



Century Synthetic Fiber Corporation

ANNUAL REPORT 2019 | Century Synthetic Fiber Corporation

ANNUAL REPORT 2019

CENTURY SYNTHETIC FIBER CORPORATION

Headquarter

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Branch

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Representative office

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



2019

**Steadfast
Implementing
Business Plan**

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ABOUT ANNUAL REPORT

Title of report: **STEADFAST IMPLEMENTING BUSINESS PLAN**

In the circumstances of slowing global economy and continuous US-China trade war tension, despite the unfavorable market conditions, with an innovative, flexible, focusing on eco-friendly products strategies, Century Synthetic Fibers Corporation still steadfast in upholding its strong position in the market, consistently achieving the set targets, and sustainably develop in the long term.

Main components of the report

- > Annual Report
- > Corporate Governance Report
- > Sustainable Development Report
- > Audited Consolidated Financial Statements
- > IFRS Audited Financial Statements

Scope and Divisions

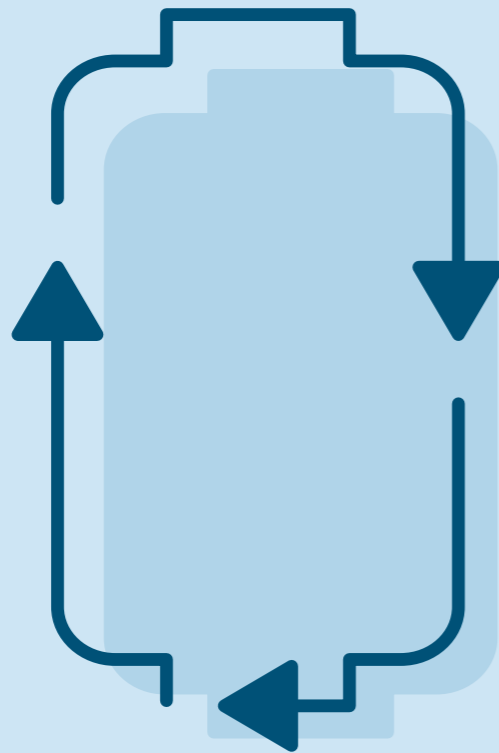
The fiscal year is from January 1st, 2019 to December 31st, 2019.

The applied standards in the report



Assurance responsibilities of the Board of Management (“BOM”)

AREAS	SOURCES
Finance	Audited financial statements from FY2015-2019
Macroeconomics: economic, forex exchange, local and foreign interest rates, global GDP..	World Economic Outlook issued in January 2020. WTO Report
Industry and sector databases	Vietnam Custom department Korean, Thailand, Japan custom department “2020-The State of Fashion” issued by McKinsey Report. The Fiber Year 2019 Preferred-Fiber-Materials-Market-Report 2018, 2019 issued by Textile Exchange.
HR databases	HR department, Century Corp.
Utilities, energy consumption, emission	Utilities, Century Corp.
Healthcare and working safety	Administration department, Century Corp.
BOD, BOS reports	2019 BOD, BOS reports
Shareholders, owner equity Vietnam depository department, the shareholder list finalized on 23/12/2019	Vietnam depository department, the shareholder list finalized on 23/12/2019



COMPANY OVERVIEW

Century Synthetic Fiber Corporation - *Where Values Begin*

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I.1 / About Century

Trading name
Century Corp

Stock code
CENTURY (HSX)



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

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

Representative office
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Fax
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Chartered Capital
VND 707,269,440,000

Tax Registration Number
0302018927

I.2 / Highlights of 2019

PROFIT AFTER TAX
↑ 20.2% versus 2018
~ VND **214** billion
achieving **107%** of the budget

NET REVENUE
↓ 7.4% versus 2018
~ VND **2,229** billion
achieving **85.6%** of the budget

ESP was VND **3,163**/share

RECYCLE YARN'S CONTRIBUTION
TO NET REVENUE **35%**

INDIRECTLY RECYCLING
OF PET BOTTLES **1,34** billion

OWNER'S EQUITY
~ VND **707** billion

CAPACITY
63,000 tons/year



2019 Listed Companies Award held by HOSE

Ranking top **10** the Best Annual Reports of middle-cap companies.

Ranking top **10** the Best Sustainability Reports (the 4th consecutive year)



Corporate Social Index 100 Award: Top 100 Vietnam Sustainable Companies in 2019

Ranking top **100** Vietnam Sustainable Companies (the 4th consecutive year)

Ranking top **10** Vietnam Sustainable Manufacturers

I.1 / Chairman's Message



Dear our valued Shareholders and Investors,

I am very pleased to share with you the Annual Report 2019 of Century Synthetic Fiber Corporation. We hope this report will bring you useful information on Century's business performance in last year and the strategy and business plan in the upcoming time.

The year 2019 closed with encouraging results of Vietnam's apparel and textile industry in general and of Century in particular. Vietnam's apparel and industry has recorded the export turnover of USD39 billion in 2019, a rise of 7.5% versus 2018. Particularly, Century recognized VND2,229 billion in terms of net revenue, a drop of 7.4% y-o-y and VND214.4 billion in terms of net profit, a surge of 20.2% y-o-y. Despite the unfavorable market conditions such as US-China trade war, China price dumping, Century still consistently maintained and expanded customer network and market shares, new product research and developments, good managements of human resources and production-sales activities.

“ Vietnam's apparel and industry has recorded the export turnover of USD39 billion in 2019, a rise of 7.5% versus 2018. Particularly, Century recognized VND2,229 billion in terms of net revenue, a drop of 7.4% y-o-y and VND214.4 billion in terms of net profit, a surge of 20.2% y-o-y. ”

The Company raised the recycled yarn's contribution in revenue up to 35% (surpassed the set target of 27.5%), therefore, the Company has indirectly recycled 1.34 billion of consumer used PET bottles, contributing to reduce the plastic wastes on the Earth, simultaneously positioning the Company as an eco-friendly material supplier.

2020 has started off with unfavorable market conditions such as the slow growing global economy, risks of diseases coming from China-the world second largest economy, forecasted slowdown in the major textile markets (the U.S., EU, Japan) in 2020. Nevertheless, we strongly believe in the growth potential of Vietnam's textile industry in general and CENTURY in particular in the following years. The tariff advantages of Vietnam thanks to the FTAs between Japan, Korea and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“CPTPP”) taking effect since early-2019 and the EU-Vietnam Free Trade Agreement (“EVFTA”) tentatively ratified by Vietnam and EU by 2020 will attract more garment and textile orders to Vietnam. In that circumstances, CENTURY would continue to concentrate on product and customer-centric strategies, seize the market opportunities to expand the customer network, diversify products with different functions, strengthen the supply chain from materials to finished products, in order to gain new accomplishments in 2020.

In addition to the Company's business achievements, the Company has set the targets to bring benefits to shareholders and employees. Further more, in order to enhance stakeholder's interests, the Company has gradually improved the corporate governance.

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

We hope that with the great efforts of the Board of Management and employees and the strong support of shareholders, CENTURY will achieve sustainable development in the coming years.

A handwritten signature in black ink, appearing to be 'Dang Trieu Hoa'.

Dang Trieu Hoa

Chairman

1.4 / Business philosophy

VISSION

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



MISSION

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



OUR COMMITMENTS

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



OUR VALUES

Serving Customers

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

- > Serving customers the high quality products at reasonable prices;
- > Eco-friendly products;
- > Globally standardized production process; materials with clear origins.

Improving Continuously

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

- > Researching and developing new products and markets in order to enhance the economic efficiency;
- > Applying improving methods in production-cost-profit managements; internal risks of the Company;



Uniting Ourselves

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

- > Close-knit engagement with stakeholders;
- > Using the resources to bring the highest values to stakeholders;

Developing Together

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

- > Sharing benefits with stakeholders: shareholders, employees such as dividend issuance, share offering with preferential prices;
- > Contributing to the community developments.

