiency of management and production, the Company has applied ERP system- SAP All-In-One. This system was fully operated since September 2013 that helps the Company to control all operations including production, sales, purchasing, human, finance, all the sources and costs effectively.

In 2015, the Company started to apply Plant Operation Center ("POC") system in production. POC has several modules such as recipe management, reports and statistic, quality management... With these applications, the Company can enhance production efficiency and product quality in order to achieve the customer satisfaction and increase the labor productivity for the Company.

### APPLIED MODERN MANAGEMENT PRACTICES

**ISO 9001- 2008:** To ensure conformity of all operations to the established procedures and industry standards.

**5S:** Organized a work space for safety, convenience, tidy and removing unnecessary items in order to increase work productivity, reduce wasted time. 5S is the foundation for applying other modern methods such as Kaizen and LEAN.

**Kaizen:** Constantly improve standard operating procedures to enhance the efficiency and product quality.

**LEAN production** is a systematic method which focuses on eliminating waste, maximizing resources, shortening production cycle and increasing the ability to meet the customer's technical specification.



All modern management practices are described in the standard operating procedures ("SOPs") for all stages of the Company's operations in order to ensure that quality control is implemented throughout the production process, starting from raw material purchase to the production of POY, DTY, FDY and warehouse management

### High quality and non-toxic product

STK's commitments to provide high quality products was proven by the professional operation process from the raw material to production management and product testing to evaluate quality and ensure the quality requirement as ordered.

Quality control is carried out by the following departments:

- Purchasing department is responsible to check and take over raw materials, identify and eliminate defect products prior to production, evaluate the quality of raw material during production to request the suppliers to fix the minor defects in order to ensure the stability of raw materials and product quality. Besides, the purchasing department has to ensure raw materials complied with Material Safety Data Sheet (MSDS).
- Production, Mechanical & Electrical and Maintenance departments are responsible for controlling the quality of work and product in production process in order to identify the errors and eliminate the substandard products.
- Quality control departments (QC) has 215 employees who will conduct 100% quality check for semi-finished product (POY) and finished product (DTY and FDY). Besides, QC is also responsible for controlling the technical specifications of the machines.

At the beginning of each year, the Company always set the quality performance indicators:

Production section	KPIs	2016 Performance	2016 Target	Increase/ decrease +/-	2017 Target
POY	Premium AF category	94.24%	96.42%	-2.18%	96.42%
	POY wasted yarn	1.26%	0.95%	0.31%	0.95%
DTY	Premium AA category	88.52%	91%	-2.48%	91%
	DTY wasted yarn	0.63%	0.68%	-0.05%	0.68%
FDY	Premium AA category	90.26%	95.50%	-5.24%	95.50%
	FDY wasted yarn	2.66%	1.50%	1.16%	1.50%

To follow up these targets, the Company will hold weekly meetings for departments to report on the quality performance. Monthly, all departments will report on their KPIs (including quality performance indicators), explain why they don't meet the target and how to solve the problems.

In 2016, the Company received a Testing report of SGS confirming that STK's products strictly complied with the use of hazardous substances as stipulated in REACH promulgated by the European Chemical Agency in order to protect human health and the environment from risk posed by chemical.

Besides, the Company also received a certificate of The Global Recycle Standard (GRS). This is a product standard for tracking and verifying the content of recycled materials in final product, while ensuring strict production requirement. To achieve this certificate, STK complied with strict standards of environmental protection, occupational safety, human health and committed not to use toxic chemical materials.

Another highlight in 2016 was the Company's introduction of "Improving staffs' awareness of their responsibility toward product quality" initiative into its training programs. During this program, the employees will be trained how to operate accurately, shown which behaviors are wrong as compared to SOP that affected to product quality. This is a practical training that helps developing employee's awareness and skills, thereby improving product quality and the prestige of the Company.



## CUSTOMER SERVICES

With the goals to serve customers, STK's staffs always try their best to satisfy customers' requirements. In the context of difficult market, the Company has made efforts to compete with the competitors through its excellent customer services. Not only does STK commits timely, accurate and sufficient shipment but STK also gives customers advice about product specifications to suit their needs. The staffs of Customer Service and Quality Control departments directly visit to customers's premises to evaluate the results of customers' usage of the Company's products and to make the yarn properties reports.

The Company usually conducts surveys, interviews about customer satisfaction. In 2016, the Company received 49 complaints, accounted for 2.91% in total orders. STK always try its best to flexibly, quickly and efficiently provide the solutions for customers.

Customer complaint statistics

2015	2016	Time for handling customer complaints				
		Do not solve the complaints	During 1 week	From 1 week to 1 month	From 1 month to 3 months	Over 3 months
0	0	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	13	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
35	28	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	8	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
0	0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
51	49	TOTAL				

## RESEARCH AND DEVELOPMENT OF NEW PRODUCTS

- With the efforts to improve product quality and introduce new products, the Company has successfully researched and produced recycled yarn to provide to the customers. The Company will continuously conduct R&D of high value added products such as color yarn (which will help reducing environment pollution by lowering water consumption and not using toxic chemical materials), hollow yarn, high stretch yarn, cationic dyeable yarn, dope dyed melange yarn, dope dyed fancy yarn...
- With vertical integration orientation the Company will coordinate with strategic partners in order to create a supply chain from Yarn-Textile and Dyeing, creating added-value for the Company.



Recycled yarn



Color yarn



High value added: hollow yarn, high stretch yarn, Cationic Dyeable, Dope Dyed Melange, Dope Dyed Fancy,...

## II. ENVIRONMENTAL RESPONSIBILITY

Environmental protection is one of STK's primary objectives. The Company always commits to comply with the regulations on environmental protection. In 2016, STK's Managing Director made a commitment to fully respect requirements on environmental polices under GRS – V3.0 standards regarding energy usage, water supply, water discharge, emission and management of waste. In addition, the Company also promulgated an Environmental Handbook in order to ensure the compliance of environmental management to the prevailing regulations and GRS standards.

### STK'S ENVIRONMENTAL PROTECTION POLICIES

- The objective to create environmentally friendly products, satisfying customers' requirements is the focal point in each business and manufacturing action and decision of the Company.
- To ensure that the Company's operations comply with environmental requirements of the laws and other regulations.
- 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.
- To provide resources, technology and equipment improvement, to conduct periodical energy audit, water resources, raw materials.
- To provide training to raise staffs' awareness about environmental protection and to communicate the Company's environmental policies to all staffs and stakeholders.

### 1. RAW MATERIAL

In order to ensure the stability and high quality of products, 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.

Material	Nation	2016 material consumption
Polyester Chip	Korean, Taiwan, Japan, China.	39,891 tons
Oil	Taiwan, Japan, Germany	886,664 kg
Paper tube	China, Vietnam, Taiwan	6,060,144 paper tubes
Carton box	Vietnam	1,161,427boxes
Other components	Germany, Taiwan, Switzerland, China.	

Since Quarter 3-2016, the Company has produced recycled yarn from recycled PET chip (PET chip was recycled from PET bottles). Total volume of recycled PET chip used in 2016 was 1,053 tons.

Efficient usage of raw material is shown through reduction of the proportion of wasted yarn. Annually, the Company always sets a norm for using raw-materials and the proportion of wasted yarn.

Besides, to reduce the consumption of POY paper tubes, the Purchasing Department and Quality Control Department has co-ordinated 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 depending on product specification.

In 2016, the Company paid environmental tax of VND 785,304,900 for imported oil.

## 2. ENERGY

Saving energy is one of major concerns at STK. The Company has made the following commitment in managing energy:

- 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:

	Unit	2014	2015	2016
<b>Energy consumption</b>	kwh	97,891,547	101,936,337	120,743,839
<b>Cost</b>	VND	132,740,938,349	149,846,415,390	180,878,603,661

In which, the energy consumption per kilogram of yarn as follows:

	Unit	2014	2015	2016
<b>POY</b>	kwh/kg	1.31	1.35	1.27
<b>DTY</b>	kwh/kg	1.98	2.08	1.89
<b>FDY</b>	kwh/kg	1.73	1.56	1.71

In 2016, the Company continued to implement some energy saving techniques in accordance with the 5 year-energy saving plan.

Improvement Solutions	Purpose	Result	Investment cost
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: 360kWh/day/2 machines. The rate of electricity consumption saving: 2.14% compared with the purpose of using. Saving cost: VND180,000,000 / year.	3,000,000,000
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: 198.2kWh/day. The rate of electricity consumption saving: 33%. Saving cost: VND98,000,000/year.	0
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: 1,800kWh/day. The rate of electricity consumption saving: 18%. Saving cost: VND 900,000,000/year.	800,000,000

Improvement Solutions	Purpose	Result	Investment cost
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.	0
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: VND851,148 / monthly.	0

Besides, the Company also carried out some PDCA to reduce energy consumption such as separating lighting systems at the transition areas and DTY factory, conducting site inspection to shut off the supply power immediately when the problem occurs during the production process in order to avoid the waste. M&E officers often monitor and warn other departments to save power. Thanks to PDCA implementation, the Company saved 75kwh/day, equivalent to 120.000 VND/day.

Evaluating the implementation of power saving solutions, the Company drawn some conclusions as follows: The Company's machineries and equipment are of the latest production technology so the energy saving power potential is not much. The Company did not meet the target on power saving in 2016 due to the difficult market which led to unstable orders, forcing the Company to turn machineries on and off frequently increasing the energy consumption. Besides, after assessing the power saving solutions set in the previous year, the consultant did not encourage the Company to implement those solutions at this time due to high investment cost and long payback period.

### Report on implementing power saving solutions in 2016

Solutions	Results	Reasons
Using inverter to control the water pump, AC cooling fans.	Unexecuted	Using inverter does not save electricity because the engines runs at a constant speed.
Using inverter to control Chiller.	Unexecuted	Because the Company bought chillers that were automatically controlled by inverter; therefore, the Company does not have to invest in buying inverters.
Replacing high pressure lamps with LED lights	The Company replaced 25/50 high pressure lamps by compact lights, saving 33,945 kwh/year	Because the cost of replacing LED light is high, the Company has just replaced 50% of high pressure lamps by compact lights. It's expected to continuously replace the remaining high pressure lamps in 2017.
Using compressed air appropriately.	Completed the installation of compressed air pipeline between Trang Bang 2 and Trang Bang 3 at the end of the year 2016, expected to officially put in operation and measure the results in 2017.	
Reducing air conditioning usage when environmental temperature drops below 27°C.	Unexecuted.	Because the environmental temperature is always higher than 27°C so that resolution can't be implemented.

### POWER-SAVING SOLUTIONS IN 2017

In 2017, the Company will implement some power-saving solutions as follows:

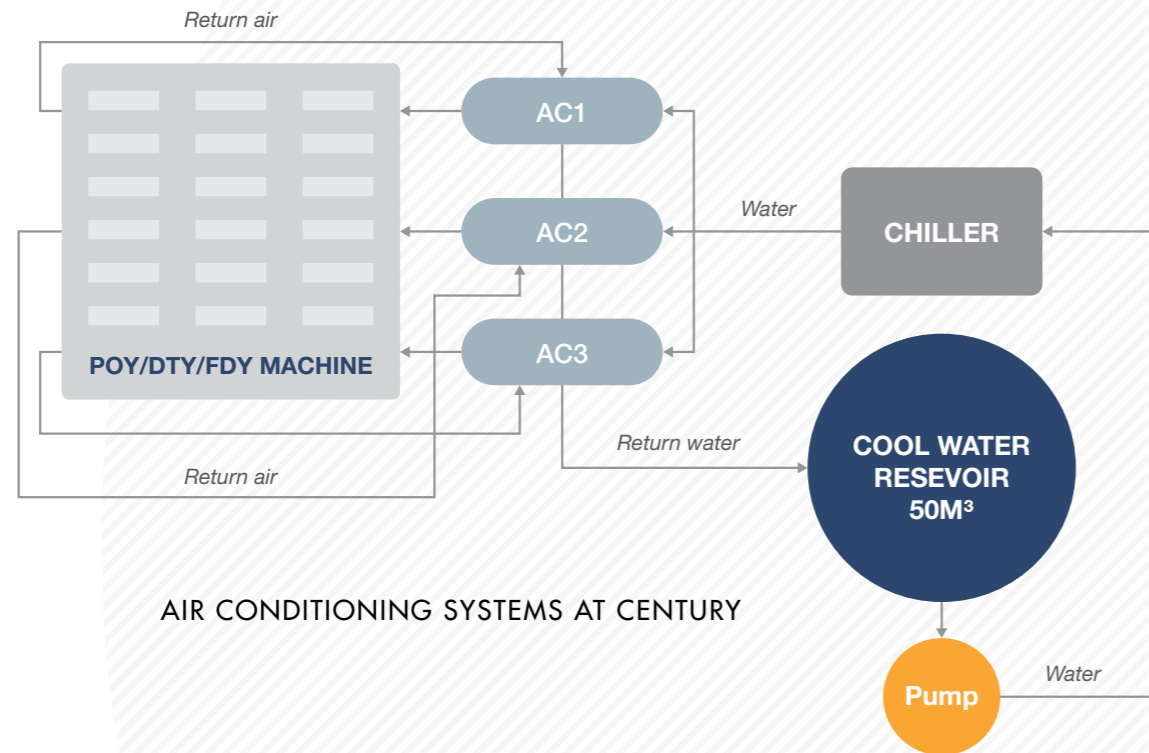
- Replacing high-pressure lamps with compact lights;
- Using compressed air appropriately.

### 3. WATER USAGE

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.

	Unit	2013	2014	2015	2016
<b>Water consumption</b>	m <sup>3</sup>	145,137	161,901	212,481	245,936
<b>Cost</b>	VND	859,030,058	1,095,366,084	1,643,732,100	1,964,344,600
<b>Rate</b>	m <sup>3</sup> /kg	0.003	0.003	0.004	0.003

In 2016, the water consumption decreased as compared to 2015. The reasons for this decrease were that the Company increased the production volume and strictly control the water consumption in each shift, minimized wasteful water loss.

In 2017, the Company will continue to implement the existing measures such as reuse of AC reservoirs water, reduction of the water usage for the compressor, and reduction of the water usage for the cooling system in order to save water.

