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# **Century Synthetic Fiber Corporation**

Consolidated financial statements

31 December 2017



# Century Synthetic Fiber Corporation

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# Century Synthetic Fiber Corporation

## GENERAL INFORMATION

### THE COMPANY

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

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

The Company has two investment projects comprising:

- The factory to manufacture synthetic yarn that currently operates based on Investment Certificate No. 41221000029 issued by the Ho Chi Minh City Export Processing and Industrial Zones Authority on 19 July 2007. The project's duration will end on 31 December 2048.
- The factory to manufacture POY, DTY, FDY synthetic yarn – Trang Bang Branch that currently operates based on the 11<sup>th</sup> amended Investment Registration Certificate No. 0380478317 issued by the Tay Ninh Economics Zones Authority on 4 December 2017. The project's duration is 44 years starting from 26 June 2009.

The Company's registered head office is located at Lot B1-1 North West Cu Chi Industrial Zone, Cu Chi District, Ho Chi Minh City, Vietnam.

The Company has Trang Bang Branch, located at Street No.8, Trang Bang Industrial Zone, Trang Bang District, Tay Ninh Province, Vietnam.

The Company has one representative office, located at 102-104-106 Bau Cat, Ward 14, Tan Binh District, Ho Chi Minh City, Vietnam.

The current principal activities of the Company during the year 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:

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

### BOARD OF SUPERVISION

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

Mr Nguyen Tu Luc	Head
Ms Nguyen Thi Ngoc Linh	Member
Mr Le Anh Tuan	Member

# Century Synthetic Fiber Corporation

## GENERAL INFORMATION (continued)

### **MANAGEMENT**

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

Mr Dang Trieu Hoa	General Director
Mr Lu Yen Ku	Production Manager
Ms Nguyen Phuong Chi	Chief Strategic Officer
Mr Phan Nhu Bich	Chief Financial Officer

### **LEGAL REPRESENTATIVE**

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

### **AUDITORS**

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

# Century Synthetic Fiber Corporation

## REPORT OF MANAGEMENT

Management of Century Synthetic Fiber Corporation ("the Company") is pleased to present this report and the consolidated financial statements of the Company and its subsidiary ("the Group") for the year ended 31 December 2017.

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

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

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

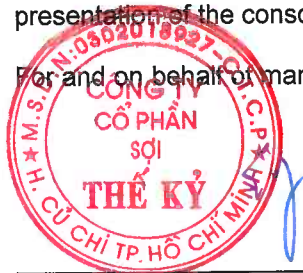
Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding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

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

### STATEMENT BY MANAGEMENT

Management of the Company, does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of the consolidated financial statements.

For and on behalf of management:



Dang Trieu Hoa  
General Director

Ho Chi Minh City, Vietnam

16 March 2018



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

Tel: +84 28 3824 5252  
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Reference: 60867230/19357103-HN

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying consolidated financial statements of Century Synthetic Fiber Corporation ("the Company") and its subsidiary (collectively referred to as "the Group") as prepared on 16 March 2018 and set out on pages 6 to 34, which comprise the consolidated balance sheet as at 31 December 2017, and the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

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

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

### ***Auditors' responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statement, whether due to fraud or error. In making those risk assessment, the auditors consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Group as at 31 December 2017, and of the results of its consolidated operation and its consolidated cash flows for the year then ended in accordance with the Vietnamese Accounting Standards, Vietnamese Enterprises Accounting System and the statutory requirements relevant to preparation and presentation of the consolidated financial statements.



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



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

Ho Chi Minh City, Vietnam

16 March 2018

CONSOLIDATED BALANCE SHEET  
as at 31 December 2017

VND


Code	ASSETS	Notes	Ending balance	Beginning balance
<b>100</b>	<b>A. CURRENT ASSETS</b>		<b>613,147,941,188</b>	<b>593,657,811,816</b>
<b>110</b>	<b>I. Cash and cash equivalents</b>	<b>5</b>	<b>116,615,724,965</b>	<b>86,637,311,128</b>
111	1. Cash		10,315,724,965	9,884,712,462
112	2. Cash equivalents		106,300,000,000	76,752,598,666
<b>130</b>	<b>II. Current accounts receivable</b>		<b>62,927,402,010</b>	<b>84,741,864,840</b>
131	1. Short-term trade receivables	6	56,914,886,934	36,719,143,552
132	2. Short-term advances to suppliers	7	4,592,640,316	1,289,186,094
136	3. Other short-term receivables	8	1,418,803,381	46,576,017,071
139	4. Shortage of assets waiting for resolution		1,071,379	157,518,123
<b>140</b>	<b>III. Inventories</b>	<b>9</b>	<b>399,379,313,955</b>	<b>402,420,168,845</b>
141	1. Inventories		401,784,875,885	403,994,067,970
149	2. Provision for obsolete inventories		(2,405,561,930)	(1,573,899,125)
<b>150</b>	<b>IV. Other current assets</b>		<b>34,225,500,258</b>	<b>19,858,467,003</b>
151	1. Short-term prepaid expenses	14	5,184,408,462	4,074,684,623
152	2. Value-added tax deductible	17	27,898,416,731	14,521,690,334
153	3. Tax and other receivables from the State	17	1,142,675,065	1,262,092,046
<b>200</b>	<b>B. NON-CURRENT ASSETS</b>		<b>1,365,394,787,520</b>	<b>1,430,895,124,879</b>
<b>220</b>	<b>I. Fixed assets</b>		<b>1,207,760,772,930</b>	<b>1,349,914,446,050</b>
221	1. Tangible fixed assets	10	1,207,027,542,005	1,348,937,044,886
222	Cost		1,936,273,688,548	1,931,172,253,031
223	Accumulated depreciation		(729,246,146,543)	(582,235,208,145)
227	2. Intangible assets	11	733,230,925	977,401,164
228	Cost		14,385,298,205	13,834,916,387
229	Accumulated amortisation		(13,652,067,280)	(12,857,515,223)
<b>240</b>	<b>II. Long-term asset in progress</b>		<b>1,613,449,895</b>	<b>1,270,570,841</b>
242	1. Construction in progress	12	1,613,449,895	1,270,570,841
<b>250</b>	<b>III. Long-term investment</b>		<b>27,050,400,000</b>	<b>39,992,000,000</b>
252	1. Investment in an associate	13	27,050,400,000	39,992,000,000
<b>260</b>	<b>IV. Other long-term assets</b>		<b>128,970,164,695</b>	<b>39,718,107,988</b>
261	1. Long-term prepaid expenses	14	125,699,633,023	38,860,691,933
262	2. Deferred tax assets	27.2	3,270,531,672	857,416,055
<b>270</b>	<b>TOTAL ASSETS</b>		<b>1,978,542,728,708</b>	<b>2,024,552,936,695</b>