Creating Sustainable Values to Stakeholders

RESOURCES

VND **1,083** billion
of Equity

VND **1,353** billion
of Main material expenses

VND **1,048** billion
of fix assets

700
customers

963
employees

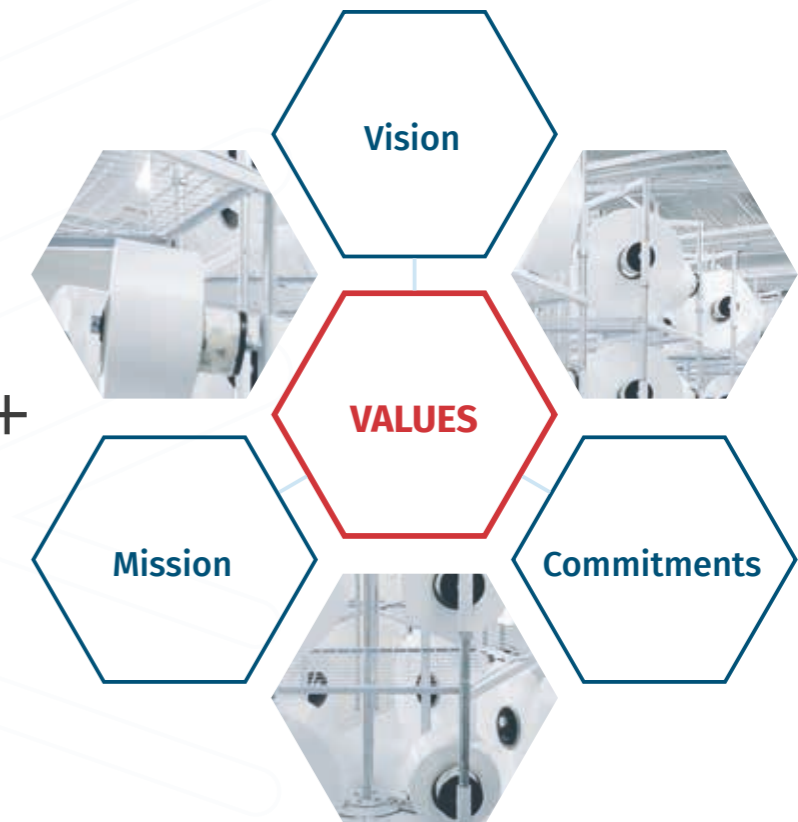
138 hrs
of training

144 million kWh
of energy consumption

225,000 m³
of water consumption

BUSINESS MODEL

Model 4M +



VALUES

VND **2,229** billion
of Revenue

VND **108** billion
labor income

VND **214** billion
of Net Profit

VND **168** billion
of contributions to the
Governance budget

97%
of high quality products

1.5 / Key milestones

Established first factory at Cu Chi District

Established on 01/06/2000.

Main product: DTY

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

2000

Investment of capacity expansion.

Doubled capacity to 9,600 tons of DTY per year to meet market demands.

2003

Completed fully-integrated chain

Completed the expansion up to 14,500 tons of POY per year & 15,000 tons of DTY per year.

2005

2008

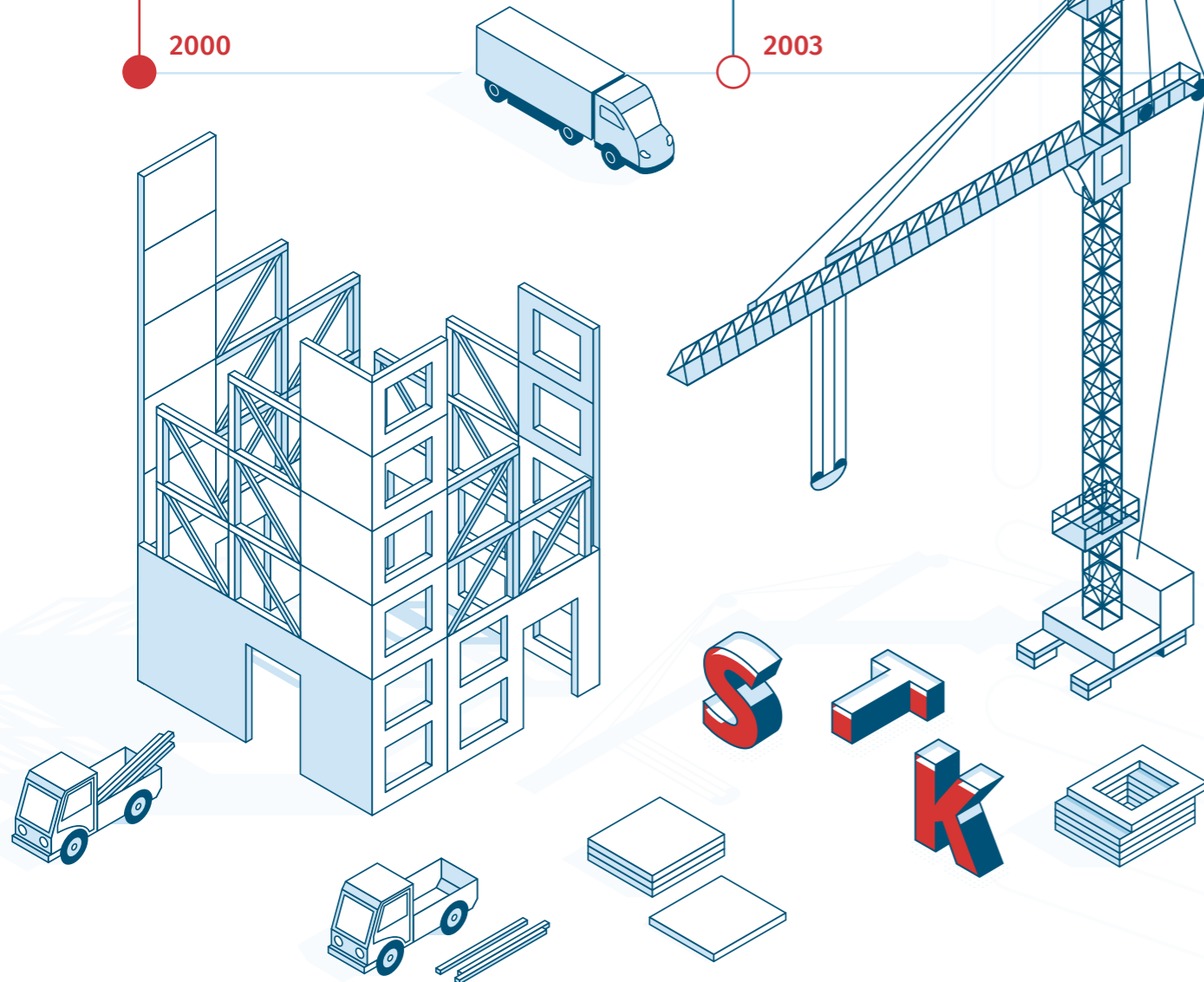
2011

Converted into JSC. – A strategic reform

Converted into a JSC. and the name was changed to Century Synthetic Fiber Corp.

Developed new product FDY

Raised the Company's entire capacity to 37,000 tons of DTY and FDY and 29,500 tons of POY per year



I.5 / Key milestones (continued)

Caught up the fiber world's trend & opportunities

Expanding project for Trang Bang factory-Phase 3.
IPO by issuing 3 million shares.

2014

2015

Officially listed on HOSE, successfully develop "Recycled yarn".

Raising the total capacity to 52,000 tons of DTY and FDY per year.