### 4. GREENHOUSE GAS EMISSION

According to Oecotextiles' report in 2009 about "Carbon footprint of Textile and Apparel Industry", production of 60 million tons of fabric requires 1,074 million kWh of electricity (equivalent to 132 tons of charcoal) and 6-9 million litres of water. Given the scale of the Global Textile and Apparel Industry, the level of environmental impact is quite large.

During the production process, the Industry often uses a lot of toxic chemicals. Therefore, the risk of water pollution is very large. Furthermore, the CO<sub>2</sub> gas emission from textile production is not a small number. According to a data in 2016, each American citizen generated 19.8 tons of CO<sub>2</sub>, 1 ton of which is from apparel and textile product consumption.

Being aware of this, the Company has soon paid attention to the green growth, and focused on tackling the main issues such as: reduction in energy and fuel usage in production and business activities, investment in modern machines and equipment, applying the environmental management system according to ISO 14001 standard and cleaner production standard to minimize the negative impacts to the environment.

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.

In 2016, STK's carbon emission was calculated as follows:

	Consumption	The lower calorific value	Emission factor (EF)	Carbon emission <sup>(3)</sup>
<b>Electricity</b>	120,744 MWh/year		0.6612 <sup>(4)</sup> (tCO <sub>2</sub> e/MWh)	79,836 (tCO <sub>2</sub> e/year)
<b>In which, carbon emission per 1 kilogram of polyester filament yarn</b>				
POY	1.27 kwh/kg		0.6612 (tCO <sub>2</sub> e /MWh)	0.84x10 <sup>-3</sup> (tCO <sub>2</sub> e/kg)
DTY	1.89 kwh/kg		0.6612 (tCO <sub>2</sub> e /MWh)	1.25x10 <sup>-3</sup> (tCO <sub>2</sub> e/kg)
DFY	1.71 kwh/kg		0.6612 (tCO <sub>2</sub> e /MWh)	1.13x10 <sup>-3</sup> (tCO <sub>2</sub> e/kg)
<b>Diesel oil consumption for running forklift</b>	29.77 (t/year)	0.043 (TJ/t) <sup>(5)</sup>	74.1 (tCO <sub>2</sub> e/TJ) <sup>(6)</sup>	95 (tCO <sub>2</sub> e/year)

<sup>(3)</sup> The formulas for calculating carbon emission are as follows:

- For electricity: Carbon emission (tCO<sub>2</sub>e/year) = Total consumption (Mwh/year) \* EF (tCO<sub>2</sub>e/Mwh).

- For Diesel oil: Carbon emission (tCO<sub>2</sub>e/year) = Total consumption (t/year) \* EF (tCO<sub>2</sub>e/TJ) \* The lower calorific value (TJ/t).

<sup>(4)</sup> Emission factor (EF) applied for year 2014 that was announced by DNA Vietnam (under the Ministry of Natural Resources and Environment) in May 2016.

<sup>(5)</sup> The lower calorific value for Diesel oil waste taken from IPPC 2006 data sources.

<sup>(6)</sup> EF for Diesel oil was taken from IPPC 2006 data sources.

## 5. POLICIES AGAINST POLLUTION

The Company's measures to prevent environmental pollution 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

### a. Air monitoring items and results

AT THE ENTRANCE								
No.	Items	QCVN 05:2009/ BTNMT	QCVN 26:2010/ BTNMT	Unit	Results (2016)			
					Q1	Q2	Q3	Q4
<b>A CU CHI</b>								
1	Temperature	-		°C	30.5	30.5	30.8	31.5
2	Noise	-	70 <sup>(*)</sup>	dBA	62.1	61.5	65.9	66.4
3	Dust	0.3		mg/m <sup>3</sup>	0.18	0.15	0.22	0.23
4	NO <sub>2</sub>	0.2		mg/m <sup>3</sup>	0.074	0.056	0.069	0.07
5	SO <sub>2</sub>	0.35		mg/m <sup>3</sup>	0.065	0.06	0.06	0.061
6	CO	30		mg/m <sup>3</sup>	4.2	3.1	4.84	4.88
<b>B TRANG BANG 1, 2</b>								
1	Temperature	-		°C	29.8	30.5	31.6	31.9
2	Noise	-	70 <sup>(*)</sup>	dBA	63.9	62.1	64.5	65.8
3	Dust	0.3		mg/m <sup>3</sup>	0.16	0.18	0.24	0.26
4	NO <sub>2</sub>	0.2		mg/m <sup>3</sup>	0.055	0.074	0.071	0.077
5	SO <sub>2</sub>	0.35		mg/m <sup>3</sup>	0.064	0.065	0.069	0.064
6	CO	30		mg/m <sup>3</sup>	3.12	4.2	5.77	5.31
<b>C TRANG BANG 3</b>								
1	Temperature	-		°C	29.9	30.5	31.9	31.1
2	Noise	-	70 <sup>(*)</sup>	dBA	65.2	64.9	65.8	66.3
3	Dust	0.3		mg/m <sup>3</sup>	0.17	0.19	0.26	0.25
4	NO <sub>2</sub>	0.2		mg/m <sup>3</sup>	0.061	0.058	0.077	0.071
5	SO <sub>2</sub>	0.35		mg/m <sup>3</sup>	0.069	0.049	0.064	0.065
6	CO	30		mg/m <sup>3</sup>	3.5	4.87	5.31	5.77

→ The Air monitoring results at the entrance conformed to QCVN 05:2009/BTNMT and QCVN 26:2010/BTNMT.

No.	Items	TCVS 3733/2002/ QD-BYT	Units	Sample	PRODUCTION SECTOR						
					1Q2016		2Q2016		3Q2016		4Q2016
					N/m POY	N/m DTY	N/m POY	N/m DTY	N/m POY	N/m DTY	
<b>CU CHI</b>											
1	Temperature	≤32	°C	1	29.2	28.3	28.3	28.1	28.8	28.5	28.9
				2	29.1	29.7	28.8	29.1	28.2	28.8	29.1
2	Noise	≤85	dBA	1	82.3	84.2	83.9	84.4	84.1	84.2	83.1
				2	83.6	84.7	84.8	84.5	84.5	83.8	84.4
3	Dust	8	mg/m <sup>3</sup>	1	0.1	0.11	0.26	0.18	0.28	0.28	0.29
				2	0.12	0.14	0.19	0.22	0.32	0.27	0.33
4	NO <sub>2</sub>	10	mg/m <sup>3</sup>	1	0.16	0.093	0.185	0.108	0.102	0.101	0.138
				2	0.124	0.088	0.19	0.117	0.114	0.115	0.123
5	SO <sub>2</sub>	10	mg/m <sup>3</sup>	1	0.155	0.202	0.107	0.122	0.097	0.132	0.110
				2	0.168	0.169	0.110	0.117	0.104	0.108	0.101
6	CO	40	mg/m <sup>3</sup>	1	3.78	4.37	5.58	4.5	5.6	4.63	4.1
				2	4.61	5.1	5.96	5.18	5.78	5.69	7.94

PRODUCTION SECTOR												
No.	Items	TCVS 3733/2002/ QĐ-BYT	Units	Sample	1Q2016		2Q2016		3Q2016		4Q2016	
					N/m POY	N/m DTY	N/m POY	N/m DTY	N/m POY	N/m DTY	N/m POY	N/m DTY
<b>TRANG BANG 1 &amp; 2</b>												
1	Temperature	≤32	°C	1	29.2	29.5	28.3	29.4	28.3	28.4	28.1	28.3
2	Noise	≤85	dBA	1	83.5	84.6	84.1	84.9	84.5	84.1	84.2	84.8
3	Dust	8	mg/m <sup>3</sup>	1	0.12	0.15	0.18	0.2	0.25	0.29	0.28	0.3
4	NO <sub>2</sub>	10	mg/m <sup>3</sup>	1	0.086	0.092	0.09	0.106	0.098	0.107	0.091	0.104
5	SO <sub>2</sub>	10	mg/m <sup>3</sup>	1	0.102	0.088	0.088	0.097	0.087	0.092	0.085	0.093
6	CO	40	mg/m <sup>3</sup>	1	3.3	3.18	5.22	5.3	5.63	5.14	5.41	5.68
7	VOC	-	mg/m <sup>3</sup>	1	KPH (LOD=0.02)	KPH (LOD=0.02)	KPH (LOD=0.02)	KPH (LOD=0.02)	KPH (LOD=0.02)	KPH (LOD=0.02)	KPH (LOD=0.02)	KPH (LOD=0.02)

PRODUCTION SECTOR												
No.	Items	TCVS 3733/2002/ QĐ-BYT	Units	Sample	1Q2016		2Q2016		3Q2016		4Q2016	
					N/m POY	N/m DTY	N/m POY	N/m DTY	N/m POY	N/m DTY	N/m POY	N/m DTY
<b>TRANG BANG 3</b>												
1	Temperature	≤32	°C	1	28.5	29.1	28.1	28.3	28.2	27.9	28.6	27.7
2	Noise	≤85	dBA	1	82.6	83.5	83.5	84.2	84.2	83.9	84.1	84.8
3	Dust	8	mg/m <sup>3</sup>	1	0.13	0.14	0.18	0.22	0.25	0.27	0.27	0.31
4	NO <sub>2</sub>	10	mg/m <sup>3</sup>	1	0.075	0.086	0.084	0.091	0.089	0.09	0.095	0.097
5	SO <sub>2</sub>	10	mg/m <sup>3</sup>	1	0.081	0.086	0.077	0.083	0.076	0.081	0.085	0.086
6	CO	40	mg/m <sup>3</sup>	1	3.49	3.23	5.5	5.42	5.66	5.17	6.05	7.12
7	VOC	-	mg/m <sup>3</sup>	1	KPH (LOD=0.02)	KPH (LOD=0.02)	KPH (LOD=0.02)	KPH (LOD=0.02)	KPH (LOD=0.02)	KPH (LOD=0.02)	KPH (LOD=0.02)	KPH (LOD=0.02)

→ The air monitoring results at the entrance conformed to TCVS 3733/2002/QĐ-BYT.

## b. Emission

STK meets all the law requirements regarding to the emission treatment. Actually, the Company does not generate emission since the Company does not use steam generator. Periodically, the Company conducts measurements at outdoor areas and production areas 3 times a month in order to have solutions to remedy emission pollution (if any) immediately.

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.

No.	Item	QCVN 19:2009/BTNMT (Column B) (Kq=1,0; Kf=1,0)	Unit	Results			
				Q1	Q2	Q3	Q4
<b>TRANG BANG 1, 2</b>							
1	Temperature	-	°C	150	163	201	186
2	Dust	200	mg/Nm <sup>3</sup>	80.7	87.2	89.5	71.2
3	NO <sub>x</sub>	850	mg/Nm <sup>3</sup>	103	119	254	103
4	SO <sub>2</sub>	500	mg/Nm <sup>3</sup>	136	140	56	210
5	CO	1000	mg/Nm <sup>3</sup>	220	320	375	337
<b>TRANG BANG 3</b>							
1	Temperature	-	°C	125	102	129	163
2	Dust	200	mg/Nm <sup>3</sup>	94.3	90.8	106.5	84.1
3	NO <sub>x</sub>	850	mg/Nm <sup>3</sup>	122	136	230	90
4	SO <sub>2</sub>	500	mg/Nm <sup>3</sup>	119	103	46	201
5	CO	1000	mg/Nm <sup>3</sup>	279	282	319	237

→ The emission monitoring results at Trang Bang plants are consistent with the standards of the Ministry of Natural Resources and Environment.

## c. Wastewater

STK's wastewater comes from 2 sources: sanitary waste water and production waste water (from dyeing and product testing activities).

To manage the wastewater source, the Company makes the following commitments:

- To manage the wastewater 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 with the drainage system, sewage of the Industrial zones.
- To identify the sources of environmental pollution, frequently monitor of wastewater parameters to ensure that wastewater 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 wastewater discharged daily and keep full records.
- To declare and pay environmental protection fee for wastewater in full in accordance with the prevailing regulations.

## The parameters and results of monitoring of waste water

No.	Parameters	Column B - QCVN 40:2011/BTNMT	Unit	Results			
				1Q2016	2Q2016	3Q2016	4Q2016
<b>CU CHI</b>							
1	pH	5-9	-	6.25	7.45	7.27	7.3
2	BOD <sub>5</sub>	50	mg/l	10	39	41	42
3	COD	150	mg/l	31	84	92	91
4	TSS	100	mg/l	6.8	32.4	30.7	35.4
5	Copper (Cu)	2		0.11	0.16	0.09	0.1
6	Total Nitrogen	40	mg/l	2.17	7.62	3.63	3.74
7	Total Phosphorus	6	mg/l	2.19	2.18	1.77	1.01
8	Total Coli-form/100ml	5000	MPN	4100	3900	4200	4400
<b>TRANG BANG 1, 2</b>							
1	pH	5-9	-	7.65	7.02	7.69	7.03
2	BOD <sub>5</sub>	50	mg/l	32	30	36	38
3	COD	150	mg/l	81	87	80	87
4	TSS	100	mg/l	30.2	25.1	29.8	36.2
5	Copper (Cu)	2		0.14	0.12	0.13	0.16
6	Total Nitrogen	40	mg/l	8.3	6.15	4.63	3.22
7	Total Phosphorus	6	mg/l	4.33	3.2	2.15	2.08
8	Total Coli-form/100ml	5000	MPN	4200	4000	4600	4000
<b>TRANG BANG 3</b>							
1	pH	5-9	-	7.8	6.29	7.62	7.01
2	BOD <sub>5</sub>	50	mg/l	36	46	44	45
3	COD	150	mg/l	90	102	110	118
4	TSS	100	mg/l	25.3	36.2	31.9	32.1
5	Copper (Cu)	2		0.15	0.09	0.12	0.17
6	Total Nitrogen	40	mg/l	4.25	4.3	3.29	2.35
7	Total Phosphorus	6	mg/l	3.17	2.63	2.08	2.96
8	Total Coli-form/100ml	5000	MPN	4400	3600	4600	4200

→ The readings of treated waste water before discharged into the Industrial zone's system fully meet the prevailing standards



### Wastewater statistics

		Unit	2014	2015	2016
Wastewater	Cu Chi	m <sup>3</sup>	9,479	11,482	6,137
	Trang Bang 1,2	m <sup>3</sup>	7,053	14,581	9,462
	Trang Bang 3	m <sup>3</sup>		4,431	17,724
	Total	m <sup>3</sup>	16,532	30,494	33,323
Total cost for waste treatment	Cu Chi	VND	47,244,930	53,850,580	32,483,330
	Trang Bang 1,2	VND	71,308,290	217,946,267	127,973,093
	Trang Bang 3			31,681,650	139,964,682
	Total	VND	118,553,220	303,478,496	300,421,105

#### d. 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 stucked 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.