CONSOLIDATED BALANCE SHEET (continued)  
as at 31 December 2017

VND

Code	RESOURCES	Notes	Ending balance	Beginning balance
<b>300</b>	<b>C. LIABILITIES</b>		<b>1,199,891,718,708</b>	<b>1,329,444,394,078</b>
<b>310</b>	<b>I. Current liabilities</b>		<b>732,355,214,479</b>	<b>677,575,039,500</b>
311	1. Short-term trade payables	15	307,455,221,651	251,139,261,848
312	2. Short-term advances from customers	16	39,684,873,401	11,844,476,440
313	3. Statutory obligations	17	6,186,423,340	833,892,156
314	4. Payables to employees		23,825,789,965	11,319,155,059
315	5. Short-term accrued expenses	18	8,748,411,266	6,268,721,972
319	6. Other short-term payables	19	3,695,538,774	4,225,136,422
320	7. Short-term loans	20	341,027,532,282	390,503,012,476
322	8. Bonus and welfare funds		1,731,423,800	1,441,383,127
<b>330</b>	<b>II. Non-current liabilities</b>		<b>467,536,504,229</b>	<b>651,869,354,578</b>
338	1. Long-term loans	20	467,173,155,962	651,520,236,400
342	2. Long-term provision		363,348,267	349,118,178
<b>400</b>	<b>D. OWNERS' EQUITY</b>		<b>778,651,010,000</b>	<b>695,108,542,617</b>
<b>410</b>	<b>I. Capital</b>	<b>21.1</b>	<b>778,651,010,000</b>	<b>695,108,542,617</b>
411	1. Share capital		599,377,980,000	535,160,240,000
411a	- Shares with voting rights		599,377,980,000	535,160,240,000
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		142,756,583,621	123,431,856,238
421a	- Undistributed earnings by the end of prior years		43,159,309,038	94,832,763,121
421b	- Undistributed earnings of current year		99,597,274,583	28,599,093,117
<b>440</b>	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>1,978,542,728,708</b>	<b>2,024,552,936,695</b>

  
Preparer  
Phan Thanh Phu

  
Chief Accountant  
Phan Nhu Bich

  
General Director  
Dang Trieu Hoa





16 March 2018


CONSOLIDATED INCOME STATEMENT  
for the year ended 31 December 2017

VND

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenue from sale of goods	22.1	2,008,604,207,131	1,379,413,135,868
02	2. Deductions	22.1	(19,550,988,418)	(21,128,320,643)
10	3. Net revenue from sale of goods	22.1	1,989,053,218,713	1,358,284,815,225
11	4. Cost of goods sold		(1,772,497,810,804)	(1,229,541,663,657)
20	5. Gross profit from sale of goods		216,555,407,909	128,743,151,568
21	6. Finance income	22.2	8,019,194,642	836,897,162
22	7. Finance expenses	23	(29,770,129,745)	(29,522,120,130)
23	<i>In which: Interest expenses</i>		(27,469,431,784)	(16,375,957,696)
25	8. Selling expenses	24	(31,716,965,079)	(25,486,719,366)
26	9. General and administrative expenses	25	(58,659,860,149)	(45,153,648,459)
30	10. Operating profit		104,427,647,578	29,417,560,775
31	11. Other income		1,037,122,440	1,523,601,310
32	12. Other expenses		(465,117,216)	(272,899,967)
40	13. Other profit		572,005,224	1,250,701,343
50	14. Accounting profit before tax		104,999,652,802	30,668,262,118
51	15. Current corporate income tax expense	27.1	(7,797,335,571)	(60,005,312)
52	16. Deferred tax income (expense)	27.2	2,413,115,617	(2,009,163,689)
60	17. Net profit after tax		99,615,432,848	28,599,093,117
70	18. Basic earnings per share	29	1,662	477
71	19. Diluted earnings per share	29	1,662	477

