

# **Century Synthetic Fiber Corporation**

Consolidated financial statements

For the year ended 31 December 2018



# Century Synthetic Fiber Corporation

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# Century Synthetic Fiber Corporation

## GENERAL INFORMATION

### THE COMPANY

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

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

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

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

### BOARD OF DIRECTORS

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

Mr Dang Trieu Hoa	Chairman	
Mr Dang Huong Cuong	Member	
Ms Dang My Linh	Member	
Ms Cao Thi Que Anh	Member	
Mr Chen Che Jen	Member	appointed on 17 April 2018
Mr Vo Quang Long	Member	appointed on 17 April 2018
Mr Nguyen Quoc Huong	Member	appointed on 17 April 2018
Mr Lee Chien Kuan	Member	resigned on 17 April 2018
Mr Thai Tuan Chi	Member	resigned on 17 April 2018

### BOARD OF SUPERVISION

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

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

# Century Synthetic Fiber Corporation

GENERAL INFORMATION (continued)

## MANAGEMENT

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

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

## LEGAL REPRESENTATIVE

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

## AUDITORS

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

# Century Synthetic Fiber Corporation

## REPORT OF MANAGEMENT

Management of Century Synthetic Fiber Corporation ("the Company") is pleased to present this report and the consolidated financial statements of the Company and its subsidiary ("the Group") for the year ended 31 December 2018.

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

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


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

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

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

### STATEMENT BY MANAGEMENT

Management of the Company, does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of the consolidated financial statements.

For and on behalf of management: 



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Dang Trieu Hoa  
General Director

Ho Chi Minh City, Vietnam

16 March 2019



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20th Floor, Bitexco Financial Tower  
2 Hai Trieu Street, District 1  
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Reference: 60867230/20263243-HN

## **INDEPENDENT AUDITORS' REPORT**

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

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

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

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

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

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

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

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

### Opinion

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

**Ernst & Young Vietnam Limited**



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

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

Ho Chi Minh City, Vietnam

16 March 2019

CONSOLIDATED BALANCE SHEET  
as at 31 December 2018

VND


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




CONSOLIDATED BALANCE SHEET (continued)  
as at 31 December 2018

VND

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

  
Preparer  
Phan Thanh Phu

  
Chief Accountant  
Phan Nhu Bich

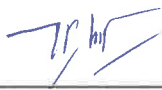
  
General Director  
Dang Trieu Hoa

16 March 2019

CONSOLIDATED INCOME STATEMENT  
for the year ended 31 December 2018

VND

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

  
Preparer  
Phan Thanh Phu

  
Chief Accountant  
Phan Nhu Bich

  
General Director  
Dang Trieu Hoa

16 March 2019

CONSOLIDATED CASH FLOW STATEMENT  
for the year ended 31 December 2018

VND

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

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

VND

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



Preparer  
Phan Thanh Phu



Chief Accountant  
Phan Nhu Bich



General Director  
Dang Trieu Hoa

16 March 2019

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

**1. CORPORATE INFORMATION**

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

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

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

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

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

***Corporate structure***

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

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

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

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

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

## **2. BASIS OF PREPARATION**

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

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

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

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

### **2.2 Applied accounting documentation system**

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

### **2.3 Fiscal year**

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

### **2.4. Accounting currency**

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

### **2.5 Basis of consolidation**

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

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

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

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

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

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash in banks and short-term, highly liquid investments with an original maturity of less than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.

#### 3.2 *Inventories*

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

The perpetual method is used to record inventories, which are valued as follows:

- |                |   |
|----------------|---|
| Raw materials  | - cost of purchase on a weighted average basis.   |
| Finished goods | - cost of direct materials and labour plus attributable manufacturing overheads based on the normal operating capacity on a weighted average basis. |

##### *Provision for obsolete inventories*

An inventory provision is created for the estimated loss arising due to the impairment of value (through diminution, damage, obsolescence, etc.) of raw materials, finished goods owned by the Group, based on appropriate evidence of impairment available at the balance sheet date.

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

#### 3.3 *Receivables*

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

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

#### 3.4 *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation.

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

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

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

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

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

#### 3.5 *Intangible assets*

Intangible assets are stated at cost less accumulated amortisation.

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

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

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

#### 3.6 *Depreciation and amortisation*

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

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

#### 3.7 *Borrowing cost*

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

Borrowing costs are recorded as expense during the year in which they are incurred, except to the extent that they are capitalized as explained in the following paragraph.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset.