Name of waste	Code of hazardous waste	Unit	2016	Treatments
Clouts with oil stain	18 02 01	Kg	213	Burning
Ink containers for printing, fax machines	08 02 04	Kg	6	Burning
Waste oil	17 02 03	Kg	64	Burning
Fluorescent lamp waste	16 01 06	Kg	9	Disintegration, Solidification, Burying
Iron barrels	18 01 02	Kg	0	Recycling
Plastic barrels	18 01 03	Kg	10,179	Recycling
Total			10,471	

## 6. WORKING ENVIRONMENT MEASUREMENT

To prevent occupational diseases, to ensure employees' health, annually, 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.

Measuring method: measure the indicators including microclimate, light, noise, dust, toxicant gas at certain technical positions accordance with the standard measuring procedures developed by Institute for Occupational and Environmental Health – and published by the Medical Publishers in 2002.

Applicable standards:

- Decision No.3733/2002/QĐ-BYT - Occupational Safety and Health Standards
- Vietnam standard 5508:2009 – microclimate in working place.

#### a. Concentration of dust

No.	Position	Total Dust (mg/m <sup>3</sup> )					
		CU CHI		TRANG BANG 1, 2		TRANG BANG 3	
		Qualified Samples	Unqualified Samples	Qualified Samples	Unqualified Samples	Qualified Samples	Unqualified Samples
	<b>DTY Factory</b>						
1	The front of the factory	0.49		0.37		0.35	
2	The middle of the factory	0.5		0.38		0.37	
3	The back of the factory	0.48		0.38		0.38	
4	Winder workshop	0.45		0.39		0.4	
5	Spinning workshop	0.47		0.42		0.41	
	<b>Total</b>	<b>5</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>5</b>	<b>0</b>
	ALLOWABLE LIMITS Occupational Safety and Health Standards. (According to the Decision No.3733/2002/QĐ-BYT 10/10/2002)				6.0		

**b. Microclimate**

No.	Position	Time (h)	Temperature (°C)		Humidity (Hr %)		Wind speed (m/s)	
			Qualified Samples	Unqualified Samples	Qualified Samples	Unqualified Samples	Qualified Samples	Unqualified Samples
Point of time: Rainy season								
<b>CU CHI</b>								
	Outdoor, date 13/09/2016	8h30	30.5		78.0		0.2-1.0	
<b>DTY Factory</b>								
1	Machine 7		30.2		76		0.2-0.5	
2	Machine8		30.3		77		0.2-0.5	
3	Machine9		30.3		76		0.2-0.5	
4	Machine11		30.3		77		0.2-0.5	
5	Machine12		30.4		77		0.2-0.5	
6	Machine13		31.4		77		0.2-0.5	
<b>Winder workshop</b>								
7	The front of the factory		30.2		77		0.2-0.5	
8	The back of the factory		30.2		77		0.2-0.5	
<b>Spinning workshop</b>								
9	The front of the factory		31.5		76		0.2-0.5	
10	The back of the factory		31.6		76		0.2-0.5	
<b>TOTAL</b>			<b>10</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>10</b>	<b>0</b>

No.	Position	Time (h)	Temperature (°C)		Humidity (Hr %)		Wind speed (m/s)	
			Qualified Samples	Unqualified Samples	Qualified Samples	Unqualified Samples	Qualified Samples	Unqualified Samples
<b>TRANG BANG 1, 2</b>								
	Outdoor, date 14/09/2016	14h30	32.5		62.0		0.2-1.0	
<b>DTY Factory</b>								
1	Machine 24		31.8		64		0.2-0.5	
2	Machine 25		31.9		63		0.2-0.5	
3	Machine 27		31.9		63		0.2-0.5	
4	Machine 28		32.0		63		0.2-0.5	
5	Machine 31		32.0		64		0.2-0.5	
6	Machine 34		32.0		63		0.2-0.5	
<b>Winder workshop</b>								
7	The front of the factory		32.0		52		0.2-0.5	
8	The back of the factory		32.0		53		0.2-0.5	
<b>Spinning workshop</b>								
9	The front of the factory		32.0		47		0.2-0.5	
10	The back of the factory		32.0		47		0.2-0.5	
<b>TOTAL</b>			<b>10</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>10</b>	<b>0</b>

No.	Position	Time (h)	Temperature (°C)		Humidity (Hr %)		Wind speed (m/s)	
			Qualified Samples	Unqualified Samples	Qualified Samples	Unqualified Samples	Qualified Samples	Unqualified Samples
<b>TRANG BANG 3</b>								
	Outdoor, date14/09/2016	8h30	30.7		68		0.2-1.0	
<b>DTY Factory</b>								
1	Machine36		30.5		67		0.2-0.5	
2	Machine38		30.6		68		0.2-0.5	
3	Machine39		30.7		68		0.2-0.5	
4	Machine41		30.6		67		0.2-0.5	
5	Machine43		30.6		66		0.2-0.5	
6	Machine44		30.7		67		0.2-0.5	
<b>Winder workshop</b>								
7	The front of the factory		30.6		66		0.2-0.5	
8	The back of the factory		30.7		66		0.2-0.5	
<b>Spinning workshop</b>								
9	The front of the factory		31.3		62		0.2-0.5	
10	The back of the factory		31.3		63		0.2-0.5	
<b>TCVN 3733:2002</b> Requirements about temperature, humidity, air moving speed at working place.			<b>≤32</b>		<b>≤80</b>		<b>≤32</b>	

### c. Lighting

No.	Position	Light (Lux)		Noise (dBA)		Note Allowable limits of touching (8hrs/day)
		Qualified Samples	Unqualified Samples	Qualified Samples	Unqualified Samples	
<b>CU CHI</b>						
<b>DTY Factory</b>						
1	Machine7	320			97-100	
2	Machine8	330			97-100	
3	Machine9	330			97-100	
4	Machine11	330			97-100	
5	Machine12	340			97-100	
6	Machine13	320			97-100	
<b>Winder workshop</b>						
7	The front of the factory	310			92-94	
8	The back of the factory	320			92-94	
<b>Spinning workshop</b>						
9	The front of the factory	320		82-85		
10	The back of the factory	320		82-85		
<b>TOTAL</b>		<b>10</b>	<b>0</b>	<b>2</b>	<b>8</b>	
<b>TRANG BANG 1, 2</b>						
<b>DTY Factory</b>						
1	Machine25	320			96-98	
2	Machine25	310			96-98	
3	Machine27	310			96-98	
4	Machine28	310			96-98	
5	Machine31	320			96-98	
6	Machine34	320			96-98	
<b>Winder workshop</b>						
7	The front of the factory	310			92-94	
8	The back of the factory	320			92-94	
<b>Spinning workshop</b>						
9	The front of the factory	320		78-84		
10	The back of the factory	320		78-84		
<b>TOTAL</b>		<b>10</b>		<b>2</b>	<b>8</b>	

No.	Position	Light (Lux)		Noise (dBA)		Note Allowable limits of touching (8hrs/day)
		Qualified Samples	Unqualified Samples	Qualified Samples	Unqualified Samples	
<b>TRANG BANG 3</b>						
<b>DTY Factory</b>						
1	Machine36	340			92-95	
2	Machine38	350			92-95	
3	Machine39	350			92-95	
4	Machine41	350			92-95	
5	Machine43	340			92-95	
6	Machine44	340			92-95	
<b>Winder workshop</b>						
7	The front of the factory	330			85-88	
8	The back of the factory	330			85-88	
<b>Spinning workshop</b>						
9	The front of the factory	350		82-85		
10	The back of the factory	350		82-85		
<b>TOTAL</b>		<b>10</b>		<b>2</b>	<b>8</b>	
<b>OCCUPATIONAL SAFETY AND HEALTH STANDARDS</b> Decision No. 3733/2002/QĐ-BYT 10/10/2002 * Noise - Working place in the workshop and in factory * Lighting + Textile Industry + Spinning, rolling, winder, dyeing.						
		300		≤85		8h

#### d. Poison Gas

No.	Position	Carbon dioxide (mg/m <sup>3</sup> )	Etylen (mg/m <sup>3</sup> )
<b>CU CHI</b>			
<b>DTY Factory</b>			
1	The head of the factory	690	
2	The middle of the factory	720	
3	The end of the factory	710	
4	<b>Winder workshop</b>	730	
5	<b>Spinning workshop</b>	880	
6	<b>Laboratory</b>		700
7	<b>Testing dyeing workshop</b>		840
<b>TOTAL</b>		<b>5</b>	<b>2</b>
<b>TRANG BANG 1, 2</b>			
<b>DTY Factory</b>			
1	The head of the factory	670	
2	The middle of the factory	690	
3	The end of the factory	720	
4	<b>Winder workshop</b>	740	
5	<b>Spinning workshop</b>	800	
6	<b>Laboratory</b>		600
7	<b>Testing dyeing workshop</b>		640
<b>TOTAL</b>		<b>5</b>	<b>2</b>
<b>TRANG BANG 3</b>			
<b>DTY Factory</b>			
1	The head of the factory	590	
2	The middle of the factory	620	
3	The end of the factory	610	
4	<b>Winder workshop</b>	630	
5	<b>Spinning workshop</b>	680	
6	<b>Laboratory</b>		700
7	<b>Testing dyeing workshop</b>		740
<b>TOTAL</b>		<b>5</b>	<b>2</b>
<b>OCCUPATIONAL SAFETY AND HEALTH STANDARDS</b> (Decision No. 3733/2002/QĐ-BYT) Allowable limits of chemicals in working air - Average 8 hrs (TWA) - Each maximum (STEL)		<b>900</b> <b>1800</b>	<b>1150</b> <b>-</b>

e. Noise

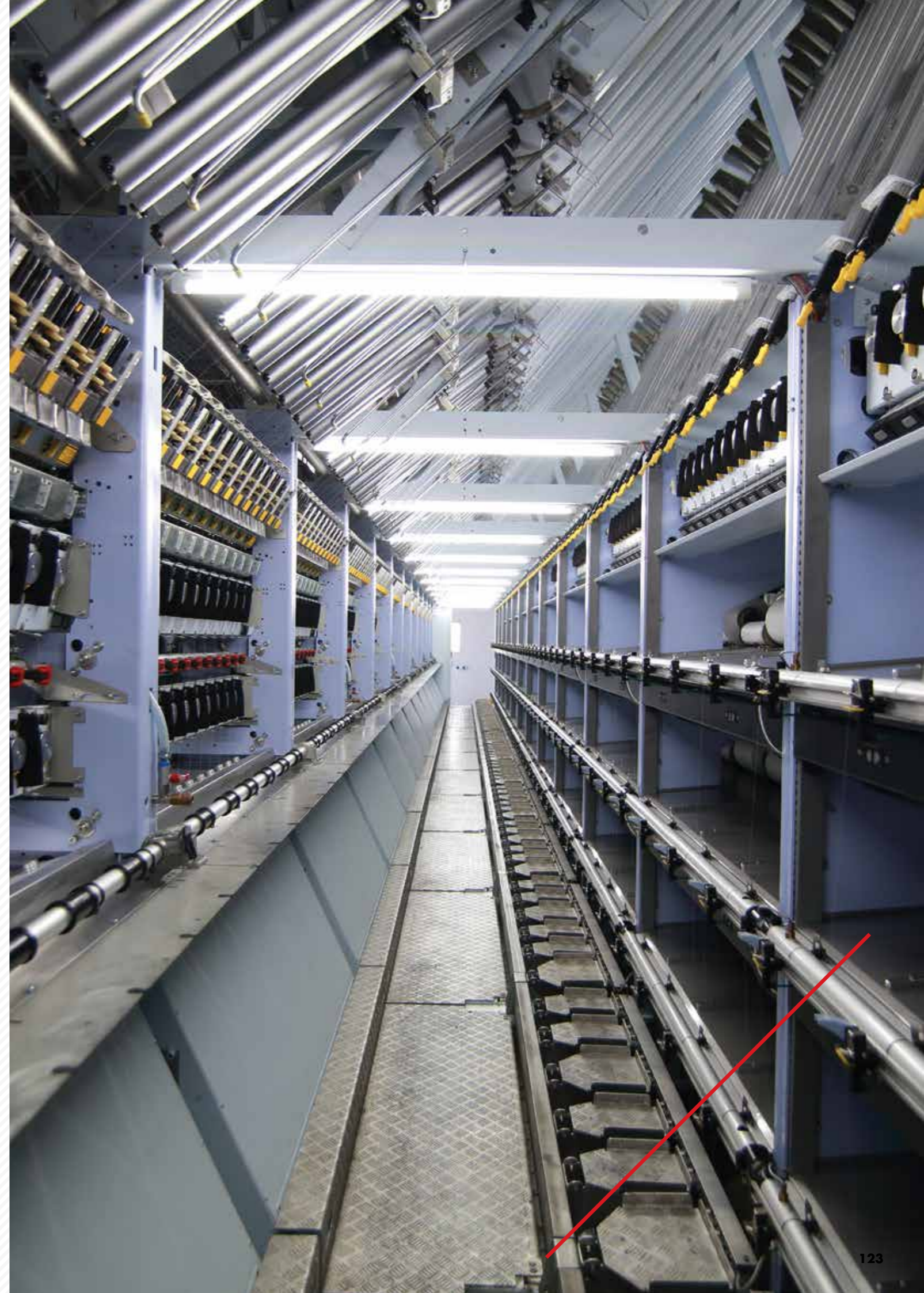
No.	Position	General bass (dBA)	Bass in different band (Hz)							
			63	125	250	500	1K	2K	4K	8K
<b>CU CHI</b>										
<b>DTY Factory</b>										
1	Machine 7	97-100	63.7	65.4	67.5	68.4	82.1	80.6	81.2	79.3
2	Machine 8	97-100	62.4	63.2	66.8	67.7	81.9	79.8	80.9	78.9
3	Machine 9	97-100	63.5	63.1	64.5	65.7	67.4	63.9	72.1	70.6
4	Machine 11	97-100	63.8	62.9	63.2	63.7	65.8	64.9	69.7	68.9
5	Machine 12	97-100	62.9	60.9	62.5	63.6	64.9	62.7	68.5	67.9
6	Machine 13	97-100	64.1	61.3	62.4	63.9	63.2	62.4	67.8	66.8
7	<b>Winder workshop</b>	92-94	59.8	57.6	59.3	60.1	60.3	60.2	59.6	59.4
8	<b>Spinning workshop</b>	82-85	55.6	54.7	53.7	52.3	54.2	53.8	53.9	54.2
<b>TRANG BANG 1, 2</b>										
<b>DTY Factory</b>										
1	Machine34	96-98	63.7	65.4	67.5	68.4	82.1	80.6	81.2	79.3
2	Machine 31	96-98	62.4	63.2	66.8	67.7	81.9	79.8	80.9	78.9
3	Machine 27	96-98	63.5	63.1	64.5	65.7	67.4	63.9	72.1	70.6
4	Machine 28	96-98	63.8	62.9	63.2	63.7	65.8	64.9	69.7	68.9
5	Machine 24	96-98	62.9	60.9	62.5	63.6	64.9	62.7	68.5	67.9
6	Machine 25	96-98	64.1	61.3	62.4	63.9	63.2	62.4	67.8	66.8
7	<b>Winder workshop</b>	92-94	59.8	57.6	59.3	60.1	60.3	60.2	59.6	59.4
8	<b>Spinning workshop</b>	78-84	55.6	54.7	53.7	52.3	54.2	53.8	53.9	54.2