Began to produce Recycled yarn

Expanding Trang Bang factory in phase 4, raising total capacity of company to 60,000 tons of DTY and FDY per year.

2016

2017

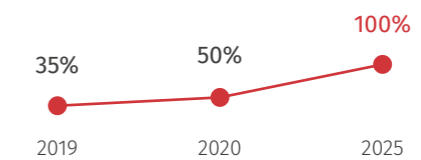
Taking advantage from markets, harvesting

Raising total capacity to 63,300 tons per year.

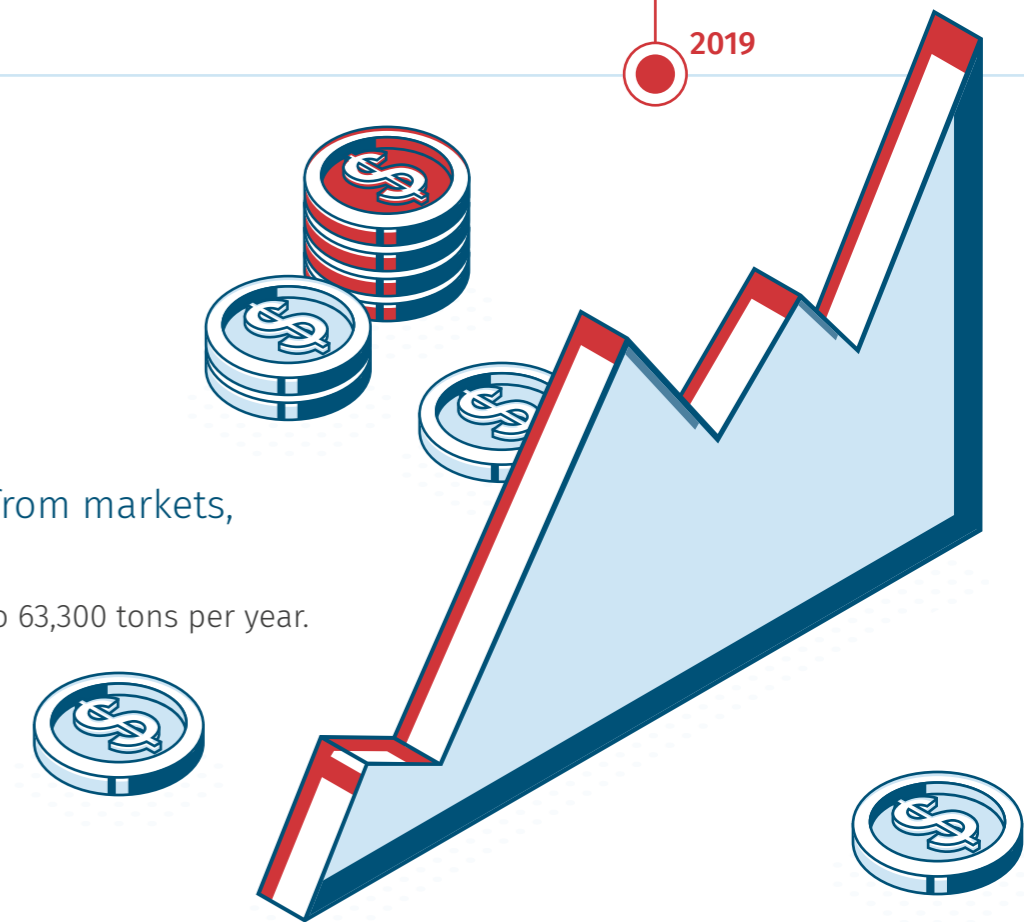
Consistently achieving targets

Net Profit increased by 20% y-o-y.

Announcing the route of increasing the recycled yarn's portion.



2019



I.6 / Industry and Business Areas

I.6.1..... SCOPE OF BUSINESS

CENTURY manufactures and trades polyester filament yarns, including DTY and FDY. CENTURY's products are used to sport clothes and activewear, sport shoes, swimming suits, polyester bags, curtains, car seat covers, medical bandages.



I.6.2..... PRODUCTION CAPACITY

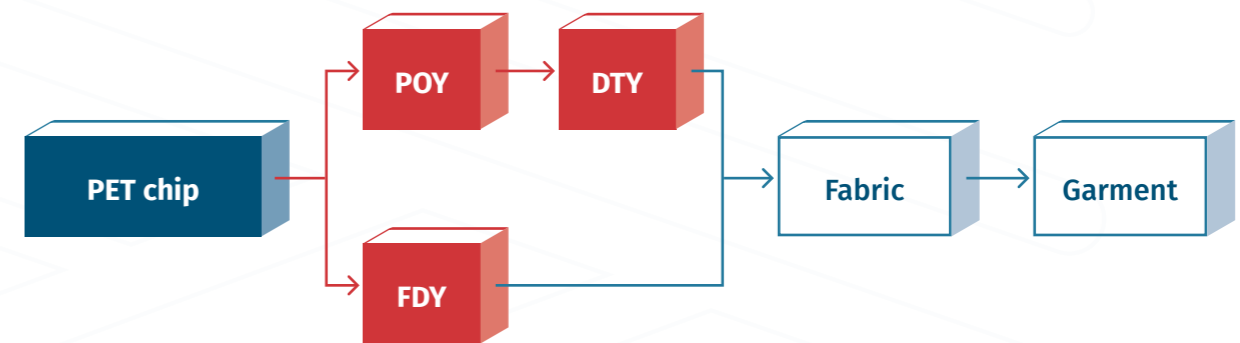
The company has two factories located in Cu Chi and Trang Bang on a total area of 68.000 m².