#### 3.8 *Prepaid expenses*

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

The following types of expenses are recorded as long-term prepaid expense and are amortised to the consolidated income statement:

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

##### *Prepaid land rental*

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

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

#### 3.9 *Construction in process*

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



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

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

**3.10 Business combinations and goodwill**

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

**3.11 Investments**

*Investment in an associate*

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

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

*Provision for diminution in value of an investment*

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

*Held-to-maturity investments*

Held-to-maturity investments are stated at their acquisition costs. After initial recognition, held-to-maturity investments are measured at recoverable amount. Any impairment loss incurred is recognised as finance expenses in the consolidated income statements and deducted against the value of such investments.

**3.12 Payables and accruals**

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

**3.13 Accrual for severance pay**

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

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

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

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

#### 3.14 *Foreign currency transactions*

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

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

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

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

#### 3.15 *Appropriation of net profit*

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

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

##### *Investment and development fund*

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

##### *Bonus and welfare fund*

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

#### 3.16 *Revenue recognition*

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

##### *Sale of goods*

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

##### *Interest*

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

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

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

**3.17 Taxation**

*Current income tax*

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

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

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

*Deferred tax*

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- ▶ where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit or loss; and
- ▶ in respect of taxable temporarily differences associated with investments in subsidiaries and associates, and interests in joint ventures where timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- ▶ where the deferred tax asset in respect of deductible temporary difference which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit or loss; and
- ▶ in respect of deductible temporarily differences associated with investments in subsidiaries, associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

**3.17 Taxation (continued)**

*Deferred tax (continued)*

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right for the Group to off-set current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on:

- ▶ either the same taxable entity; or
- ▶ when the Group intends either settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**3.18 Earnings per share**

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

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

**3.19 Segment information**

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

**3.20 Related parties**

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

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

**4. CASH AND CASH EQUIVALENTS**

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

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

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

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

**6. SHORT-TERM TRADE RECEIVABLES**

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

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

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

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

**8. OTHER SHORT-TERM RECEIVABLES**

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

**9. INVENTORIES**

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

Detail of movements of provision for obsolete inventories:

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

# Century Synthetic Fiber Corporation

B09-DN/HN

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

## 10. TANGIBLE FIXED ASSETS

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

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

**11. INTANGIBLE ASSETS**

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

**12. CONSTRUCTION IN PROGRESS**

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

**13. INVESTMENT IN AN ASSOCIATE**

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**13. INVESTMENT IN AN ASSOCIATE** (continued)

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

Detail of the investment in an associate is as follows:

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

**14. PREPAID EXPENSES**

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

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

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

**15. SHORT-TERM TRADE PAYABLES**

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

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

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

**17. STATUTORY OBLIGATIONS**

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

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

## 17. STATUTORY OBLIGATIONS (continued)

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

## 18. SHORT-TERM ACCRUED EXPENSES

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

## 19. SHORT-TERM OTHER PAYABLES

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

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

## 20. LOANS

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

### 20.1 Short-term loans from banks

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

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

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

**20. LOANS (continued)**

**20.2 Long-term loans from banks**

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

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

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

## 21. OWNERS' EQUITY

### 21.1 Increases and decreases in owners' equity

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

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

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

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

21. OWNERS' EQUITY (continued)

21.2 Capital transactions with owners and distribution of dividends, profits

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

21.3 Shares

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

22. REVENUES

22.1 Revenue from sale of goods

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

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

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

**23. FINANCE EXPENSES**

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

**24. SELLING EXPENSES**

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

**25. GENERAL AND ADMINISTRATION EXPENSES**

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



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

**26. PRODUCTION AND OPERATING COSTS**

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

**27. CORPORATE INCOME TAX**

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

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

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

**27.1 CIT expenses**

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

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

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

**27.2 Current CIT**

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

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

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

**27.3 Deferred tax**

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

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

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

**28. TRANSACTIONS WITH RELATED PARTIES**

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

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

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

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

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

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

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

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

**29. EARNINGS PER SHARE**

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

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

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

**30. OPERATING LEASE COMMITMENT**

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

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

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


**31. OFF BALANCE SHEET ITEM**

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

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

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

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



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Preparer  
Phan Thanh Phu



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Chief Accountant  
Phan Nhu Bich



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General Director  
Dang Trieu Hoa

16 March 2019

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