No.	Position	General bass (dBA)	Bass in different band (Hz)							
			63	125	250	500	1K	2K	4K	8K
<b>TRANG BANG 3</b>										
<b>DTY Factory</b>										
1	Machine36	92-95	63.7	65.4	67.5	68.4	82.1	80.6	81.2	79.3
2	Machine38	92-95	62.4	63.2	66.8	67.7	81.9	79.8	80.9	78.9
3	Machine39	92-95	63.5	63.1	64.5	65.7	67.4	63.9	72.1	70.6
4	Machine41	92-95	63.8	62.9	63.2	63.7	65.8	64.9	69.7	68.9
5	Machine43	92-95	62.9	60.9	62.5	63.6	64.9	62.7	68.5	67.9
6	Machine44	92-95	64.1	61.3	62.4	63.9	63.2	62.4	67.8	66.8
7	<b>Winder workshop</b>	85-88	59.8	57.6	59.3	60.1	60.3	60.2	59.6	59.4
8	<b>Spinning workshop</b>	82-85	55.6	54.7	53.7	52.3	54.2	53.8	53.9	54.2
<b>OCCUPATIONAL SAFETY AND HEALTH STANDARDS</b> (Decision No. 3733/2002/QĐ-BYT) * Noise - Working place in workshops and in factory.		85	94	87	82	78	75	73	71	70

CONSOLIDATED RESULTS OF MEASURE, TEST WORKING ENVIRONMENT

No.	Items	CU CHI			TRANG BANG 1, 2			TRANG BANG 3		
		Total Samples	Qualified Samples	Unqualified Samples	Total Samples	Qualified Samples	Unqualified Samples	Total Samples	Qualified Samples	Unqualified Samples
1	Microclimate									
	Temperature	10	10	0	10	10	0	10	10	0
	Humidity	10	10	0	10	10	0	10	10	0
	Wind Speed	10	10	0	10	10	0	10	10	0
2	Light	10	10	0	10	10	0	10	10	0
3	Noise	10	2	8	10	2	8	10	2	8
4	Noise spectrum analysis	8	8	0	8	8	0	8	8	0
5	Full dust	5	5	0	5	5	0	5	5	0
6	Poisonous Gas									
	- CO <sub>2</sub>	5	5	0	5	5	0	5	5	0
	- Etylen	2	2	0	2	2	0	2	2	0
	<b>Total</b>	<b>70</b>	<b>62</b>	<b>8</b>	<b>70</b>	<b>62</b>	<b>8</b>	<b>70</b>	<b>62</b>	<b>8</b>

→ CONCLUSION: In 2016, the Company committed no violations regarding to environmental protection.





### III. RESPONSIBILITIES TO EMPLOYEES

**TARGET:** Maintain and enhance the quality of workforce to create a competitive advantage for the corporation.

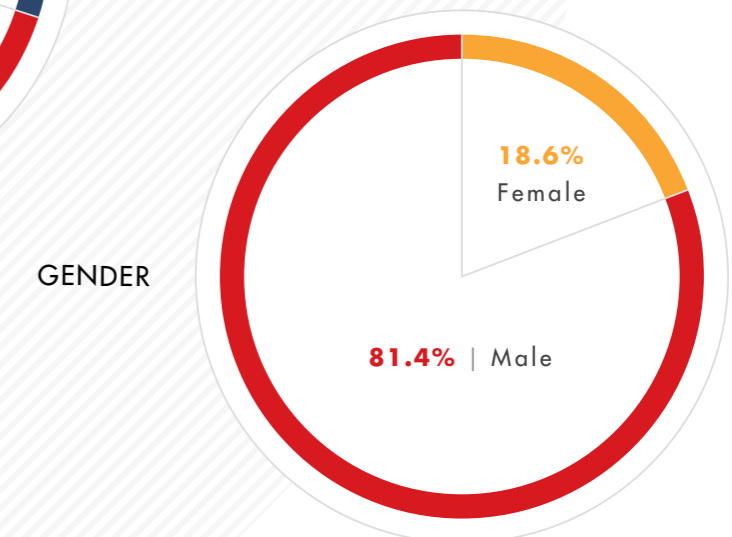
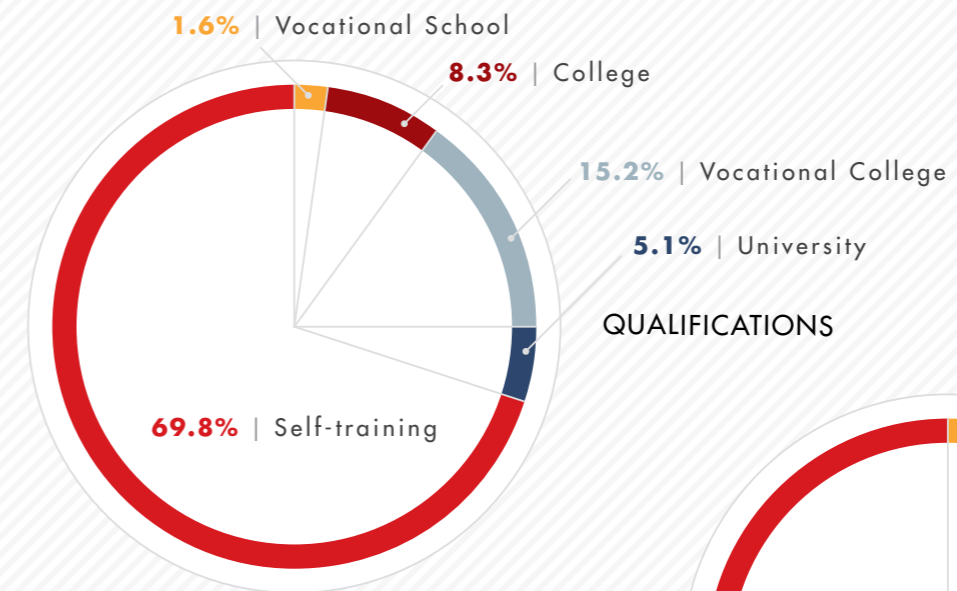
**SOLUTIONS AND IMPLEMENTATION:**

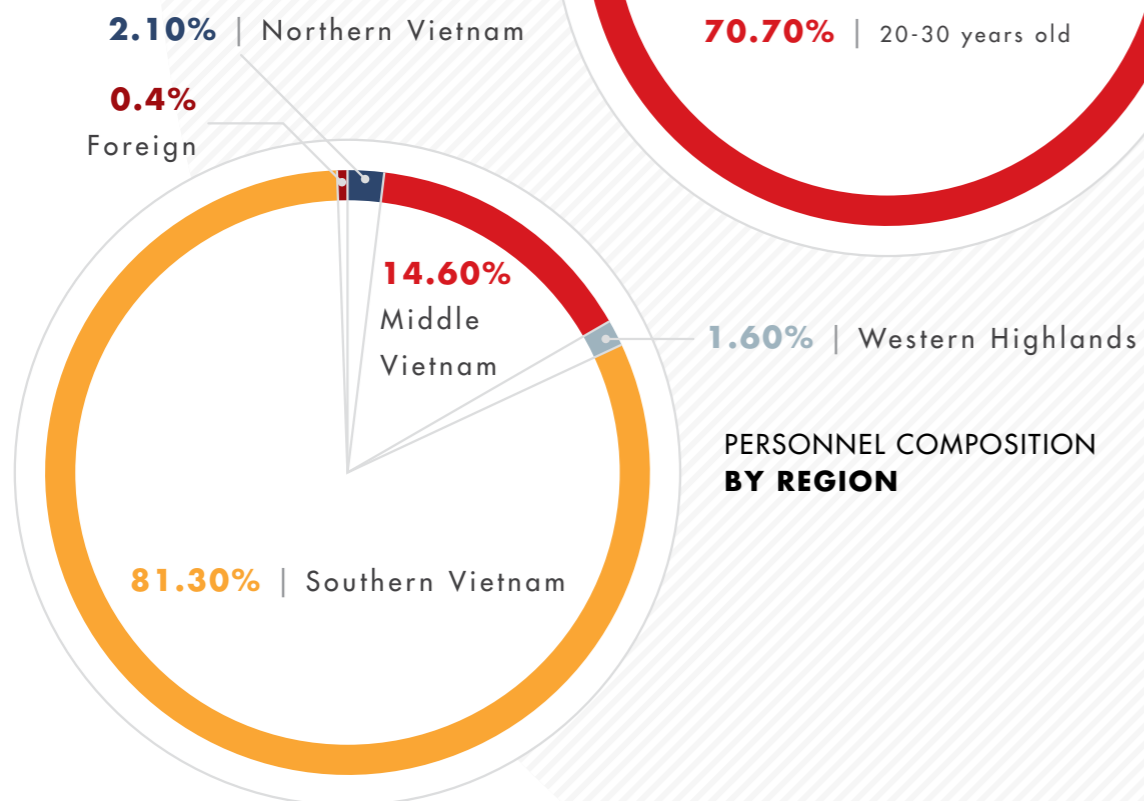
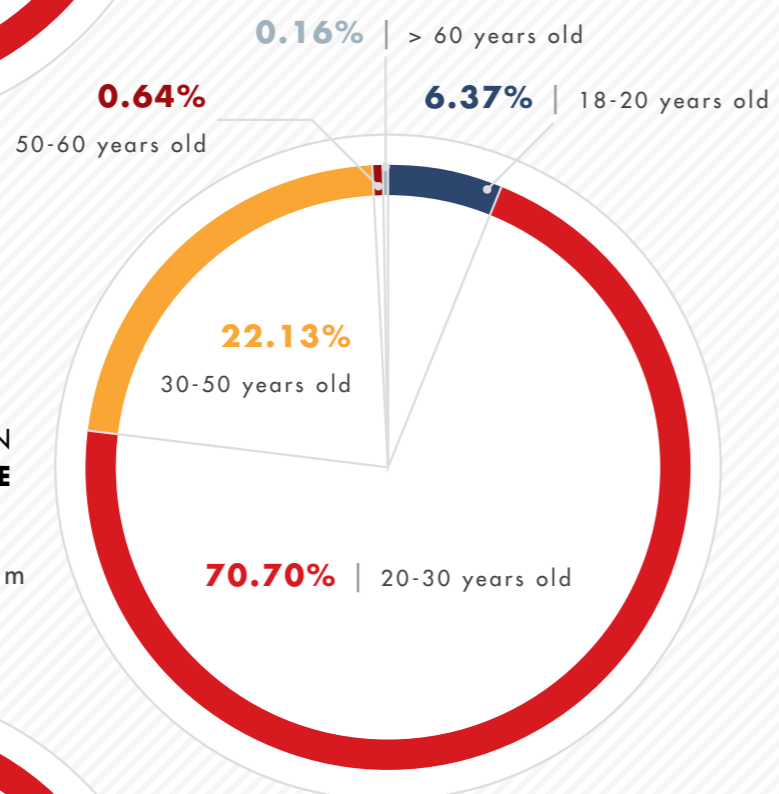
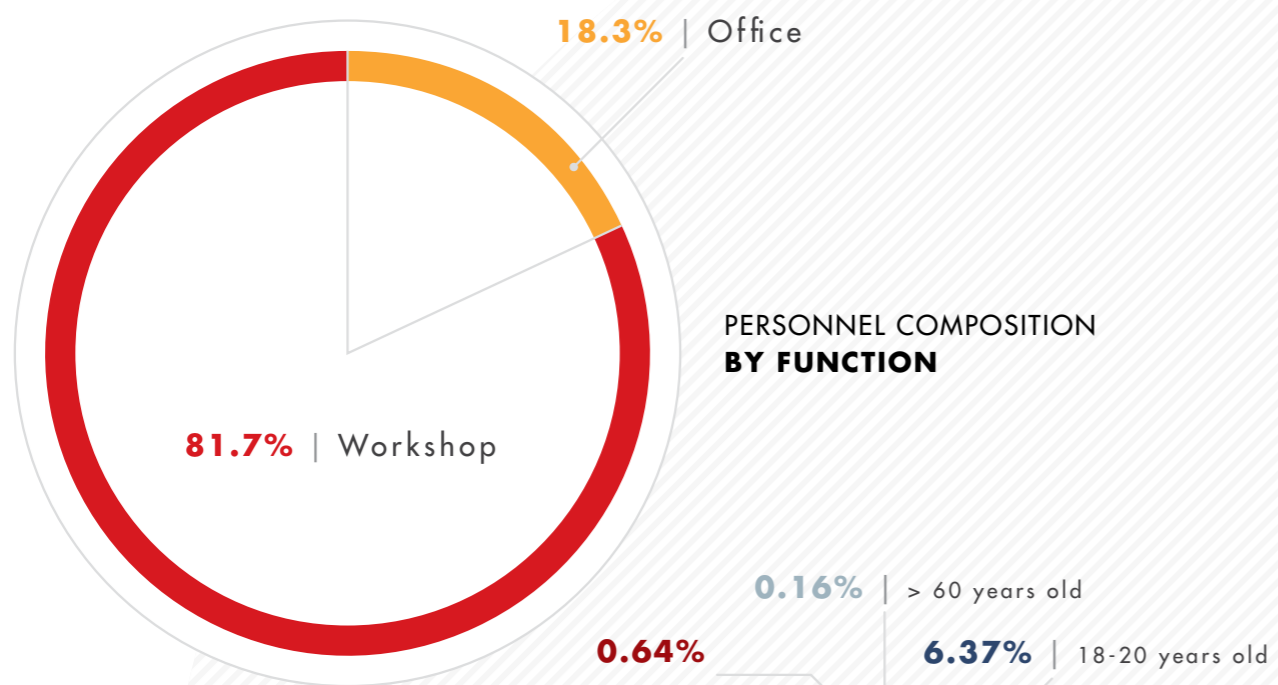
- Recruitment Policy;
- Remuneration policy;
- Training and promotion policy;
- Occupational health and safety policies.