I.6.3..... GLOBAL PRESENCE



I.6.4..... POLYESTER YARN PRODUCTION PROCESS*



* Chip Spinning model

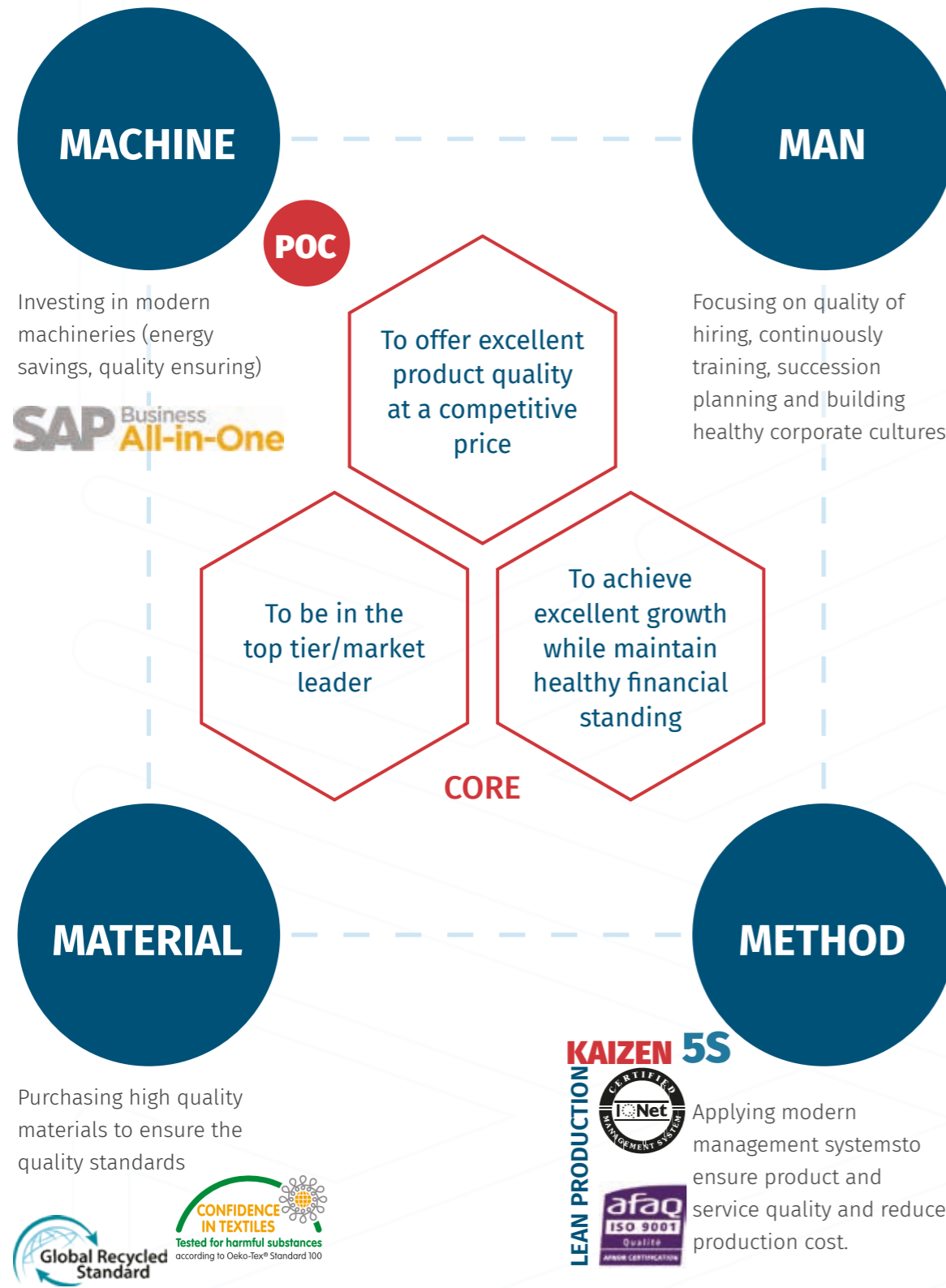


DTY: Drawn Textured Yarn



FDY: Fully Textured Yarn

1.6.5 BUSINESS MODEL



1.6.6 MARKET POSITION

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

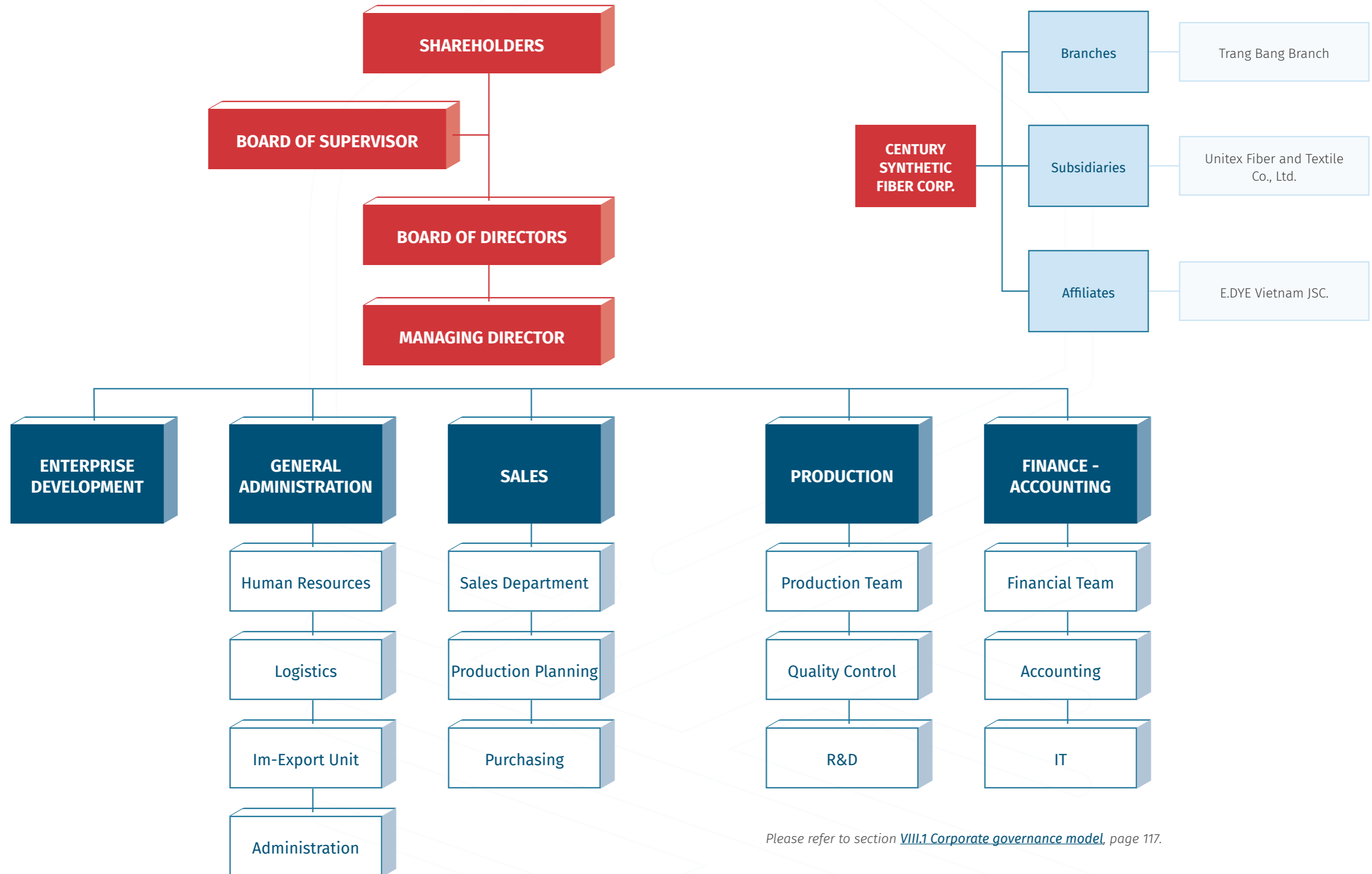
Table 1: Capacity of Vietnamese polyester filament producers

COMPANY NAME	CAPACITY
CENTURY	60,000 tons of DTY & FDY
Formosa	72,000 tons of DTY& FDY
Hualon	84,000 tons of DTY
Dong Tien Hung	20,400 tons of DTY
PVTex	28,800 tons of DTY



1.6.7..... ORGANIZATION CHART – SUBSIDIARIES, AFFILIATES

Figure 1: Organization chart



Please refer to section [VIII.1 Corporate governance model](#), page 117.

SUBSIDIARIES - AFFILIATES

Subsidiaries		Affiliates
<p>UNITEX FIBER AND TEXTILE CO., LTD</p> <p>Address: Lot A17.1 C1, Thanh Thanh Industrial Zone, An Hoa Commune, Trang Bang District, Tay Ninh Province</p> <p>Core business: Production of synthetic fibers</p> <p>The beginning balance of contributing capital: VND80 billion</p> <p>The ending balance of contributing capital: VND80 billion</p>	<p>% OWNERSHIP 100%</p>	<p>E.DYE VIETNAM JSC.</p> <p>Address: 102-104-106 Bau Cat, Ward 14, Tan Binh District, HCM City</p> <p>Core business: Export, import, retail and wholesales distribution</p> <p>The beginning balance of contributing capital: VND27.05 billion</p> <p>The ending balance of contributing capital: VND2.38 billion</p>

At present, Unitex has not yet commenced operation. Therefore, it only recognizes the establishment costs.