  
Preparer  
Phan Thanh Phu

  
Chief Accountant  
Phan Nhu Bich

  
General Director  
Dang Trieu Hoa

16 March 2018

CONSOLIDATED CASH FLOW STATEMENT  
for the year ended 31 December 2017


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>104,999,652,802</b>	<b>30,668,262,118</b>
	<i>Adjustments for:</i>			
02	Depreciation and amortisation		147,805,490,455	123,092,808,467
03	Provisions (reversal of provisions)		831,662,805	(427,220,951)
04	Foreign exchange (gain) loss arising from revaluation of monetary accounts denominated in foreign currency		(948,230,039)	10,086,549,611
05	Profits from investing activities		(5,197,807,556)	(1,107,374,420)
06	Interest expenses	23	27,469,431,784	16,375,957,696
<b>08</b>	<b>Operating profit before changes in working capital</b>		<b>274,960,200,251</b>	<b>178,688,982,521</b>
09	Decrease in receivables		14,023,400,086	1,519,572,619
10	Decrease (increase) in inventories		2,209,192,085	(45,822,643,331)
11	Increase in payables		56,677,495,216	93,613,692,052
12	Increase in prepaid expenses		(9,913,520,394)	(334,593,570)
13	Interest paid		(27,332,177,028)	(22,548,507,208)
14	Corporate income tax paid		(4,601,424,693)	(1,217,328,650)
15	Other cash inflows from operating activities		178,416,225	286,213,439
16	Other cash outflows for operating activities		(460,785,617)	(1,981,677,313)
<b>20</b>	<b>Net cash from operating activities</b>		<b>305,740,796,131</b>	<b>202,203,710,559</b>
	<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchase and construction of fixed assets		(5,301,896,389)	(296,844,759,707)
22	Proceeds from disposals of fixed assets		-	454,545,454
25	Payments for investment in another entity		(26,981,483,092)	-
27	Interest received		5,156,027,000	652,828,966
<b>30</b>	<b>Net cash used in investing activities</b>		<b>(27,127,352,481)</b>	<b>(295,737,385,287)</b>
	<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
33	Drawdown of borrowings		954,340,729,582	973,722,643,159
34	Repayment of borrowings		(1,187,062,923,255)	(777,200,193,466)
36	Dividends paid	21.2	(15,911,728,555)	(23,093,312,750)
<b>40</b>	<b>Net cash (used in) from financing activities</b>		<b>(248,633,922,228)</b>	<b>173,429,136,943</b>

CONSOLIDATED CASH FLOW STATEMENT (continued)  
for the year ended 31 December 2017

VND

Code	ITEMS	Notes	Current year	Previous year
50	Net increase in cash and cash equivalents for the year		29,979,521,422	79,895,462,215
60	Cash and cash equivalents at beginning of year		86,637,311,128	6,582,910,835
61	Impact of exchange rate fluctuation		(1,107,585)	158,938,078
70	Cash and cash equivalents at end of year	5	116,615,724,965	86,637,311,128

  
Preparer  
Phan Thanh Phu

  
Chief Accountant  
Phan Nhu Bich

  
General Director  
Dang Trieu Hoa

16 March 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
as at and for the year ended 31 December 2017

**1. CORPORATE INFORMATION**

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

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

The Company has two investment projects comprising:

- The factory to manufacture synthetic yarn that currently operates based on Investment Certificate No. 41221000029 issued by the Ho Chi Minh City Export Processing and Industrial Zones Authority on 19 July 2007. The project's duration will be end on 31 December 2048.
- The factory to manufacture POY, DTY, FDY synthetic yarn – Trang Bang Branch that currently operates based on the 11<sup>th</sup> amended Investment Registration Certificate No. 0380478317 issued by the Tay Ninh Economics Zones Authority on 4 December 2017. The project's duration is 44 years starting from 26 June 2009.

The Company's registered head office is located at Lot B1-1 North West Cu Chi Industrial Zone, Cu Chi District, Ho Chi Minh City, Vietnam.

The Company has Trang Bang Branch, located at Street No.8, Trang Bang Industrial Zone, Trang Bang District, Tay Ninh Province, Vietnam.

The Company has one representative office, located at 102-104-106 Bau Cat, Ward 14, Tan Binh District, Ho Chi Minh City, Vietnam.

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

The number employees of the Company and its subsidiary ("the Group") as at 31 December 2017 was 1,085 (31 December 2016: 989).

**Corporate structure**

As at 31 December 2017, corporate structure of the Group is as follows:

- *Unitex Limited Liability Company (subsidiary):*

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

On 20 October 2017, the Company additionally acquired 4,000,800 shares of Unitex, equivalent to 50.01% of its ownership from its existing shareholders, which raised the ownership percentage from 49.99% to 100% at the cost of 40,008,000,000 VND. Therefore, Unitex has become the subsidiary of the Company. As at this date, Unitex received Enterprise Registration Certificate of second amendment issued by Department of Planning and Investment of Tay Ninh Province, which approved the enterprise form conversion into limited liability company, and changed its name as Unitex Limited Liability Company.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017**1. CORPORATE INFORMATION** (continued)**Corporate structure** (continued)

- *E.DYE Vietnam Joint Stock Company (associate)*

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

As at the balance sheet date, E.DYE is in the stage of completing legal procedures for project operation purposes.

**2. BASIS OF PREPARATION****2.1 Accounting standards and system**

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

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

Accordingly, the accompanying consolidated financial statements, including their utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the consolidated financial position and results of consolidated operations and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

**2.2 Applied accounting documentation system**

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

**2.3 Fiscal year**

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

**2.4 Accounting currency**

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017**2. BASIS OF PREPARATION** (continued)**2.5 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiary for the year ended 31 December 2017.