#### 1. RECRUITMENT POLICIES

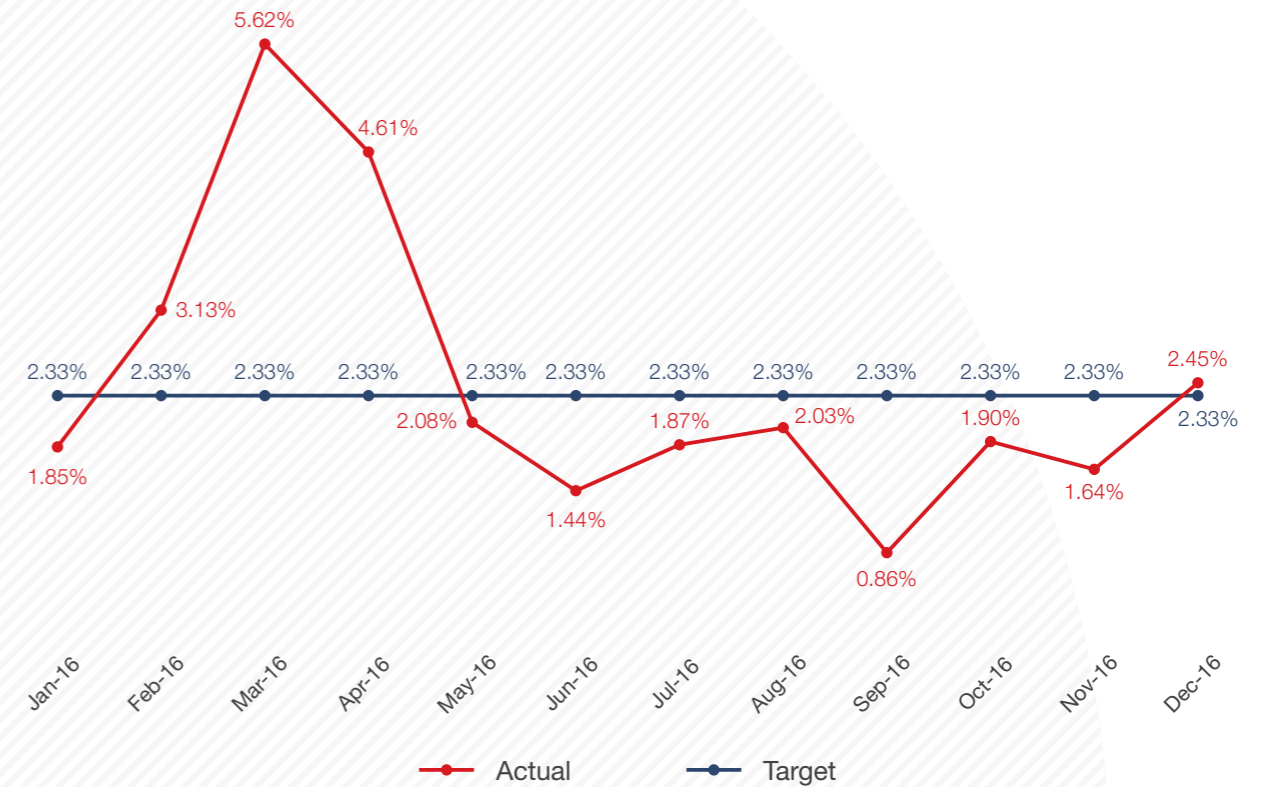
With an aim to create high quality products to meet the customers' demand, STK always focuses on developing the professional and skillful workforce. Therefore, education and attitude for discipline are always ones of the Company's recruitment criterion. STK conducts recruitment solely based on the demand for labor of the Company and the candidates' ability to meet the requirements for the positions, rather than any other criterion. A candidate's family relationship with a staff at all levels will not bring any advantages or incentives in the recruitment process. In addition, the Company also commits not to use child labor (under the age of 18).

Number of official employees as at 31/12/2016: **989**





STAFF TURNOVER MONTHLY IN 2016



**2. EMPLOYMENT POLICIES**

Most of employees have employment contracts. 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 Sunday, 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

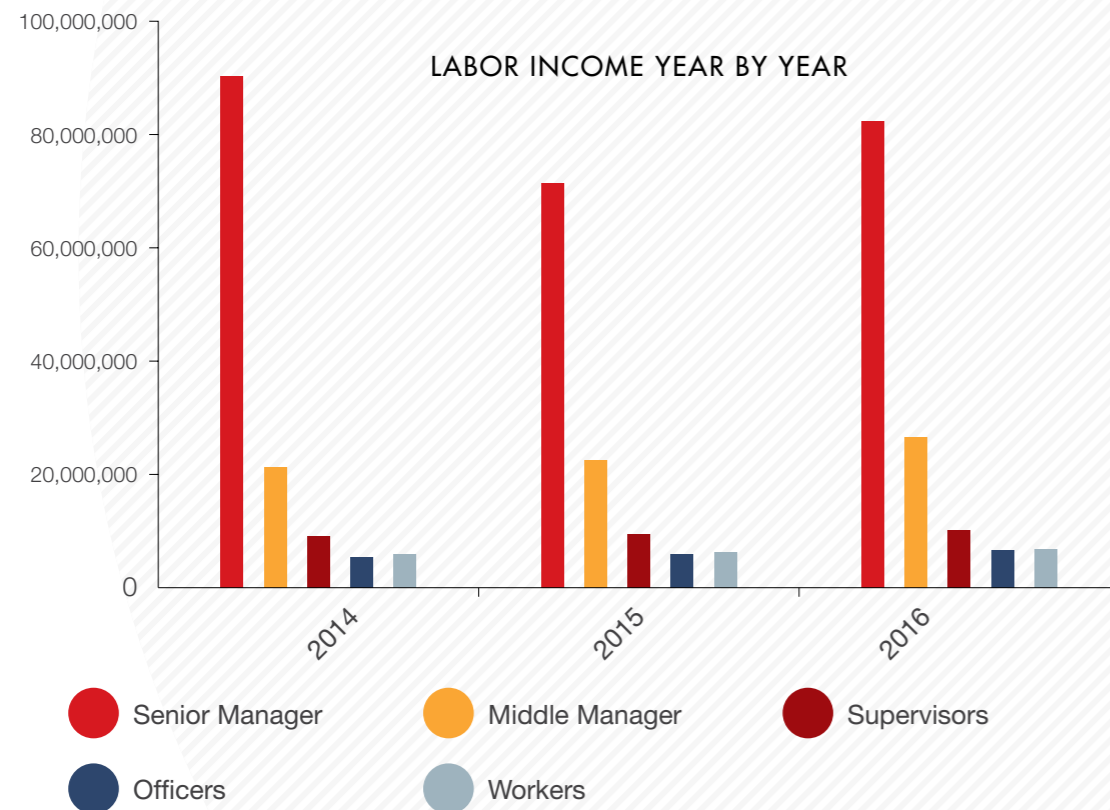
### Office Staffs

Based on nature of each position, STK will determine the salary scales.

### Production Staffs

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 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.



## 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 performance bonus for production workers
- 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 on annual business performances

## INSURANCE POLICIES

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

## WELFARES

The Company provides free accommodation for staffs, whose home is more than 30 kilometers from the workplace. In accordance with the data recorded at 31/12/2016, STK rented 66 boarding rooms for 112 staffs. Total amount of money paid for rented accommodation in 2016 was VND 430 million.

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.

	2014	2015	2016
Senior Manager	90,351,627	71,324,909	82,387,113
Middle Manager	21,212,429	22,504,798	26,486,189
Supervisors	9,168,148	9,393,768	10,064,782
Officers	5,308,218	5,831,010	6,541,751
Workers	5,993,998	6,352,922	6,789,084



### 3. TRAINING AND PROMOTION

The main topics in annual training programs: the basic knowledge, culture and products of the Company, ISO/ 5S/ KAIZEN/ SAP/ POC, occupational safety, professional awareness, developing skill, training programs for shift leaders.

**Training form:** internal training and external training.

- With an effort to continuously enhance product quality, the Company always focuses on training, especially, on training for professional staff, workers, technicians in production sector.
- Training programs on environmental, social issues, occupation safety according to GRS Standard.
- Training program: “instilling the attitude for products respect”.

	2014	2015	2016
<b>Number of training courses</b>	29	45	23
<b>Internal training</b>	19	37	17
<b>External training</b>	10	8	6
<b>Actual training expense (VND) (including salaries for training staffs)</b>	1,044,458,280	1,216,345,469	900,505,576
<b>Average number of training hours per employee (hour/person/year)</b>	59.42	188.27	225.75

**Promotion policy:** 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 candidates’ 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.

Year	2013	2014	2015	2016
<b>Number of employees promoted</b>	14	22	39	23

#### 4. WORK SAFETY

In order to fully comply with the Vietnam's Labor Code, Law on Trade Union, ILO treaties and social requirements of GRS-V3.0 standard, in 2016, the Company has issued a policy on health and occupational safety. Main contents of the policy are as follow:

- 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.

##### Actual implementation:

- 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 order to ensure the occupational safety, the Company only uses machines and equipment which met standards and conduct periodical inspection and maintenance seriously. 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.
- 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 Nhan Ai Polyclinic to conduct periodic health check for staffs. For those employees who work in noisy areas, the Company will provide hearing care into the health check package. In case a staff is diagnosed with abnormal hearing problems, the Company will take them to large hospitals to take specific medical check and implement periodic re-examinations every 6 months for these cases. The Company also implements full 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.

Training about Safety and Hygiene at work	2016	
	Cu Chi	Trang Bang
Total trained employees	362	604
<b>Safety &amp; Hygiene cost (million VND)</b>	<b>717</b>	<b>1,284</b>
- Safety & hygiene technical methods	10	12
- Individual protective clothes	90	180
- Labor healthcare	605	1,080
- Communication, training	12	12
- Others	0	0
Number of labor accidents	2 (light)	2 (light)
Total number of cases affected with occupational Diseases	0	0
The average number of overtime hours/day/person	0.1 hours/day/person	
	0.35 days/6 months/person	
Machineries strictly complied with safety and hygiene standards	16	22

#### 5. TRADITIONAL CULTURE OF THE COMPANY

To build a team always striving for the development of the whole company, periodically on every Monday, the Company is organizing the Credo program of STK, including 2 major contents are presentation of vision and mission of departments and book presentations.

For the program of sharing vision and mission of every department, this is the opportunities for all departments to better understand each other's activities, the difficulties and challenges encountered by other departments, therefore all will coordinate and support each other to achieve the overall objectives of the whole Company.

For the book presentation program, the topics chosen for presentation are rich and diversified, from those which encourage positive thinking, work spirit, to improvement of management skills to technical/profession books. Through the program, departments will share with each other the book's messages, the lessons learnt from that book and how can the book be applied practically in the work of that department. The program is a playground that helping staffs to enhance their knowledge, enrich their skills and improve their working efficiency.

To continue the annual tradition, this year, the Company organized a party and gave nearly 400 gifts for employees' children on the International children day (the 1st of June). Besides, the Company also granted awards to nearly 80 children who achieved excellent academic results, each award is worth VND 300,000.



## IV. RESPONSIBILITIES TOWARD THE LOCAL COMMUNITY

### STK'S DIRECT CONTRIBUTION TO THE LOCAL ECONOMY IN 2016

Items	Value
2015 cash dividend for shareholders	23,025,781,000 VND
Employees remunerations	99,888,867,976 VND
2016 sales revenue	1,358,284,815,225 VND
Total transaction value with suppliers	1,988,952,584,460 VND
- In which, total transaction value with local suppliers	276,420,569,464 VND
Total tax payment in 2016 (including VAT, import-export tax, CIT, PIT, natural resources tax and other taxes...)	231,679,139,230 VND

### 1. SUPPORT FOR THE GROWTH OF THE LOCAL ECONOMIC DEVELOPMENT

Trang Bang factory is located at Trang Bang Industrial Zone, Trang Bang District, Tay Ninh Province. This is the area which has difficult economic conditions. Building the factory here, the Company not only creates jobs for local workers, but also helps them improving skills through the Company's training programs. In addition, the Company also has some contracts that provide services from the local supply units such as: rental accommodation for the employees, industrial catering, security, garbage collection, uniform provision and rental bus services to pick up employees.

### 2. COMPLIANCE

The compliance with the regulations and Laws is always placed on top by STK. In 2016, the Company committed no violation to the prevailing regulations.

The Company respects all the basic rights of human. In 2016, the Managing Director of the Company made the following commitments regarding requirements on social policies according to the GRS-V3.0 standard and the Laws of Vietnam:

- 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.

In 2016, The Company did not receive any lawsuits or denouncements from the employees.