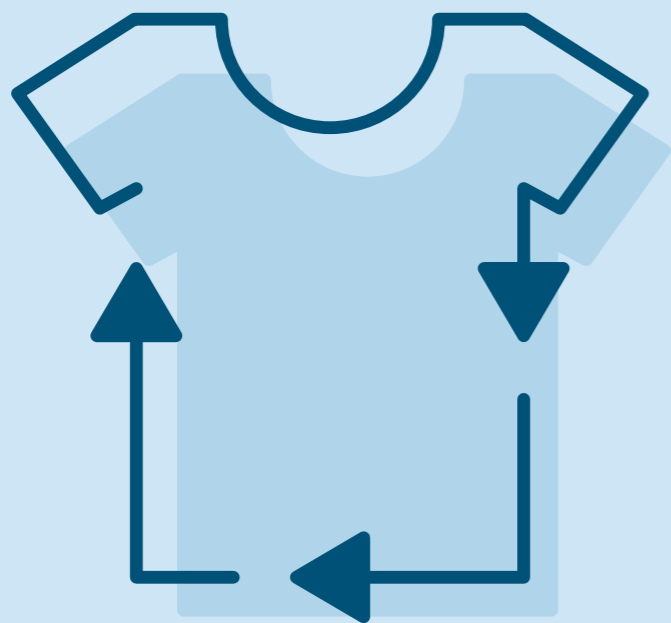
Table 2: Key Financial Indicators of Unitex

KPIS (VND)	2019 (VND)	±%, Y-O-Y
Revenue from financial activities	111,772	-28.8%
Profit after tax	-14,310,955	-22.4%
Current assets	7,912,615,125	-0.4%
Long-term assets	78,035,144,535	-0.9%
Liabilities	5,999,556,781	-10.3%
Owner's equity	79,948,202,879	-0.04%
Total assets	85,947,759,660	-0.83%

E.DYE Vietnam has not yet commenced operation. Therefore it only recorded the establishment costs.

Table 3: Key Financial Indicators of EDYE Vietnam

KPIS (VND)	2019 (VND)	±%, Y-O-Y
Revenue from financial activities	50,158,370	-86%
Net profit from operation	-526,925,607	-55%
Profit before tax	7,117,364,020	0.2%
Current assets	25,864,440	-72%
Long-term assets	2,351,614,705	25%
Liabilities	4,791,613,755	-10%
Owner's equity	7,143,228,460	-0.7%



BOARD OF MANAGEMENT'S REPORT

2019 Outlook – Consistently Creating Values

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

Year: 1969
 Qualification: Business Administration
 Working experience:
06/2010 to present Chairman/Managing Director, CENTURY.
1995 - 2000 Director, Hoan A Trading & Services Co., Ltd.
1991 - 1995 Director, Viet Phu Trading & Services Co., Ltd.

% STK's ownership: **13.78%**



Mr. **DANG TRIEU HOA**
 Chairman, Managing Director

Year: 1970
 Qualification: MBA
 Working experience:
11/2010 to present Chief Accountant, CENTURY
03/2004 - 03/2010 Controller/Accountant, Thanh Cong Textile Garment & Investment Trading JSC.
1997 - 03/2004 Accountant, Binh Phuoc Electricity Company.

% STK's ownership: **0.14%**



Mr. **PHAN NHU BICH**
 Deputy CFO/ Chief Accountant

Year: 1972
 Qualification: Chief Strategic Officer
 Working experience:
01/2015 to present CSO, CENTURY
03/2008 - 12/2014 Investment Advisory Manager, Tri Tin Consulting & Investment JSC.
04/2005 - 02/2008 Senior Project Manager, Openasia Consulting Ltd.
10/2004 - 02/2005 Business Development Officer, Mekong Private Sector Facility (“MPDF”).
10/2002 - 10/2004 Senior Financial Analyst, PricewaterhouseCoopers (Vietnam) Ltd.
03/1997 - 03/2000 Legal Assistant, Deacons Graham & James, Hanoi Branch.

% STK's ownership: **0.01%**



Mdm. **NGUYEN PHUONG CHI**
 Chief Strategic Officer

Year: 1956
 Qualification: Administrative Manager
 Working experience:
2016 to present Administrative Manager, CENTURY
2011 - 2016 KYVY Corporation: Production Manager
2008 - 2010 Century Synthetic Fiber Corporation: Deputy Managing Director
2002 - 2008 Thai Tuan Textile & Garment Corporation: Manager of Textile factory 1 and Textile factory 2.
2001 Century Manufacturing – Trading Limited Company: Workshop Manager
1998 - 2000 Thai Tuan Textile & Garment Limited Company: Textile factory Manager.
1994 - 1998 Lien Minh Fiber Company (Taiwan, Tan Thuan Export Processing Zone): Workshop Manager
1982 - 1993 Viet Thang Textile Company (Thu Duc District): Head of Yarn Testing Laboratory.

% STK's ownership: **0.04%**

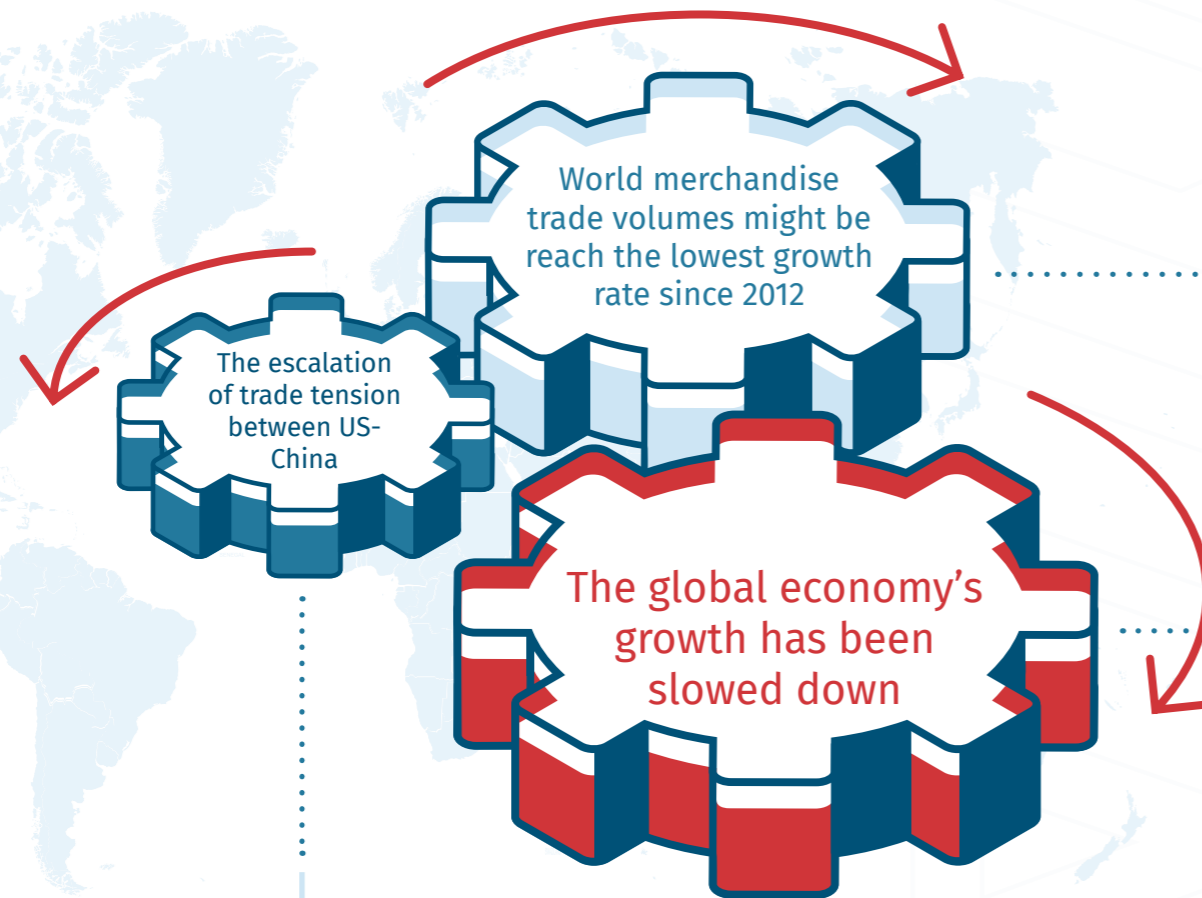


Mr. **NGUYEN THAI HUNG**
 Administrative Manager

Changes in the BOM's members in 2019: None

II.2 / Macro-economic and textile industry overview in 2019

II.2.1.....2019 MACRO-ECONOMIC OVERVIEW



1

World merchandise trade volumes are forecasted to grow only 1.2% in 2019. This was the lowest growth rate since 2012. In particular, exports of developed and developing countries only rose by 0.4% and 2.1% respectively as compared to the last year. In terms of import, developed countries increased by 1.6% and developing countries increased by 1.1%.