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

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

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

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.

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

**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 Group, based on appropriate evidence of impairment available at the consolidated balance sheet date.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017

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

**3.3 Receivables**

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

The provision for doubtful debts represents amounts 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 consolidated income statement.

**3.4 Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation.

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

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

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

**3.5 Intangible assets**

Intangible assets are stated at cost less accumulated amortisation.

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

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

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

**3.6 Depreciation and amortisation**

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

Buildings 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 year of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.8 Prepaid expenses**

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

The 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 consolidated income statement over the remaining lease year according to Circular 45/2013/TT-BTC issued by the Ministry of Finance on 25 April 2013, 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 Business combinations and goodwill**

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

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

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

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

*Provision for diminution in value of an investment*

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

**3.12 Payables and accruals**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017

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

#### 3.13 *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 year following the average monthly salary of the 6-month year up to the reporting date. Increase or decrease to the accrued amount other than actual payment to employees will be taken to the consolidated income statement.

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

#### 3.14 *Foreign currency transactions*

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

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

At the end of the year, balances of monetary items denominated in foreign currencies are translated at the buying transfer exchange rate announced by the commercial bank where the Group 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 year-end are taken to the consolidated income statement.

#### 3.15 *Appropriation of net profit*

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

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

##### *Investment and development fund*

This fund is set aside for use in the Group's expansion of its operation or of in-depth investment.

##### *Bonus and welfare fund*

This fund is set aside for the purpose of pecuniary rewarding and encouraging, common benefits and improvement of the employees' benefits and presented as a liability on the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017

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

**3.16 Revenue recognition**

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

*Sale of goods*

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

*Interest*

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

**3.17 Taxation**

*Current income tax*

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

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

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

*Deferred tax*

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017

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

**3.17 Taxation (continued)**

*Deferred tax (continued)*

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right for the Group 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 Group intends either settle current income tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**3.18 Earnings per share**

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

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

**3.19 Segment information**

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

**3.20 Related parties**

Parties are considered to be related parties of the group if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, or when the group and other party are under common control or under common significant influence. Related parties can be enterprise or individual, including close members of the family of any such individual.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017**4. BUSINESS COMBINATION**

On 20 October 2017, the Company additionally acquired 4,000,800 shares of Unitex Corporation, and then changed its name into Unitex Limited Liability Company ("Unitex") equivalent to 50.01% of its ownership from its existing shareholders, which raised the ownership percentage from 49.99% to 100% at the cost of VND 40,008,000,000. Therefore, Unitex has become the subsidiary of the Group.

The book value of Unitex's identifiable assets and liabilities at the acquisition date, which were audited by another auditing firm that expressed an unmodified opinion, were as follows:

	VND
	<i>Book value recognised on acquisition</i>
Cash	68,916,908
Value added tax deductibles	7,873,816,073
Other non-current assets	692,800,000
Long-term prepayment expense	78,035,144,535
Current liabilities	<u>(46,696,835,781)</u>
<b>Total net assets</b>	<b>39,973,841,735</b>
Increase in net assets after revaluation at the date of consolidation	14,526,612
Goodwill arising on acquisition	<u>19,631,653</u>
<b>Total consideration</b>	<b><u>40,008,000,000</u></b>

**5. CASH AND CASH EQUIVALENTS**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Cash on hand	21,191,594	96,921,894
Cash in banks	10,294,533,371	9,787,790,568
Cash equivalents (*)	<u>106,300,000,000</u>	<u>76,752,598,666</u>
<b>TOTAL</b>	<b><u>116,615,724,965</u></b>	<b><u>86,637,311,128</u></b>

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

**6. SHORT-TERM TRADE RECEIVABLES**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Due from other parties	53,995,517,033	29,266,060,386
- Gain Lucky Vietnam Co., Ltd	12,760,392,958	4,991,453,917
- Y.R.C. Textile Co., Ltd	8,388,896,476	-
- Jatec Co., Ltd	3,794,453,619	4,984,735,593
- Formosa Taffeta Vietnam	5,675,943,099	3,567,572,124
- Others	23,375,830,881	15,722,298,752
Due from related parties (Note 28)	<u>2,919,369,901</u>	<u>7,453,083,166</u>
<b>TOTAL</b>	<b><u>56,914,886,934</u></b>	<b><u>36,719,143,552</u></b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017**7. SHORT-TERM ADVANCE TO SUPPLIERS**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Starlinger & Co. Gesellschaft m.b.H	3,690,810,000	-
Tam Son Mechanical Equipment Industry Co., Ltd	376,000,000	376,000,000
Others	525,830,316	913,186,094
<b>TOTAL</b>	<b><u>4,592,640,316</u></b>	<b><u>1,289,186,094</u></b>

**8. OTHER SHORT-TERM RECEIVABLES**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Social insurance	1,371,988,301	482,462,489
Payment on behalf	-	45,961,835,781
Other receivables	46,815,080	131,718,801
<b>TOTAL</b>	<b><u>1,418,803,381</u></b>	<b><u>46,576,017,071</u></b>
<i>In which:</i>		
<i>Due from other parties</i>	1,418,803,381	614,181,290
<i>Due from a related party (Note 28)</i>	-	45,961,835,781