### 3. ANTI-BRIBERY AND CORRUPTION

STK determines to become a reputable and professional company, always complies with the rules of law as well as the basic principles of morality. The Company commits to fight against corruption-bibery actions. Any staff of STK who is found having demand or receiving bribes of customers and suppliers will be disciplined strictly.

In 2016, the Company did not found any cases related to corruption or bribery.



# FINANCIAL STATEMENTS

31 December 2016

## CONTENTS

- 138 General information
- 140 Report of management
- 141 Independent auditors' report
- 142 Balance sheet
- 144 Income statement
- 145 Cash flow statement
- 147 Notes to the financial statements



## GENERAL INFORMATION

### THE COMPANY

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

<u>Amended BRC No.</u>	<u>Date</u>
4103003288 – 1st	24 May 2007
4103003288 – 2nd	12 September 2007
4103003288 – 3rd	6 August 2008
4103003288 – 4th	14 March 2009
4103003288 – 5th	12 November 2009
0302018927 – 6th	13 January 2010
0302018927 – 7th	8 October 2010
0302018927 – 8th	19 October 2011
0302018927 – 9th	6 July 2012
0302018927 – 10th	19 July 2013
0302018927 – 11th	10 July 2014
0302018927 – 12th	25 July 2014
0302018927 – 13th	14 January 2015
0302018927 – 14th	23 November 2015
0302018927 – 15th	15 June 2016

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

The Company’s branch was incorporated pursuant to Investment Certificate No. 45211000130 issued by the Management Board of Tay Ninh Economic Zone on 26 June 2009 and the following amended Investment Certificates:

<u>Amended Investment Certificate No.</u>	<u>Date</u>
45211000130 – 1st	17 August 2009
45211000130 – 2nd	27 May 2010
45211000130 – 3rd	11 June 2010
45211000130 – 4th	15 April 2011
45211000130 – 5th	14 January 2014
45211000130 – 6th	27 October 2014
0380478317 – 7th	3 September 2015
0380478317 – 8th	6 September 2016
0380478317 – 9th	9 December 2016

The Company has a representative office which is located at 102-104-106 Bau Cat, Ward 14, Tan Binh District, Ho Chi Minh City, pursuant to Business Registration No. 0302018927-002 issued by the Department of Planning and Investment of Ho Chi Minh City on 30 March 2015.

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

### BOARD OF DIRECTORS

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

<b>Mr Dang Trieu Hoa</b>	Chairman
<b>Mr Dang Huong Cuong</b>	Member
<b>Ms Dang My Linh</b>	Member
<b>Mr Lee Chien Kuan</b>	Member
<b>Mr Thai Tuan Chi</b>	Member
<b>Ms Cao Thi Que Anh</b>	Member

### BOARD OF SUPERVISION

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

<b>Mr Nguyen Tu Luc</b>	Head
<b>Ms Nguyen Thi Ngoc Linh</b>	Member
<b>Mr Le Anh Tuan</b>	Member

### MANAGEMENT

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

<b>Mr Dang Trieu Hoa</b>	General Director
<b>Mr Lu Yen Ku</b>	Production Manager
<b>Ms Nguyen Phuong Chi</b>	Chief Strategic Officer
<b>Mr Phan Nhu Bich</b>	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.

## REPORT OF MANAGEMENT

Management of Century Synthetic Fiber Corporation (“the Company”) is pleased to present its report and the financial statements of the Company for the year ended 31 December 2016.

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

Management is responsible for the financial statements of each financial year which give a true and fair view of the financial position of the Company and of the results of its operations and its cash flows for the year. In preparing those financial statements, management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

### STATEMENT BY GENERAL DIRECTOR

Management of the Company, does hereby state that, in his opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016 and of the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of financial statements.



**Dang Trieu Hoa**  
General Director

Ho Chi Minh City, Vietnam  
10 March 2017

## INDEPENDENT AUDITORS’ REPORT

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

We have audited the accompanying financial statements of Century Synthetic Fiber Corporation (“the Company”) as prepared on 10 March 2017 and set out on pages 6 to 32, which comprise the balance sheet as at 31 December 2016, and the income statement and the cash flow statement for the year then ended and the notes thereto.

### MANAGEMENT’S RESPONSIBILITY

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

### AUDITORS’ RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the 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 Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### OPINION

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Company as at 31 December 2016, and of the results of its operation and its 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 financial statements.

**Ernst & Young Vietnam Limited**



**Tran Nam Dung**  
Deputy General Director  
Audit Practicing Registration Certificate  
No. 3021-2014-004-1

Ho Chi Minh City, Vietnam  
10 March 2017

**Nguyen Phan Anh Quoc**  
Auditor  
Audit Practicing Registration Certificate  
No. 2759-2014-004-1

**BALANCE SHEET**

As at 31 December 2016

VND

Code	ASSETS	Notes	Ending balance	Beginning balance
<b>100</b>	<b>A. CURRENT ASSETS</b>		<b>593,657,811,816</b>	<b>466,640,814,091</b>
<b>110</b>	<b>I. Cash and cash equivalents</b>	<b>4</b>	<b>86,637,311,128</b>	<b>6,582,910,835</b>
111	1. Cash		9,884,712,462	6,582,910,835
112	2. Cash equivalents		76,752,598,666	-
<b>130</b>	<b>II. Current accounts receivable</b>		<b>84,741,864,840</b>	<b>74,185,012,876</b>
131	1. Short-term trade receivables	5	36,719,143,552	21,966,528,130
132	2. Short-term advances to suppliers	6	1,289,186,094	5,239,662,073
136	3. Other short-term receivables	7	46,576,017,071	46,820,175,380
139	4. Shortage of assets waiting for resolution		157,518,123	158,647,293
<b>140</b>	<b>III. Inventories</b>	<b>8</b>	<b>402,420,168,845</b>	<b>356,170,304,563</b>
141	1. Inventories		403,994,067,970	358,171,424,639
149	2. Provision for obsolete inventories		(1,573,899,125)	(2,001,120,076)
<b>150</b>	<b>IV. Other current assets</b>		<b>19,858,467,003</b>	<b>29,702,585,817</b>
151	1. Short-term prepaid expenses		4,074,684,623	3,839,965,800
152	2. Value-added tax deductible	17	14,521,690,334	25,757,851,309
153	3. Tax and other receivables from the State	17	1,262,092,046	104,768,708
<b>200</b>	<b>B. NON-CURRENT ASSETS</b>		<b>1,430,895,124,879</b>	<b>1,252,417,576,983</b>
<b>220</b>	<b>I. Fixed assets</b>		<b>1,349,914,446,050</b>	<b>607,359,893,489</b>
221	1. Tangible fixed assets	9	1,348,937,044,886	603,638,169,048
222	Cost		1,931,172,253,031	1,066,658,575,562
223	Accumulated depreciation		(582,235,208,145)	(463,020,406,514)
227	2. Intangible assets	10	977,401,164	3,721,724,441
228	Cost		13,834,916,387	13,834,916,387
229	Accumulated amortisation		(12,857,515,223)	(10,113,191,946)
<b>240</b>	<b>II. Long-term asset in progress</b>		<b>1,270,570,841</b>	<b>563,438,286,564</b>
242	1. Construction in progress	11	1,270,570,841	563,438,286,564
<b>250</b>	<b>III. Long-term investment</b>		<b>39,992,000,000</b>	<b>39,992,000,000</b>
252	1. Investment in an associate	13	39,992,000,000	39,992,000,000
<b>260</b>	<b>IV. Other long-term assets</b>		<b>39,718,107,988</b>	<b>41,627,396,930</b>
261	1. Long-term prepaid expenses	14	38,860,691,933	38,760,817,186
262	2. Deferred tax assets	26.2	857,416,055	2,866,579,744
<b>270</b>	<b>TOTAL ASSETS</b>		<b>2,024,552,936,695</b>	<b>1,719,058,391,074</b>

VND

Code	RESOURCES	Notes	Ending balance	Beginning balance
<b>300</b>	<b>C. LIABILITIES</b>		<b>1,329,444,394,078</b>	<b>1,029,281,024,074</b>
<b>310</b>	<b>I. Current liabilities</b>		<b>677,575,039,500</b>	<b>401,461,743,884</b>
311	1. Short-term trade payables	15	251,139,261,848	176,315,367,767
312	2. Short-term advances from customers	16	11,844,476,440	8,319,539,830
313	3. Statutory obligations	17	833,892,156	3,173,448,409
314	4. Payables to employees		11,319,155,059	9,171,028,452
315	5. Short-term accrued expenses	18	6,268,721,972	8,307,164,948
319	6. Other short-term payables		4,225,136,422	3,697,859,771
320	7. Short-term loans	19	390,503,012,476	189,906,160,985
322	8. Bonus and welfare funds		1,441,383,127	2,571,173,722
<b>330</b>	<b>II. Non-current liabilities</b>		<b>651,869,354,578</b>	<b>627,819,280,190</b>
338	1. Long-term loans	19	651,520,236,400	627,450,827,440
342	2. Long-term provision		349,118,178	368,452,750
<b>400</b>	<b>D. OWNERS' EQUITY</b>		<b>695,108,542,617</b>	<b>689,777,367,000</b>
<b>410</b>	<b>I. Capital</b>	<b>20.1</b>	<b>695,108,542,617</b>	<b>689,777,367,000</b>
411	1. Share capital		535,160,240,000	465,358,350,000
411a	Shares with voting rights		535,160,240,000	465,358,350,000
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		123,431,856,238	187,902,570,621
421a	Undistributed earnings up to the end of prior year-end		94,832,763,121	116,581,941,602
421b	Undistributed earnings of current year		28,599,093,117	71,320,629,019
<b>440</b>	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>2,024,552,936,695</b>	<b>1,719,058,391,074</b>


Preparer  
Phan Thanh Phu

10 March 2017


Chief Accountant  
Phan Nhu BichGeneral Director  
Dang Trieu Hoa



**INCOME STATEMENT**

For the year ended 31 December 2016

VND

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenue from sale of goods	21.1	1,379,413,135,868	1,035,486,717,187
02	2. Deductions	21.1	(21,128,320,643)	(50,380,093)
10	3. Net revenue from sale of goods	21.1	1,358,284,815,225	1,035,436,337,094
11	4. Cost of goods sold		(1,229,541,663,657)	(848,224,232,392)
20	5. Gross profit from sale of goods		128,743,151,568	187,212,104,702
21	6. Finance income	21.2	836,897,162	13,843,654,980
22	7. Finance expenses	22	(29,522,120,130)	(52,915,101,730)
23	In which: Interest expense		(16,375,957,696)	(5,123,473,125)
25	8. Selling expenses	23	(25,486,719,366)	(24,084,824,273)
26	9. General and administrative expenses	24	(45,153,648,459)	(38,150,809,352)
30	10. Operating profit		29,417,560,775	85,905,024,327
31	11. Other income		1,523,601,310	946,353,587
32	12. Other expenses		(272,899,967)	(204,319,955)
40	13. Other profit		1,250,701,343	742,033,632
50	14. Accounting profit before tax		30,668,262,118	86,647,057,959
51	15. Current corporate income tax expense	26.1	(60,005,312)	(16,294,005,240)
52	16. Deferred tax (expense) income	26.2	(2,009,163,689)	967,576,300
60	17. Net profit after tax		28,599,093,117	71,320,629,019
70	18. Basic earnings per share	28	534	1,336
71	19. Diluted earnings per share	28	534	1,336

Preparer  
Phan Thanh Phu

10 March 2017

Chief Accountant  
Phan Nhu Bich

General Director  
Dang Trieu Hoa

**CASH FLOW STATEMENT**

For the year ended 31 December 2016

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>30,668,262,118</b>	<b>86,647,057,959</b>
<i>Adjustments for:</i>				
02	Depreciation and amortisation		123,092,808,467	84,850,311,480
03	(Revert of provision) provision		(427,220,951)	1,462,651,701
04	Foreign exchange losses arising from revaluation of monetary accounts denominated in foreign currency	22	10,086,549,611	30,790,696,756
05	Profits from investing activities		(1,107,374,420)	(680,652,638)
06	Interest expense	22	16,375,957,696	5,123,473,125
<b>08</b>	<b>Operating profit before changes in working capital</b>		<b>178,688,982,521</b>	<b>208,193,538,383</b>
09	Decrease in receivables		1,519,572,619	24,501,437,098
10	Increase in inventories		(45,822,643,331)	(174,126,005,760)
11	Increase (decrease) in payables		93,613,692,052	(113,867,587,557)
12	Increase in prepaid expenses		(334,593,570)	(1,604,195,123)
13	Interest paid		(22,548,507,208)	(15,949,238,817)
14	Corporate income tax paid		(1,217,328,650)	(21,692,943,962)
15	Other cash inflows from operating activities		286,213,439	216,892,380
16	Other cash outflows for operating activities		(1,981,677,313)	(551,137,639)
<b>20</b>	<b>Net cash from (used in) operating activities</b>		<b>202,203,710,559</b>	<b>(94,879,240,997)</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>				
21	Purchase and construction of fixed assets		(296,844,759,707)	(499,758,611,252)
22	Proceeds from disposals of fixed assets		454,545,454	45,000,000
25	Payments for investment in another entity		-	(39,992,000,000)
27	Interest received		652,828,966	681,123,303
<b>30</b>	<b>Net cash used in investing activities</b>		<b>(295,737,385,287)</b>	<b>(539,024,487,949)</b>

**CASH FLOW STATEMENT (CONTINUED)**

For the year ended 31 December 2016

VND

Code	ITEMS	Notes	Current year	Previous year
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>				
31	Issuance of shares	20.1	-	7,339,430,909
33	Drawdown of borrowings		973,722,643,159	824,952,869,244
34	Repayment of borrowings		(777,200,193,466)	(276,462,602,742)
36	Dividends paid	20.2	(23,093,312,750)	(63,429,461,250)
40	<b>Net cash from financing activities</b>		<b>173,429,136,943</b>	<b>492,400,236,161</b>
50	Net increase (decrease) in cash and cash equivalents for the year		79,895,462,215	(141,503,492,785)
60	Cash and cash equivalents at beginning of year		6,582,910,835	148,163,520,136
61	Impact of exchange rate fluctuation		158,938,078	(77,116,516)
70	<b>Cash and cash equivalents at end of year</b>	4	<b>86,637,311,128</b>	<b>6,582,910,835</b>



Preparer  
**Phan Thanh Phu**  
10 March 2017



Chief Accountant  
**Phan Nhu Bich**



General Director  
**Dang Trieu Hoa**

**NOTE TO THE FINANCIAL STATEMENTS****1. CORPORATE INFORMATION**

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

Amended BRC No.	Date
4103003288 – 1st	24 May 2007
4103003288 – 2nd	12 September 2007
4103003288 – 3rd	6 August 2008
4103003288 – 4th	14 March 2009
4103003288 – 5th	12 November 2009
0302018927 – 6th	13 January 2010
0302018927 – 7th	8 October 2010
0302018927 – 8th	19 October 2011
0302018927 – 9th	6 July 2012
0302018927 – 10th	19 July 2013
0302018927 – 11th	10 July 2014
0302018927 – 12th	25 July 2014
0302018927 – 13th	14 January 2015
0302018927 – 14th	23 November 2015
0302018927 – 15th	15 June 2016

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

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 Company's branch was incorporated pursuant to Investment Certificate No. 45211000130 issued by the Management Board of Tay Ninh Economic Zone on 26 June 2009 and the following amended Investment Certificates:

Amended Investment Certificate No.	Date
45211000130 – 1st	17 August 2009
45211000130 – 2nd	27 May 2010
45211000130 – 3rd	11 June 2010
45211000130 – 4th	15 April 2011
45211000130 – 5th	14 January 2014
45211000130 – 6th	27 October 2014
0380478317 – 7th	3 September 2015
0380478317 – 8th	6 September 2016
0380478317 – 9th	9 December 2016

The Company has a representative office which is located at 102-104-106 Bau Cat, Ward 14, Tan Binh District, Ho Chi Minh City, pursuant to Business Registration Certificate No. 0302018927-002 issued by the Department of Planning and Investment of Ho Chi Minh City on 30 March 2015.