Source: Global trade forecast in October, 2019.

2

The escalation of trade-war between U.S and China dampened the bilateral trade of two countries, increasing in the monetary and political risks, lowering the economic growth rate of U.S.-China.

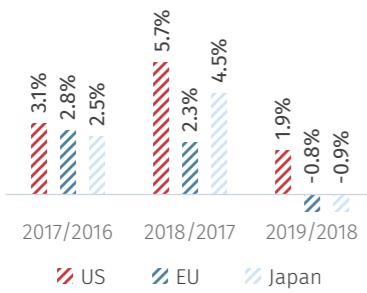
3

According to IMF, 2019 global GDP was estimated to reach 2.9%, a decrease as compared to 2018 growth rate of 3.6%, a significant drop from 2017 growth rate of 3.7%. In which, the U.S. growth rate was estimated to reach 2.3% as compared to 2018 growth rate of 2.9%; EU growth rate was estimated to reach 1.2%, Japan was estimated to reach 1%; China is projected to reach 6.1% in 2019, 0.5% lower than initial forecast.

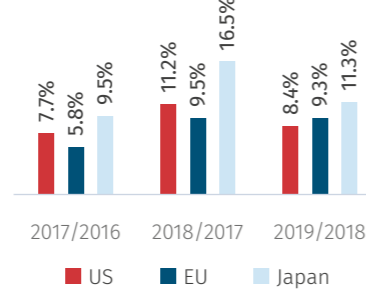
Source: The overview of world economy in January, 2020

II.2.2 THE APPAREL & TEXTILE AND YARN INDUSTRIES IN 2019

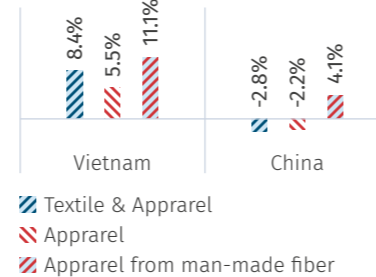
Growth in garment and textile import volume in US, EU and Japan during 2016-2019



Growth in Vietnam garment and textile export volume in US, EU and Japan during 2016-2019



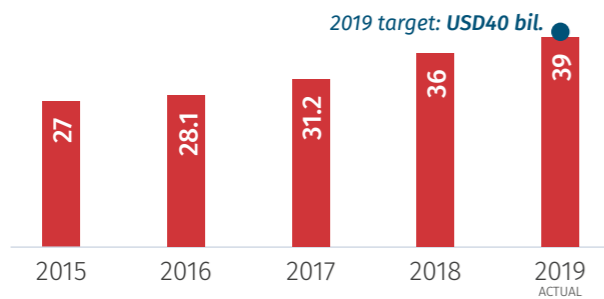
Growth in Vietnam and China garment and textile export volume in US market in 2019



Source: OTEXA, Europa, Japanese Customs

- > The textile import into US's market increased by 1.9% as compared to same period last year. The import volumes of EU and Japan markets decreased slightly by 0.8% and 0.9% respectively, y-o-y.
- > In 2019, Vietnam's textile and apparel industry exports experienced a high growth rate, surging by 11.3% in Japan market, 9.3% in EU and 8.4% in US market.
- > In US market, in 2019, the orders have shifted from China to Vietnam due to the impact of trade war, in which Vietnam's garment exports rose by 5.5% as compared to 2018, while China's exports dropped by 2.2%; Vietnam's apparel from man-made fiber exports to the US increased by 11% y-o-y while the Chinese market fell by nearly 4%.

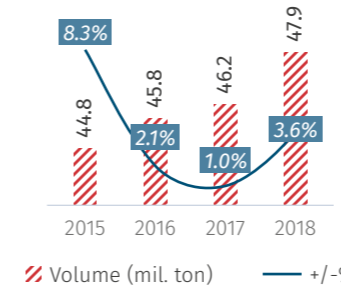
Vietnam textile and apparel export turnover (USD billion)



Source: Vietnam Cotton and Spinning Association

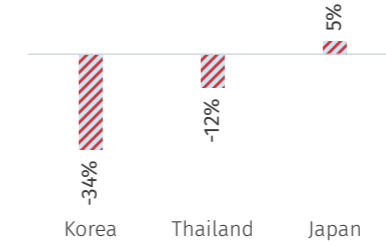
In 2019, Vietnam's textile and garment industry continued to have an impressive trade surplus with the export turnover of USD39 billion, increasing 7.55% as compared to 2018.

Global Filament Polyester volume



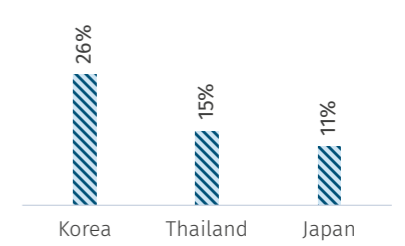
Source: The Fiber Year 2019

Growth of Vietnam import volume of polyester filament in Thailand, Korea and Japan in 2019



Source: Vietnam, Korean, Thailand, Japanese Custom Departments

Growth of China import volume of polyester filament in Thailand, Korea and Japan in 2019



In terms of the polyester filament yarn sector, China dumped heavily to Korea, Thailand and Japan markets. In Korea and Thailand markets, China had increased its export volume by 26% and 15% y-o-y respectively while Vietnam's export volume of polyester filament yarn in these markets dropped by 34% and 12%.



II.3 / The tendency of textile and yarn industry in medium-long term

IMPROVING SUSTAINABLE VALUES FOR SUPPLY CHAIN OF TEXTILE INDUSTRY

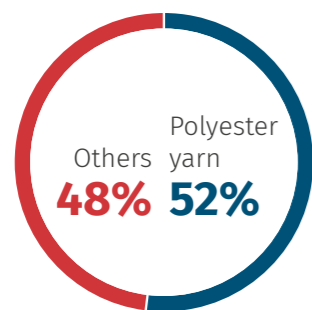
According to McKinsey Apparel CPO 2019 report, in recent years, textile and garment companies need to build a robust business strategy, embracing environmental and social factors. The current textile and garment's supply chain should start from a highly-sustainable material resource, meaning that the material of textile industry's supply chain should be eco-friendly. Being aware of the current situation of environmental pollution, the consumers' demands for environmentally-friendly products has been growing vigorously. This trend is considered as one of the key drivers for top brand names to shift their orders to more eco-friendly suppliers.