**9. INVENTORIES**

	VND			
	<i>Ending balance</i>		<i>Beginning balance</i>	
	<i>Cost</i>	<i>Provision</i>	<i>Cost</i>	<i>Provision</i>
Finished goods	227,824,914,132	(2,405,561,930)	261,341,902,253	(1,573,899,125)
Raw materials	125,701,412,789	-	103,625,705,123	-
Goods in transit	46,984,650,564	-	34,986,551,496	-
Goods on consignment	1,273,898,400	-	4,039,909,098	-
<b>TOTAL</b>	<b><u>401,784,875,885</u></b>	<b><u>(2,405,561,930)</u></b>	<b><u>403,994,067,970</u></b>	<b><u>(1,573,899,125)</u></b>

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

	VND	
	<i>Current year</i>	<i>Previous year</i>
Beginning balance	(1,573,899,125)	(2,001,120,076)
Add: Provision made during the year	(831,662,805)	-
Less: Revert provision made during the year	-	427,220,951
Ending balance	<u>(2,405,561,930)</u>	<u>(1,573,899,125)</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017

## 10. TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	VND Total
<b>Cost:</b>					
Beginning balance	268,654,209,911	1,483,662,789,391	174,063,527,649	4,791,726,080	1,931,172,253,031
Newly purchase	1,927,223,291	2,751,473,897	-	-	4,678,697,188
Transfer from construction in progress	-	422,738,329	-	-	422,738,329
Ending balance	270,581,433,202	1,486,837,001,617	174,063,527,649	4,791,726,080	1,936,273,688,548
<i>In which:</i>					
Fully depreciated	28,495,410,884	75,114,950,435	14,593,313,159	166,208,678	118,369,883,156
<b>Accumulated depreciation:</b>					
Beginning balance	(94,480,247,498)	(434,680,397,092)	(51,690,008,008)	(1,384,555,547)	(582,235,208,145)
Depreciation for the year	(14,045,794,096)	(112,525,840,918)	(19,271,119,853)	(1,168,183,531)	(147,010,938,398)
Ending balance	(108,526,041,594)	(547,206,238,010)	(70,961,127,861)	(2,552,739,078)	(729,246,146,543)
<b>Net carrying amount:</b>					
Beginning balance	174,173,962,413	1,048,982,392,299	122,373,519,641	3,407,170,533	1,348,937,044,886
Ending balance	162,055,391,608	939,630,763,607	103,102,399,788	2,238,987,002	1,207,027,542,005
<i>In which:</i>					
Pledged as loan security (Note 20.2)	107,211,612,296	878,321,217,454	110,818,228,126	2,809,970,571	1,099,161,028,447

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017**11. INTANGIBLE ASSETS**

	VND
	<i>Computer software</i>
<b>Cost:</b>	
Beginning balance	13,834,916,387
Purchase during the year	<u>550,381,818</u>
Ending balance	<u>14,385,298,205</u>
<i>In which:</i>	
Fully amortised	113,000,000
<b>Accumulated amortisation:</b>	
Beginning balance	(12,857,515,223)
Amortisation for the year	<u>(794,552,057)</u>
Ending balance	<u>(13,652,067,280)</u>
<b>Net carrying amount:</b>	
Beginning balance	<u>977,401,164</u>
Ending balance	<u>733,230,925</u>

**12. CONSTRUCTION IN PROGRESS**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Unitex project	692,800,000	-
Machinery and equipment	206,488,895	487,397,986
Others	<u>714,161,000</u>	<u>783,172,855</u>
<b>TOTAL</b>	<b><u>1,613,449,895</u></b>	<b><u>1,270,570,841</u></b>

**13. INVESTMENT IN AN ASSOCIATE**

	<u>Ending balance</u>		<u>Beginning balance</u>	
	<i>% of interest</i>	<i>Cost VND</i>	<i>% of interest</i>	<i>Cost VND</i>
Unitex Limited Liability Company	-	-	49.99	39,992,000,000
E.DYE Vietnam Joint Stock Company	36.00	<u>27,050,400,000</u>	-	-
<b>TOTAL</b>		<b><u>27,050,400,000</u></b>		<b><u>39,992,000,000</u></b>

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017

**14. PREPAID EXPENSES**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
<b>Short-term</b>	<b>5,184,408,462</b>	<b>4,074,684,623</b>
Tools and supplies	3,125,693,176	2,854,294,038
Car rental	358,304,000	471,350,000
Others	1,700,411,286	749,040,585
<b>Long-term</b>	<b>125,699,633,023</b>	<b>38,860,691,933</b>
Land rental (land use rights) (*)	116,996,400,501	27,854,506,567
Others	8,703,232,522	11,006,185,366
<b>TOTAL</b>	<b><u>130,884,041,485</u></b>	<b><u>42,935,376,556</u></b>

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

**15. SHORT-TERM TRADE PAYABLES**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Tainan Spinning Co., Ltd	140,857,284,610	108,482,214,080
Indorama Polychem Indonesia	109,598,268,000	69,814,612,400
Far Eastern New Century Corporation	27,068,894,065	32,533,466,305
Others	29,930,774,976	40,308,969,063
<b>TOTAL</b>	<b><u>307,455,221,651</u></b>	<b><u>251,139,261,848</u></b>

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

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Nam Phuong Textile and Dyeing Co., Ltd	10,622,780,129	-
Treasure Star International Limited	6,434,026,383	1,825,014,922
Eclat Fabric Vietnam Company Limited	4,508,343,878	2,196,150,454
Universal Star Corporation	2,073,597,673	4,681,361,757
Others	16,046,125,338	3,141,949,307
<b>TOTAL</b>	<b><u>39,684,873,401</u></b>	<b><u>11,844,476,440</u></b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017**17. STATUTORY OBLIGATIONS**