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

The number of the Company' employees as at 31 December 2016 was 989 (31 December 2015: 896).

## 2. BASIS OF PREPARATION

### 2.1 2.1 Accounting standards and system

The financial statements of the Company, expressed in Vietnam dong (“VND”), are prepared in accordance with 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 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 Company’s applied accounting documentation system is the General Journal system.

### 2.3 Fiscal year

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

### 2.4 Accounting currency

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

## 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 inventories owned by the Company, 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 income statement.

### 3.3 Receivables

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

The provision for doubtful debts represents amounts fo 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 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 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 income statement.

### 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 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 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 and 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 an entity 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 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 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 year of 50 years and Tay Ninh Industrial Park Infrastructure Development Joint Stock Company on 21 July 2009 for a year of 45 years. Such prepaid rental is recognised as a long-term prepaid expense for allocation to the income statement over the remaining lease period according to Circular 45/2013/TT-BTC issued by the Ministry of Finance on 25 April 2013, guiding the regime of management, use and depreciation of fixed assets.

### 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.

### 3.10 Investment

#### *Investment in an associate*

Investment in associates over which the Company 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 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 income statement.

### 3.11 Payables and accruals

Payables and accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

### 3.12 Accrual for severance pay

The severance pay to employee is accrued at the end of each reporting year for all employees who have been in service for more than 12 months up to the 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 period 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 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.

### 3.13 Foreign currency transactions

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

Transactions in currencies other than the Company'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 Company 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 buying transfer exchange rate announced by the commercial bank where the Company most frequently conducts its transactions.

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

### 3.14 Appropriation of net profit

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

The Company maintains the following reserve funds which are appropriated from the Company's net profit as proposed by the Board of Directors and subject to approval by shareholders at the annual general meeting.

#### *Investment and development fund*

This fund is set aside for use in the Company'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 balance sheet.

### 3.15 Treasury shares

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

### 3.16 Revenue recognition

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

#### *Sale of goods*

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

#### *Interest*

Revenue is recognised as the interest accrues unless collectability is in doubt.

### 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 income statement, except when it relates to items recognised directly to equity, in which case the current income tax is also dealt with in equity.

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

#### *Deferred tax*

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

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

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised, except the deferred tax asset in respect of deductible temporary difference which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit or loss.

### 3.17 Taxation (continued)

#### Deferred tax (continued)

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.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right for the Company to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or when the Company intends either settle current income 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.

### 4. CASH AND CASH EQUIVALENTS

VND

	Ending balance	Beginning balance
Cash on hand	96,921,894	65,758,843
Cash in banks	9,787,790,568	6,517,151,992
Cash equivalent (*)	76,752,598,666	-
<b>TOTAL</b>	<b>86,637,311,128</b>	<b>6,582,910,835</b>

(\*) Cash equivalent represents short-term deposits at Vietnam Commercial Joint Stock Export Import Bank with original maturity of less than three (3) months and earn interest at the rate from 4.5% to 5.1% per annum

### 5. SHORT-TERM TRADE RECEIVABLES

VND

	Ending balance	Beginning balance
Due from other parties	29,266,060,386	21,453,733,380
<i>Gain Lucky Vietnam Co., Ltd</i>	4,991,453,917	-
<i>Jatec Co., Ltd</i>	4,984,735,593	-
<i>Formosa Taffeta Co., Ltd</i>	3,567,572,124	1,555,620,117
<i>Y.R.C. Textile Co., Ltd</i>	-	4,174,941,355
<i>Others</i>	15,722,298,752	15,723,171,908
Due from related parties (Note 27)	7,453,083,166	512,794,750
<b>TOTAL</b>	<b>36,719,143,552</b>	<b>21,966,528,130</b>

### 6. SHORT-TERM ADVANCE TO SUPPLIERS

VND

	Ending balance	Beginning balance
OERLIKON Textile Far East Ltd	-	2,167,300,000
Indorama Polyester Industries Public Co., Ltd.	-	1,843,288,650
Others	1,289,186,094	1,229,073,423
<b>TOTAL</b>	<b>1,289,186,094</b>	<b>5,239,662,073</b>

### 7. OTHER SHORT-TERM RECEIVABLES

VND

	Ending balance	Beginning balance
Payment on behalf	45,961,835,781	45,959,975,781
Social insurance	482,462,489	512,107,075
Advance to employees	-	13,000,000
Other receivables	131,718,801	335,092,524
<b>TOTAL</b>	<b>46,576,017,071</b>	<b>46,820,175,380</b>
<i>In which:</i>		
Due from a related party (Note 27)	45,961,835,781	45,959,975,781
Due from other parties	614,181,290	860,199,599

### 8. INVENTORIES

VND

	Ending balance		Beginning balance	
	Cost	Provision	Cost	Provision
Finished goods	261,341,902,253	(1,573,899,125)	247,600,344,694	(2,001,120,076)
Raw materials	103,625,705,123	-	80,139,941,948	-
Goods in transit	34,986,551,496	-	30,431,137,997	-
Goods on consignment	4,039,909,098	-	-	-
<b>TOTAL</b>	<b>403,994,067,970</b>	<b>(1,573,899,125)</b>	<b>358,171,424,639</b>	<b>(2,001,120,076)</b>

#### Detail of movements of provision for obsolete inventories:

VND

	Current year	Previous year
Beginning balance	(2,001,120,076)	(538,468,375)
Add: Provision made during the year	-	(1,825,925,646)
Less: Revert provision made during the year	427,220,951	363,273,945
Ending balance	(1,573,899,125)	(2,001,120,076)

## 9. TANGIBLE FIXED ASSETS

VND

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Total
<b>Cost:</b>					
Beginning balance	268,654,209,911	687,269,707,122	106,098,869,097	4,635,789,432	1,066,658,575,562
Newly purchase	-	3,842,586,544	427,729,427	-	4,270,315,971
Transfer from construction in progress	-	792,550,495,725	68,347,885,411	478,663,921	861,377,045,057
Reclassification	-	-	322,727,273	(322,727,273)	-
Disposal	-	-	(1,133,683,559)	-	(1,133,683,559)
Ending balance	268,654,209,911	1,483,662,789,391	174,063,527,649	4,791,726,080	1,931,172,253,031
<i>In which:</i>					
Fully depreciated	26,353,938,287	68,030,012,323	15,625,926,864	166,208,678	110,176,086,152
<b>Accumulated depreciation:</b>					
Beginning balance	(79,486,287,790)	(348,228,131,739)	(34,977,398,863)	(328,588,122)	(463,020,406,514)
Depreciation for the year	(14,993,959,708)	(86,452,265,353)	(17,846,292,704)	(1,055,967,425)	(120,348,485,190)
Disposal	-	-	1,133,683,559	-	1,133,683,559
Ending balance	(94,480,247,498)	(434,680,397,092)	(51,690,008,008)	(1,384,555,547)	(582,235,208,145)
<b>Net carrying amount:</b>					
Beginning balance	189,167,922,121	339,041,575,383	71,121,470,234	4,307,201,310	603,638,169,048
Ending balance	174,173,962,413	1,048,982,392,299	122,373,519,641	3,407,170,533	1,348,937,044,886
<i>In which:</i>					
Pledged as loan security (Note 19.2)	81,837,017,390	477,673,453,305	72,015,952,919	3,725,727,724	635,252,151,338

B09-DN

## 10. INTANGIBLE ASSETS

VND

	Computer software
<b>Cost:</b>	
Beginning and ending balances	13,834,916,387
<i>In which:</i>	
Fully amortised	113,300,000
<b>Accumulated amortisation:</b>	
Beginning balance	(10,113,191,946)
Amortisation for the year	(2,744,323,277)
Ending balance	(12,857,515,223)
<b>Net carrying amount:</b>	
Beginning balance	3,721,724,441
Ending balance	977,401,164

## 11. CONSTRUCTION IN PROGRESS

VND

	Ending balance	Beginning balance
Machinery and equipment	487,397,986	547,549,611,051
Capitalized interest expense	-	11,082,364,971
Testing costs	-	4,400,869,542
Others	783,172,855	405,441,000
<b>TOTAL</b>	<b>1,270,570,841</b>	<b>563,438,286,564</b>
<i>In which:</i>		
Trang Bang Project - phase 3	-	563,032,845,564
Others	1,270,570,841	405,441,000

## 12. CAPITALIZED BORROWING COSTS

During the year, the Company capitalized borrowing costs amounting to VND 6,634,885,598 (for the year ended 31 December 2015: VND 11,082,364,971). These costs relate to the loans taken to finance the construction of phase 3 and phase 4 at Trang Bang branch.

## 13. INVESTMENT IN AN ASSOCIATE

	Ending balance		Beginning balance	
	% of interest	Cost (VND)	% of interest	Cost (VND)
Unitex Corporation	49.99	39,992,000,000	49.99	39,992,000,000

Unitex Corporation ("Unitex") 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. 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.

As at the balance sheet date, Unitex is in the stage of getting approval for the plan for construction and development.

## 14. LONG-TERM PREPAID EXPENSES

	Ending balance	Beginning balance
Land rental (land use rights) <sup>(1)</sup>	27,854,506,567	28,660,151,098
Others	11,006,185,366	10,100,666,088
<b>TOTAL</b>	<b>38,860,691,933</b>	<b>38,760,817,186</b>

<sup>(1)</sup> As disclosed in Note 19.2, the Company has pledged the land use rights to secure the bank loan facilities.

## 15. SHORT-TERM TRADE PAYABLES

	Ending balance		Beginning balance	
	Amount	Amount payable	Amount	Amount payable
Tainan Spinning Co., Ltd	108,482,214,080	108,482,214,080	-	-
PT. INDORAMA Polychem Indonesia	69,814,612,400	69,814,612,400	42,303,446,834	42,303,446,834
Far Eastern New Century Corporation	32,533,466,305	32,533,466,305	-	-
ITOCHU Corporation	-	-	67,518,253,320	67,518,253,320
Others	40,308,969,063	40,308,969,063	66,493,667,613	66,493,667,613
<b>TOTAL</b>	<b>251,139,261,848</b>	<b>251,139,261,848</b>	<b>176,315,367,767</b>	<b>176,315,367,767</b>

## 16. SHORT-TERM ADVANCE FROM CUSTOMERS

	Ending balance	Beginning balance
Universal Star Corporation	4,681,361,757	-
Eclat Fabric Vietnam Company Limited	2,196,150,454	466,637
Treasure Star International Limited	1,825,014,922	-
Golden Empire International Limited	700,777,270	1,489,204,115
Others	2,441,172,037	6,829,869,078
<b>TOTAL</b>	<b>11,844,476,440</b>	<b>8,319,539,830</b>

## 17. STATUTORY OBLIGATIONS

	Beginning balance	Payable for the year	Payment/net-off in the year	Ending balance
<b>Payables</b>				
Corporate income tax	-	60,005,312	(60,005,312)	-
Import and export duties	1,336,033,855	694,839,251	(1,906,999,047)	123,874,059
Personal income tax	167,700,163	2,037,537,547	(1,934,459,171)	270,778,539
Value-added tax	1,669,714,391	55,540,686,629	(56,771,161,462)	439,239,558
Other	-	942,632,400	(942,632,400)	-
<b>TOTAL</b>	<b>3,173,448,409</b>	<b>59,275,701,139</b>	<b>(61,615,257,392)</b>	<b>833,892,156</b>

	Beginning balance	Payable for the year	Payment/net-off in the year	Ending balance
<b>Receivables</b>				
Value-added tax deductible	25,757,851,309	22,072,414,174	(33,308,575,149)	14,521,690,334
Corporate income tax (Note 26.1)	104,768,708	1,157,323,338	-	1,262,092,046
Other	-	34,971,300	(34,971,300)	-
<b>TOTAL</b>	<b>25,862,620,017</b>	<b>23,264,708,812</b>	<b>(33,343,546,449)</b>	<b>15,783,782,380</b>

## 18. SHORT-TERM ACCRUED EXPENSES

	Ending balance	Beginning balance
Utility expenses	2,970,867,032	2,210,854,055
Sales commission	1,982,783,992	5,103,956,311
Interest expense	1,154,959,693	692,623,607
Others	160,111,255	299,730,975
<b>TOTAL</b>	<b>6,268,721,972</b>	<b>8,307,164,948</b>