Recycled yarn prospects

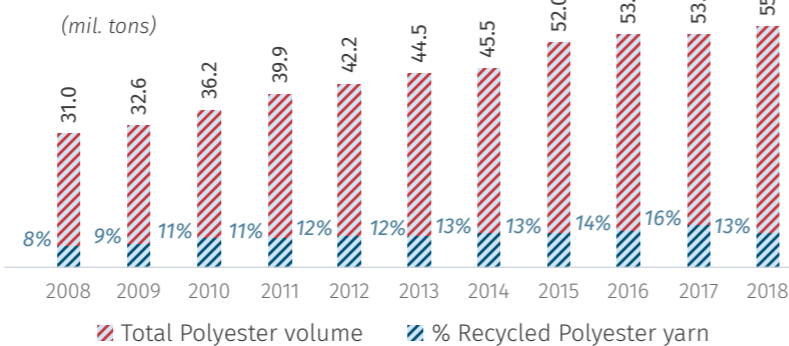
> The global supply of Recycled yarn

Figure 2: Total volume of fibers in 2018



Total volume: **107 mil. tons**

Figure 3: Recycled Polyester yarn's contributions*



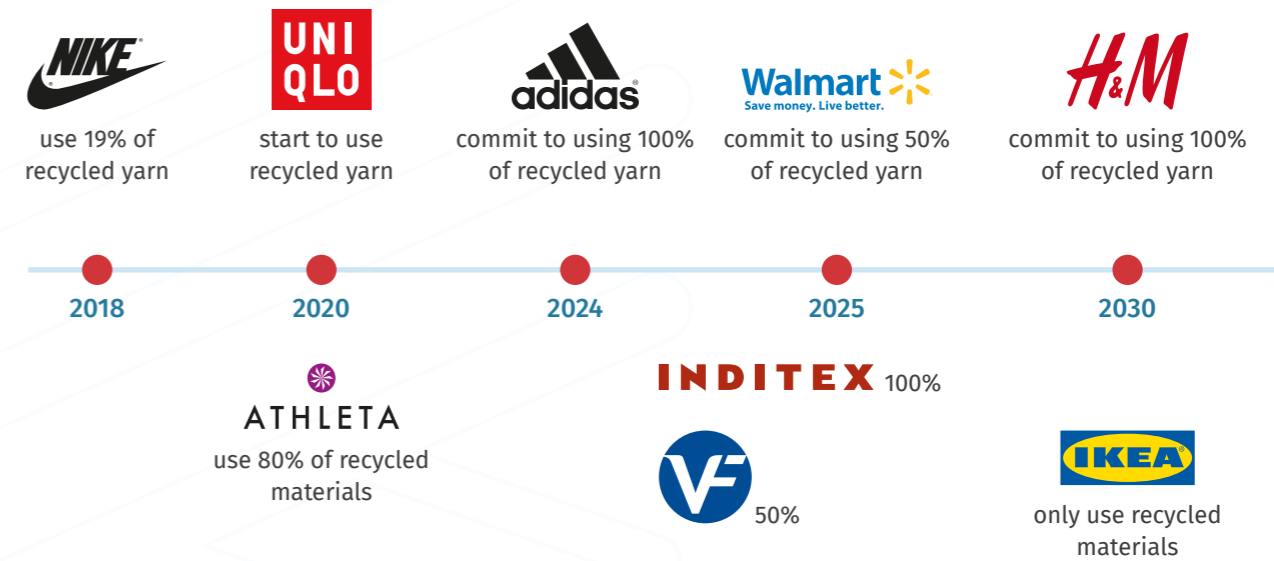
Source: Textile Exchange 2019

* The proportion had comprised of recycled polyester filament yarn and recycled staple yarn, in which the proportion of recycled polyester filament yarn is still insignificant.

> The demand of recycled yarn

In 2017, some of the top brand names in the global textile and apparel industry committed to using at least 25% recycled yarn by 2020. Because of the rising consumer trends on sustainability, especially environmentally-friendly sources of materials, the recycled yarn demand has been growing significantly. Particularly in 2018, top brand names raised their targeted proportion of recycled yarn usage to 36% and the number of top brand names committing to use recycle yarn also increased from 48 to 62 brands.

Figure 4: The commitment roadmap to use the recycled materials of fashion brands



Source: Century's compilation from various companies' news

Not only the demand for environmentally-friendly raw materials increases, but also the whole supply chain of the industry must start with sustainable raw materials to finished products, ensuring the requirements of three factors: environment - labor - society. Traceability and Transparency are current concerns of consumers. Hence, enterprises at any stage of the supply chain need to have a close relationship with other stages. Moreover, the integration among companies in a supply chain is critical to get favourable tariff treatment under multilateral/bilateral trade agreements which attached favourable tariff treatment with rules of origin (such as fabric forward or yarn forward rule of origin).

VIETNAM'S TEXTILE AND APPAREL INDUSTRY STILL HAS SOME BRIGHT SPOTS

- > According to Vinatex, the global textile demand in 2019 surged by 3.3% as compared to 2018, in which China decreased by 2.3%; India and Bangladesh increased by 1.4% and 2.4% respectively. Despite of not reaching the set target, the total export turnover of Vietnam's textile and apparel recorded USD39 billion (the initial target was USD40 billion), rising by 7.55% as compared to 2018.
- > Accumulated to November 2019, Vietnam's textile and apparel had attracted USD1.5 billion of the foreign investments with considerable growth in the investment flow from Korea and Taiwan to yarn, textile and dyeing subsectors.
- > As the trade war between China-U.S is not going to show ending signals in the upcoming time, the growth potential of textile and garment export will continue to come from orders shifting from China to Vietnam, and other markets such as Canada and Australia in order to benefit from the CPTPP free trade agreement.
- > EVFTA is still in progress of ratifications and promised to have a "big push" to the Vietnam's garment and apparel industry, contributing to the export growth of the Vietnam's garment and apparel industry.

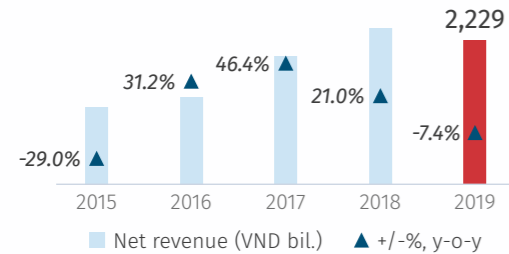
II.4 Assessments of the Company's business performance in 2019

In the context of challenging and unfavorable macro-economic conditions and business environment in 2019, Century's Board of management proactively sought opportunities while mitigating risks, concentrating on production efficiency enhancement, expanding markets and preserving the existing customer network.

II.4.1 ANALYSIS OF THE COMPANY'S PERFORMANCE AS COMPARED TO OVER THE SAME PERIOD OF 2018

KPIs (VND billion)

Net revenue and year-on-year growth



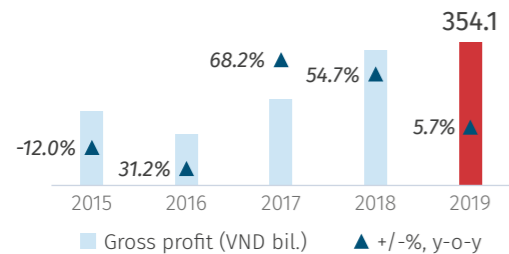
Analysis of movement of KPIs

Net sales revenue in 2019 reached VND2,229 billion, decreasing 7.4% as compared to 2018.

Explanations:

- > Due to the impact of trade war between China-U.S, Chinese yarn producers have dumped their products, causing other companies including STK to reduce selling price and lose sales volume of Virgin yarn.

Gross profit, gross margin and year-on-year growth



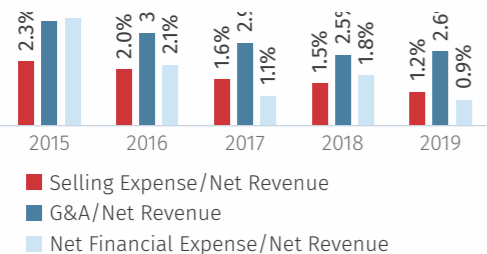
Despite the slight decline in net sales revenue, the Company has proactively changed the sales mix toward higher value-added products, gradually enhanced the recycled yarn's proportion; 2019's gross profit reached VND 354.1 billion, increasing by 5.7% as compared to the same period in 2018.