	VND			
	<i>Beginning balance</i>	<i>Payable for the year</i>	<i>Payment/net-off in the year</i>	<i>Ending balance</i>
<b>Payables</b>				
Corporate income tax	-	7,628,333,843	(4,601,424,693)	3,026,909,150
Import and export duties	123,874,059	20,540,814,780	(17,522,742,670)	3,141,946,169
Personal income tax	270,778,539	1,703,616,528	(1,956,827,046)	17,568,021
Value-added tax	439,239,558	245,929,353,788	(246,368,593,346)	-
<b>TOTAL</b>	<b>833,892,156</b>	<b>275,802,118,939</b>	<b>(270,449,587,755)</b>	<b>6,186,423,340</b>
	<i>Beginning balance</i>	<i>Receivable for the year</i>	<i>Net-off in the year</i>	<i>Ending balance</i>
<b>Receivables</b>				
Value-added tax deductible	14,521,690,334	286,990,543,434	(273,613,817,037)	27,898,416,731
Corporate income tax	1,261,601,294	-	(168,510,975)	1,093,090,319
Value-added tax	-	4,132,185	-	4,132,185
Other	490,752	1,053,563,149	(1,008,601,340)	45,452,561
<b>TOTAL</b>	<b>15,783,782,380</b>	<b>288,048,238,768</b>	<b>(274,790,929,352)</b>	<b>29,041,091,796</b>

**18. SHORT-TERM ACCRUED EXPENSES**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Utility expenses	5,243,126,003	2,970,867,032
Sales commission	2,033,163,242	1,982,783,992
Interest expense	1,292,214,449	1,154,959,693
Others	179,907,572	160,111,255
<b>TOTAL</b>	<b>8,748,411,266</b>	<b>6,268,721,972</b>

**19. SHORT-TERM OTHER PAYABLES**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Dividends	346,226,145	203,147,500
Social insurance	2,150,454,078	740,231,074
Others	1,198,858,551	3,281,757,848
<b>TOTAL</b>	<b>3,695,538,774</b>	<b>4,225,136,422</b>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 20. LOANS

	Beginning balance	Movement during the year		Foreign exchange difference	Ending balance
		Increase	Decrease		
Short-term					VND
Loans from banks	298,400,145,976	941,103,141,262	(1,058,996,508,917)	(171,762,630)	180,335,015,691
Current portion of long-term loans	92,102,866,500	196,975,610,718	(128,066,414,338)	(319,546,289)	160,692,516,591
	390,503,012,476	1,138,078,751,980	(1,187,062,923,255)	(491,308,919)	341,027,532,282
Long-term					
Loans from banks	651,520,236,400	13,237,588,320	(196,975,610,718)	(609,058,040)	467,173,155,962
<b>TOTAL</b>	<b>1,042,023,248,876</b>	<b>1,151,316,340,300</b>	<b>(1,384,038,533,973)</b>	<b>(1,100,366,959)</b>	<b>808,200,688,244</b>

### 20.1 Short-term loans from banks

The Group obtained the unsecured loans from banks for the purpose of financing its working capital requirements which bear interest rates from 2% to 2.5% (on foreign currency) and from 3.6% to 4.8% (on these denomination in VND). Details are as follows:

Banks	Ending balance		Original amount	Term and maturity date
	VND	USD		
CTBC Bank Co., Ltd	45,355,115,291	-	-	From 7 January 2018 to 13 March 2018
Vietnam Joint Stock Commercial Bank for Industry and Trade	67,158,854,850	2,962,455	2,962,455	From 14 February 2018 to 29 June 2018
Vietnam Export Import Commercial Joint Stock Bank	53,442,031,300	2,357,390	2,357,390	From 20 January 2018 to 25 February 2018
Orient Commercial Joint Stock Bank	14,379,014,250	634,275	634,275	From 8 June 2018 to 13 June 2018
<b>TOTAL</b>	<b>180,335,015,691</b>	<b>5,954,120</b>	<b>5,954,120</b>	

# Century Synthetic Fiber Corporation

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017

## 20. LOANS (continued)

### 20.2 Long-term loans from banks

Long-term loans from banks bear interest rates from 2.25% to 3.10% (on foreign currency) and 5.2% (VND). Details of the long-term loans from banks are as follows:

Banks	Ending balance		Original amount	Term and maturity date	Description of collateral
	VND	USD			
CTBC Bank Co., Ltd	171,914,166,818	7,583,333		From 1 March 2018 to 1 March 2021	Assets funded by loans including land use right, building and structures, and machineries and equipment (Trang Bang project - 4 <sup>th</sup> stage)
	13,237,588,320	-		From 5 June 2019 to 5 December 2022	Assets funded by loans including all imported machinery and equipment (Trang Bang project - 5 <sup>th</sup> stage)
Vietnam Commercial Joint Stock Export Import Bank	408,003,381,675	17,997,503		From 20 April 2018 to 20 October 2021	Assets funded by loans including land use right, building and structures, and machinery at Trang Bang Branch, Tay Ninh Province
Dong A Joint Stock Commercial Bank	34,710,535,740	1,531,122		From 3 April 2018 to 3 January 2019	Assets funded by loans including imported machinery and equipment (Trang Bang project - 2 <sup>nd</sup> stage)
<b>TOTAL</b>	<b>627,865,672,553</b>	<b>27,111,958</b>			

In which:

Current portion	160,692,516,591	7,088,333
Long-term loans	467,173,155,962	20,023,625

# Century Synthetic Fiber Corporation

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017

## 21. OWNERS' EQUITY

### 21.1 Increases and decreases in owners' equity

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

(\*) According to the Annual Meeting of Shareholder Resolution dated 28 March 2017, and the Board of Director Resolutions No. 05/2017/NQHDQT, 06/2017/NQHDQT dated 19 June 2017 and 26 June 2017, approving the dividend by cash of 3% par value of share (equivalent to VND 300/share) and stock dividend at the rate of 12% of share capital (equivalent to VND 64,217,740,000).