## 19. LOANS

VND

	Beginning balance		Movement during the year		Foreign exchange losses	Ending balance	
	Balance	Payable amount	Increase	Decrease		Balance	Payable amount
<b>Short-term</b>							
Loans from banks	144,023,760,985	144,023,760,985	778,801,679,039	(627,872,634,705)	3,447,340,657	298,400,145,976	298,400,145,976
Current portion of long-term loans	45,882,400,000	45,882,400,000	133,585,108,150	(86,973,893,325)	(390,748,325)	92,102,866,500	92,102,866,500
	189,906,160,985	189,906,160,985	912,386,787,189	(714,846,528,030)	3,056,592,332	390,503,012,476	390,503,012,476
<b>Long-term</b>							
Loans from banks	627,450,827,440	627,450,827,440	194,920,964,120	(195,938,773,586)	25,087,218,426	651,520,236,400	651,520,236,400
<b>TOTAL</b>	<b>817,356,988,425</b>	<b>817,356,988,425</b>	<b>1,107,307,751,309</b>	<b>(910,785,301,616)</b>	<b>28,143,810,758</b>	<b>1,042,023,248,876</b>	<b>1,042,023,248,876</b>

### 19.1 Short-term loans from banks

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

	Ending balance VND)	Original amount (VND)	Term and maturity date	Interest rate
<b>Vietnam Commercial Joist Stock Export Import Bank</b>				
	168,529,975,600	7,424,228	From 8 February 2017 to 27 June 2017	1.7%
<b>Joint Stock Commercial Bank for Foreign Trade of Vietnam</b>				
	66,842,939,376	2,944,623	From 4 January 2017 to 19 June 2017	1.7%
<b>Vietnam Joint Stock Commercial Bank for Industry and Trade</b>				
	63,027,231,000	2,776,530	From 15 January 2017 to 19 June 2017	1.7%
<b>TOTAL</b>	<b>298,400,145,976</b>	<b>13,145,381</b>		

B09-DN

### 19.2 Long-term loans from banks

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

	Ending balance (VND)	Original amount (VND)	Term and maturity date	Interest rate	Description of collateral
<b>Dong A Joint Stock Commercial Bank</b>					
H.0217-13	60,974,969,400	2,686,122	From 3 January 2017 to 3 January 2019	2.25%	Assets funded by loans including imported machinery and equipment (Trang Bang project -2nd stage). Total assets value is USD 12,100,000
<b>CTBC Bank Co., Ltd</b>					
MTVN1078-15	198,625,000,000	8,750,000	From 1 January 2017 to 1 March 2021	2.29%	Assets funded by loans including imported machinery and equipment (Trang Bang project - 4 <sup>th</sup> stage).
<b>Vietnam Commercial Joist Stock Export Import Bank</b>					
201403738	484,023,133,500	21,322,605	From 20 January 2017 to 20 October 2021	2.93%	Assets funded by loans including land use right, building and structures, and machineries at Trang Bang Branch, Tay Ninh Province
<b>TOTAL</b>	<b>743,623,102,900</b>	<b>32,758,727</b>			
<i>In which:</i>					
<i>Current portion</i>	92,102,866,500	4,057,395			
<i>Long-term loans</i>	651,520,236,400	28,701,332			

B09-DN



## 20. OWNERS' EQUITY

### 20.1 Increases and decreases in owners' equity

	VND					
	Share capital	Share premium	Treasury shares	Investment and development fund	Undistributed earnings	Total
<b>Previous year:</b>						
Beginning balance	423,053,360,000	40,026,904,470	(11,826,900,000)	1,219,011,000	222,344,935,602	674,817,311,072
Increase in capital	42,304,990,000	(242,000,000)	-	-	(42,304,990,000)	(242,000,000)
Re-issuance of treasury shares	-	(4,487,469,091)	11,826,900,000	-	-	7,339,430,909
Net profit for the year	-	-	-	-	71,320,629,019	71,320,629,019
Dividend declared	-	-	-	-	(63,458,004,000)	(63,458,004,000)
Ending balance	465,358,350,000	35,297,435,379	-	1,219,011,000	187,902,570,621	689,777,367,000
<b>Current year:</b>						
Beginning balance	465,358,350,000	35,297,435,379	-	1,219,011,000	187,902,570,621	689,777,367,000
Increase in capital (*)	69,801,890,000	-	-	-	(69,801,890,000)	-
Net profit for the year	-	-	-	-	28,599,093,117	28,599,093,117
Dividend declared	-	-	-	-	(23,267,917,500)	(23,267,917,500)
Ending balance	535,160,240,000	35,297,435,379	-	1,219,011,000	123,431,856,238	695,108,542,617

(\*) On 7 June 2016, the Company issued 6,980,189 ordinary shares to existing shareholders to pay dividend and increase its share capital from undistributed earnings. This issuance was executed under the Board of Directors Meeting No. 12-2016/BBHHDQ/TK date 7 June 2016. The result of issuance was reported to SSC on 7 June 2016. As at 31 December 2016, the share capital of the Company increased to VND 535,160,240,000 which was approved by the Department of Planning and Investment of Ho Chi Minh City as per the 15th amended Business Certificate dated 15 June 2016.

B09-DN

### 20.2 Capital transactions with owners and distribution of dividends, profits

	VND	
	Current year	Previous year
<b>Issued share capital</b>		
Beginning balance	465,358,350,000	423,053,360,000
Share issuance	69,801,890,000	42,304,990,000
Ending balance	535,160,240,000	465,358,350,000
<b>Dividends declared</b>	<b>(93,069,807,500)</b>	<b>(63,458,004,000)</b>
Dividend paid in cash	(23,093,312,750)	(63,429,461,250)
Stock dividend	(69,801,890,000)	-

### 20.3 Shares

	VND			
	Ending balance		Beginning balance	
	Quantity	Amount (VND)	Quantity	Amount (VND)
<b>Authorized shares</b>	<b>53,516,024</b>	<b>535,160,240,000</b>	<b>46,535,835</b>	<b>465,358,350,000</b>
<b>Issued shares</b>				
Issued and paid-up shares	53,516,024	535,160,240,000	46,535,835	465,358,350,000
Ordinary shares	53,516,024	535,160,240,000	46,535,835	465,358,350,000
<b>Shares in circulation</b>				
Ordinary shares	53,516,024	535,160,240,000	46,535,835	465,358,350,000

## 21. REVENUES

### 21.1 Revenue from sale of goods

	VND	
	Current year	Previous year
<b>Gross revenue</b>	<b>1,379,413,135,868</b>	<b>1,035,486,717,187</b>
Less: Sales returns	(21,128,320,643)	(50,380,093)
<b>Net revenue</b>	<b>1,358,284,815,225</b>	<b>1,035,436,337,094</b>

### 21.2 Finance income

	VND	
	Current year	Previous year
Interest income	652,828,966	681,123,303
Foreign exchange gains	184,068,196	13,162,531,677
<b>TOTAL</b>	<b>836,897,162</b>	<b>13,843,654,980</b>

## 22. FINANCE EXPENSES

VND

	Current year	Previous year
Interest expense	16,375,957,696	5,123,473,125
Foreign exchange losses arising from revaluation of monetary accounts denominated in foreign currency	10,086,549,611	30,790,696,756
Foreign exchange losses	3,059,612,823	17,000,931,849
<b>TOTAL</b>	<b>29,522,120,130</b>	<b>52,915,101,730</b>

## 23. SELLING EXPENSES

VND

	Current year	Previous year
Transportation expense	13,060,068,912	11,288,948,526
Letter of credit (LC) fee and documents	5,618,197,173	6,278,889,510
Commission fee	4,984,358,206	5,389,705,721
Other expenses	1,824,095,075	1,127,280,516
<b>TOTAL</b>	<b>25,486,719,366</b>	<b>24,084,824,273</b>

## 24. GENERAL AND ADMINISTRATION EXPENSES

VND

	Current year	Previous year
Labour costs	20,071,295,386	17,800,976,103
Expenses for external services	11,119,215,073	9,897,039,502
Depreciation expenses	5,557,254,898	3,517,094,767
Tools and equipment	4,008,415,559	3,350,865,946
Other expenses	4,397,467,543	3,584,833,034
<b>TOTAL</b>	<b>45,153,648,459</b>	<b>38,150,809,352</b>

## 25. PRODUCTION AND OPERATING COSTS

VND

	Current year	Previous year
Raw materials	859,359,407,673	733,487,334,581
Labour costs	86,969,683,783	71,730,746,556
Depreciation and amortisation (Notes 9 and 10)	123,092,808,467	81,101,897,351
Expenses for external services	205,695,292,662	163,057,257,927
Other expenses	25,064,838,897	13,847,594,282
<b>TOTAL</b>	<b>1,300,182,031,482</b>	<b>1,063,224,830,697</b>

## 26. CORPORATE INCOME TAX

For Cu Chi Operation, the applicable statutory corporate income tax ("CIT") rate is 20% (for the year ended 31 December 2015: 22%) of taxable profit.

For the Trang Bang Branch, the Company received Trang Bang's amended Investment Certification issued by the Tay Ninh Province Industrial Zone Administration on 6 September 2016. Accordingly, the Company have been tax incentive (tax rate by 10%) for fifteen (15) years from current year (year 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.

The tax returns filed by the Company 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 financial statements could change at a later date upon final determination by the tax authorities.

### 26.1 Current tax

VND

	Current year	Previous year
Current tax expense	60,005,312	16,294,005,240
Deferred tax expense (income)	2,009,163,689	(967,576,300)
<b>TOTAL</b>	<b>2,069,169,001</b>	<b>15,326,428,940</b>

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

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

VND

	Current year	Previous year
Accounting profit before tax	30,668,262,118	86,647,057,959
At the applicable CIT rate for the Company	2,533,442,847	20,132,643,370
<i>Adjustments</i>		
Non-deductible expenses	357,515,375	406,454,653
Tax incentive at Trang Bang branch	(2,005,859,893)	(5,465,819,847)
Impact on deferred tax due to change in tax rate	1,184,070,672	253,150,764
<b>CIT expense</b>	<b>2,069,169,001</b>	<b>15,326,428,940</b>

## 26.2 Deferred tax

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

VND

	Balance sheet		Income statement	
	Ending balance	Beginning balance	Current year	Previous year
<b>Deferred tax assets</b>				
Unrealised profit	-	1,193,660,139	(1,193,660,139)	260,210,637
Accrued expenses	393,956,539	1,009,941,435	(615,984,896)	326,133,274
Accrual for annual leave	105,362,551	188,741,787	(83,379,236)	75,385,903
Accrual for severance pay	69,823,636	73,690,550	(3,866,914)	5,067,719
Provision for obsolete inventory	314,779,825	400,224,015	(85,444,190)	281,760,972
Difference in recognition of exported revenue	-	(2,130,120)	2,130,120	(93,554,623)
Foreign exchange losses (gains) arising from revaluation of monetary accounts denominated in foreign currency	(26,506,496)	2,451,938	(28,958,434)	112,572,418
	<b>857,416,055</b>	<b>2,866,579,744</b>		
<b>Net deferred tax (expenses) credit to income statement</b>			<b>(2,009,163,689)</b>	<b>967,576,300</b>

## 27. TRANSACTIONS WITH RELATED PARTIES

Significant transactions with related parties during the year were as follows:

VND

Related parties	Relationship	Transactions	Current year	Previous year
Unitex Corporation	Related party	Contribution capital	-	39,992,000,000
LIANTEX Co., Ltd.	Related party	Sale of goods	98,856,751,422	13,463,070,903
P.A.N Asia Co., Ltd	Related party	Sale of goods	4,065,122,685	3,342,738,426

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

VND

	Relationship	Transaction	Ending balance	Beginning balance
<b>Trade receivable (Note 5)</b>				
LIANTEX Co., Ltd.	Related party	Sale of goods	6,530,959,455	195,677,778
P.A.N Asia Co., Ltd	Related party	Sale of goods	922,123,711	317,116,972
			<b>7,453,083,166</b>	<b>512,794,750</b>
<b>Other short-term receivable (Note 7)</b>				
Unitex Corporation	Associate	Payment on behalf	45,961,835,781	45,959,975,781

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

VND

	Current year	Previous year
Salaries and related expenses	4,229,746,411	5,768,479,115

*Terms and conditions of transactions with related parties:*

- The sales to and purchases from related parties are made based on negotiated contract.
- Outstanding balances at 31 December 2016 are unsecured, interest free and will be settled in cash.

## 28. EARNINGS PER SHARE

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

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

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

	Current year	Previous year
Net profit after tax attributable to ordinary equity holders adjusted for the effect of dilution	28,599,093,117	71,320,629,019
Weighted average number of ordinary shares for basic earnings per shares	53,516,024	53,373,364
Earnings per share (par value of VND 10,000/share)		
Basic	534	1,336
Dilution	534	1,336

The weighted average number of ordinary shares takes into account the treasury shares, issued share and the share dividend used during the year. The weighted average number of shares for the year ended 31 December 2015 was adjusted to reflect the 6,980,189 shares issued in 2016 from undistributed earnings (Note 20.1).

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

## 29. OPERATING LEASE COMMITMENT

The Company leases assets under operating lease arrangements. The minimum lease commitment as at 31 December 2016 under the operating lease agreements is as follows:

VND

	Ending balance	Beginning balance
Less than 1 year	1,160,930,000	769,410,622
From 1 to 5 years	1,362,000,000	2,621,642,488
More than 5 years	10,754,125,000	17,283,309,785
<b>TOTAL</b>	<b>13,277,055,000</b>	<b>20,674,362,895</b>

## 30. SEGMENT INFORMATION

The Company's main activities are to manufacture synthetic yarn and knitting and its revenue is mainly from these activities. In addition, the Company's operation and branch which are generating revenue are located in Vietnam. Therefore, the Company's General Director believes presentation of segment information is not required.

## 31. OFF BALANCE SHEET ITEM

VND

	Ending balance	Beginning balance
Foreign currency: United States Dollar (USD)	332,765	235,934

## 32. EVENTS AFTER THE BALANCE SHEET DATE

There has not been no matter or circumstance after the balance sheet date which would require adjustments or disclosure to be made in the financial statements of the Company.



Preparer  
**Phan Thanh Phu**  
10 March 2017



Chief Accountant  
**Phan Nhu Bich**



General Director  
**Dang Trieu Hoa**