On 31 July 2017, the Company had issued 6,421,774 ordinary shares to existing shareholders to pay dividend and increase its share capital from undistributed earnings. Subsequently, the share capital of the Company increased to VND 599,377,980,000 which was approved by the Department of Planning and Investment of Ho Chi Minh City as per the 16th amended Enterprise Registration Certificate dated 9 August 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017

**21. OWNERS' EQUITY (continued)**

**21.2 Capital transactions with owners and distribution of dividends, profits**

	VND	
	Current year	Previous year
<b>Issued share capital</b>		
Beginning balance	535,160,240,000	465,358,350,000
Share issuance	<u>64,217,740,000</u>	<u>69,801,890,000</u>
Ending balance	<u>599,377,980,000</u>	<u>535,160,240,000</u>
<b>Dividends declared</b>	<b>(80,272,547,200)</b>	<b>(93,069,807,500)</b>
Dividend paid in cash	(15,911,728,555)	(23,093,312,750)
Stock dividend	(64,217,740,000)	(69,801,890,000)

**21.3 Shares**

	Ending balance		Beginning balance	
	Quantity	Amount (VND)	Quantity	Amount (VND)
<b>Authorized shares</b>	59,937,798	599,377,980,000	53,516,024	535,160,240,000
<b>Issued shares</b>				
Issued and paid-up shares	59,937,798	599,377,980,000	53,516,024	535,160,240,000
Ordinary shares	59,937,798	599,377,980,000	53,516,024	535,160,240,000
<b>Shares in circulation</b>				
Ordinary shares	59,937,798	599,377,980,000	53,516,024	535,160,240,000

**22. REVENUES**

**22.1 Revenue from sale of goods**

	VND	
	Current year	Previous year
<b>Gross revenue</b>	<b>2,008,604,207,131</b>	<b>1,379,413,135,868</b>
Less:		
Sales returns	(19,178,795,586)	(21,128,320,643)
Trade discount	<u>(372,192,832)</u>	<u>-</u>
<b>Net revenue</b>	<b><u>1,989,053,218,713</u></b>	<b><u>1,358,284,815,225</u></b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017**22. REVENUES (continued)****22.2 Finance income**

	VND	
	<i>Current year</i>	<i>Previous year</i>
Interest income	5,197,842,581	652,828,966
Foreign exchange gains	1,873,122,022	184,068,196
Foreign exchange gains arising from revaluation of monetary accounts denominated in foreign currency	948,230,039	-
<b>TOTAL</b>	<b><u>8,019,194,642</u></b>	<b><u>836,897,162</u></b>

**23. FINANCE EXPENSES**

	VND	
	<i>Current year</i>	<i>Previous year</i>
Interest expense	27,469,431,784	16,375,957,696
Foreign exchange losses	2,300,697,961	3,059,612,823
Foreign exchange losses arising from revaluation of monetary accounts denominated in foreign currency	-	10,086,549,611
<b>TOTAL</b>	<b><u>29,770,129,745</u></b>	<b><u>29,522,120,130</u></b>

**24. SELLING EXPENSES**

	VND	
	<i>Current year</i>	<i>Previous year</i>
Transportation expense	16,297,673,130	13,060,068,912
Letter of credit (L/C) and documentary fee	7,958,454,845	5,618,197,173
Commission fee	4,973,842,492	4,984,358,206
Other expenses	2,486,994,612	1,824,095,075
<b>TOTAL</b>	<b><u>31,716,965,079</u></b>	<b><u>25,486,719,366</u></b>

**25. GENERAL AND ADMINISTRATION EXPENSES**

	VND	
	<i>Current year</i>	<i>Previous year</i>
Labour costs	30,034,011,704	20,071,295,386
Expenses for external services	13,890,546,389	11,119,215,073
Stationary and other tools costs	5,335,100,608	4,008,415,559
Depreciation and amortisation expenses	4,107,944,097	5,557,254,898
Other expenses	5,292,257,351	4,397,467,543
<b>TOTAL</b>	<b><u>58,659,860,149</u></b>	<b><u>45,153,648,459</u></b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017

**26. PRODUCTION AND OPERATING COSTS**

	VND	
	<i>Current year</i>	<i>Previous year</i>
Raw materials	1,277,702,888,743	859,359,407,673
Expenses for external services	261,930,699,527	205,695,292,662
Depreciation and amortisation (Notes 10 and 11)	147,805,490,455	123,092,808,467
Labour costs	127,112,507,371	86,969,683,783
Other expenses	48,323,049,936	25,064,838,897
<b>TOTAL</b>	<b><u>1,862,874,636,032</u></b>	<b><u>1,300,182,031,482</u></b>

**27. CORPORATE INCOME TAX**

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

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

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

**27.1 Current CIT**

	VND	
	<i>Current year</i>	<i>Previous year</i>
CIT expense of current year	7,845,003,744	60,005,312
Adjustment for under accrual of CIT from prior years	<u>(47,668,173)</u>	-
Current CIT	7,797,335,571	60,005,312
Deferred tax (income) expense	<u>(2,413,115,617)</u>	2,009,163,689
<b>TOTAL</b>	<b><u>5,384,219,954</u></b>	<b><u>2,069,169,001</u></b>

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017

**27. CORPORATE INCOME TAX (continued)****27.1 Current CIT (continued)**

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

	VND	
	Current year	Previous year
<b>Accounting profit before tax</b>	<b>104,999,652,802</b>	<b>30,668,262,118</b>
At the applicable CIT rate for the Group	13,105,008,570	2,533,442,847
<i>Adjustments:</i>		
Non-deductible expenses	322,294,968	357,515,375
Tax incentive at Trang Bang branch	(7,995,415,411)	(2,005,859,893)
Adjustment for over accrual of tax from prior years	(47,668,173)	-
Impact on deferred tax due to change in tax rate	-	1,184,070,672
<b>CIT expense</b>	<b>5,384,219,954</b>	<b>2,069,169,001</b>

**27.2 Deferred tax**

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

	VND			
	<i>Balance sheet</i>		<i>Income statement</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>	<i>Current year</i>	<i>Previous year</i>
<b>Deferred tax assets</b>				
Unrealised profit	-	-	-	(1,193,660,139)
Accrued expenses	401,876,509	393,956,539	7,919,970	(615,984,896)
Accrual for annual leave	2,306,301,659	105,362,551	2,200,939,108	(83,379,236)
Accrual for severance pay	73,994,250	69,823,636	4,170,614	(3,866,914)
Provision for obsolete inventory	481,112,386	314,779,825	166,332,561	(85,444,190)
Difference in recognition of exported revenue	-	-	-	2,130,120
Foreign exchange arising from revaluation of monetary accounts denominated in foreign currency	7,246,868	(26,506,496)	33,753,364	(28,958,434)
	<b>3,270,531,672</b>	<b>857,416,055</b>		
<b>Net deferred tax income (expenses) to consolidated income statement</b>			<b>2,413,115,617</b>	<b>(2,009,163,689)</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017

**28. TRANSACTIONS WITH RELATED PARTIES**

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

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>VND</i>	
			<i>Current year</i>	<i>Previous year</i>
E.DYE Vietnam Joint Stock Company	Associate	Capital contribution	27,050,400,000	-
Liantex Co., Ltd.	Related party	Sale of goods	48,958,162,296	98,856,751,422
P.A.N Asia Co., Ltd	Related party	Sale of goods	22,617,112,045	4,065,122,685

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

	<i>Relationship</i>	<i>Transaction</i>	<i>VND</i>	
			<i>Current year</i>	<i>Previous year</i>
<b>Trade receivable (Note 6)</b>				
P.A.N Asia Co., Ltd	Related party	Sale of goods	2,919,369,901	922,123,711
Liantex Co., Ltd	Related party	Sale of goods	-	6,530,959,455
			<b><u>2,919,369,901</u></b>	<b><u>7,453,083,166</u></b>

**Other short-term receivable (Note 8)**

Unitex Limited Liability Company (before)	Associate	Payment on behalf	-	45,961,835,781
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Details of remuneration of the Board of Directors, Board of Supervision and management during the year are as below:

	<i>VND</i>	
	<i>Current year</i>	<i>Previous year</i>
Management	3,197,975,348	4,545,155,066
Board of Directors	540,000,000	540,000,000
Board of Supervision	96,000,000	96,000,000
<b>TOTAL</b>	<b><u>3,833,975,348</u></b>	<b><u>5,181,155,066</u></b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017

**29. EARNINGS PER SHARE**

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

	VND	
	<i>Current year</i>	<i>Previous year</i>
Net profit after tax attributable to ordinary equity holders adjusted for the effect of dilution	99,615,432,848	28,599,093,117
Weighted average number of ordinary shares for basic earnings per shares (*)	<u>59,937,798</u>	<u>59,937,798</u>
Earnings per share (par value of VND 10,000/share)		
- Basic	1,662	477
- Diluted	1,662	477

(\*) 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 2016 was adjusted to reflect the 6,421,774 shares issued in 2017 from undistributed earnings (Note 21.1).

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

**30. OPERATING LEASE COMMITMENT**

The Group leases assets under operating lease arrangements. The minimum lease commitment as at 31 December 2017 under the operating lease agreements is as follows:

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Less than 1 year	857,580,000	1,160,930,000
From 1 to 5 years	1,362,000,000	1,362,000,000
More than 5 years	<u>10,413,625,000</u>	<u>10,754,125,000</u>
<b>TOTAL</b>	<b><u>12,633,205,000</u></b>	<b><u>13,277,055,000</u></b>

**31. OFF BALANCE SHEET ITEM**

	<i>Ending balance</i>	<i>Beginning balance</i>
Foreign currency:		
United States Dollar (USD)	208,537	332,765

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2017

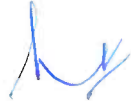
**32. EVENTS AFTER THE CONSOLIDATED BALANCE SHEET DATE**

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



Preparer  
Phan Thanh Phu

16 March 2018



Chief Accountant  
Phan Nhu Bich



General Director  
Dang Trieu