The Company's gross profit margin was improved from 13.9% (2018) to 15.9% (2019).

Explanations:

- > The 2019's cost of goods sold decreased by 9.5% as compared to 2018.
- > The difference between average selling price and chip price increased by 5% as compared to the same period.

Expense Items

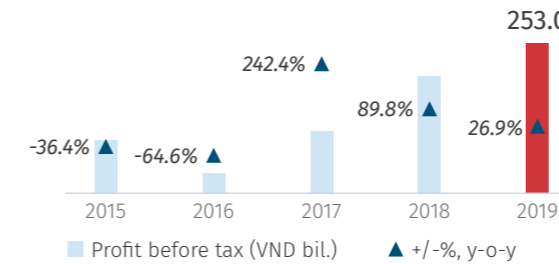


As a result of stringent cost controls and customers' change in shipment terms, the proportion of selling expenses on sales revenue decreased from 1.4% to 1.2%. The proportion of financial expenses also dropped from 1.8% to 0.9% due to stability in the USD/VND exchange rate.

The proportion of administration expenses in 2019 increased from 2.3% (2018) to 2.6%, primarily due to purchase of supplemental warehousing equipment for the delivery process.

KPIs (VND billion)

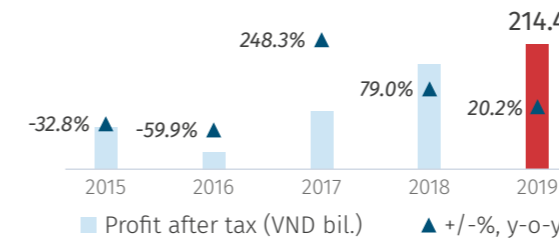
Profit before tax and year-on-year growth



Analysis of movement of KPIs

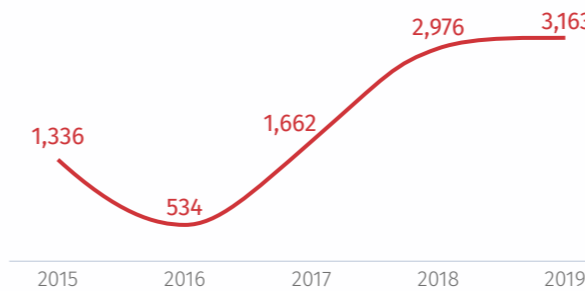
As selling expenses and financial expenses declined, the Company's profit before tax in 2019 reached VND253.1 billion, increasing by 27% as compared to the last period.

Profit after tax and year-on-year growth



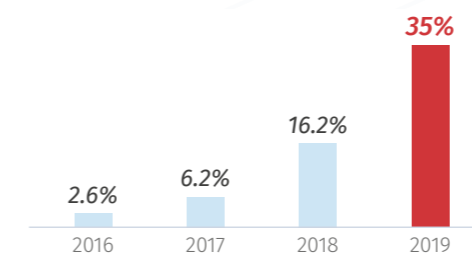
As a result, the Company's profit after tax in 2019 reached VND214.6 billion, increasing 20.2% as compared to the last same period.

Earnings per shares(EPS)



Due to the increment of the Company's profit after tax (+20.2%) thus the EPS also reached VND3,163/share, increasing by 16% as compared to 2018.

The proportion of the Recycled yarn on the net sales revenue as compared to the last year



Thank to the Company's right strategy to focus on the segment of high quality products, supplying to global top brand names, in 2019, the Company recorded outstanding growth of recycled yarn. The recycled yarn sales volume increased by 89.5% and sales revenue surged by 100.6% year on year. The proportion of recycle yarn sales revenue in the total sales revenue jumped from 16% (2018) to 35% in 2019.

II.4.2 ASSESSMENT OF THE FUNCTIONAL DEPARTMENTS' PERFORMANCE

Sales activities

- > **Markets:** As compared to 2018, in 2019, the Company gradually expanded into the US market with supplying yarns for car industry, seizing the opportunities created by the trade war.
- > **Customers:** The number of new customers in 2019 was 65 customers. In terms of recycled yarn, there were 24 new customers using this products.
- > **Products:** Besides the virgin yarn and recycled yarn, in 2019, the Company produced and offered dope dyed yarn samples (black color) to customers, replacing the traditional dyed yarn. In 2H2019, the Company's research and development team also developed further recycled plus special function yarns such as: recycle yarn + anti UV function, recycle yarn+ quick-dry function, recycle yarn+high-stretched function.

Production activities

In comparison to 2018, the Company's production team made certain improvements.

The ratio of DTY grade AA has been improved as compared to 2018. However, the FDY quality needs to be improved further

Other activities

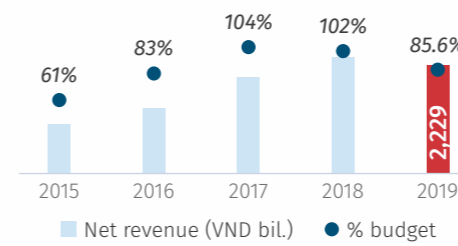
- > **Energy:** The Utility team has applied measures to enhance the production efficiency, reducing the energy consumption by 6% as compared to 2018. The number of electricity fluctuation/ flickering incidents during the year fell by half as compared to 2018.
- > **Purchasing team:** In 2019, purchasing team developed further 71 suppliers as compared to 2018. In addition, the team also built up and strictly adhered to anti-corruption policies and cost-saving practices of the Company.
- > **Human resources:** The Company's employee turnover rate after probation period was improved from 23% (2018) to 21.6% (2019). The Company's average income increased by 7% as compared to over the same period
- > **Information and technology:** Ensuring stable operation of the Company's system, preventing sudden failures and effectively supporting users. Further applying technology into production and operation, aiming to improve the production efficiency.

II.4.3 ANALYSIS OF THE ACTUAL PERFORMANCE AS COMPARED TO THE BUDGET

KPIs (VND bil.)

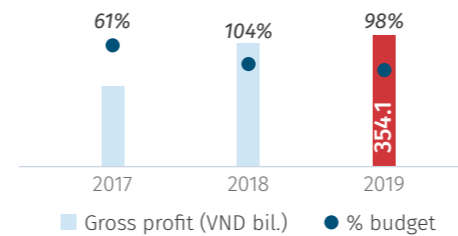
Analysis of movements in KPIs

Net revenue – Actual vs. Target



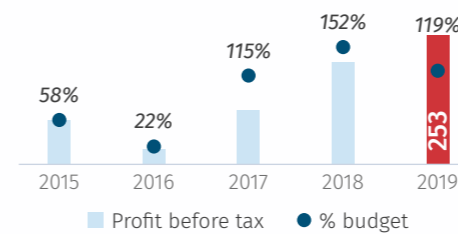
In 2019, net sales revenue reached 85.6% as compared to the set plan, primarily due to customers' postponement of their virgin yarn orders and the impact of Chinese yarn producers' dumping activities, causing a decline in sales volume.

Net revenue – Actual vs. Target



Despite the decline in sales volume, the price gap between selling price and chip price exceeded by 9.6% as compared to the set plan. Therefore, the Company's gross profit also fulfilled 98% of the budget.

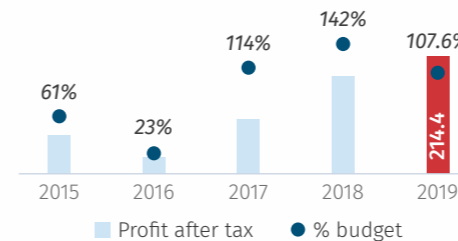
Profit before Tax– Actual vs. Target



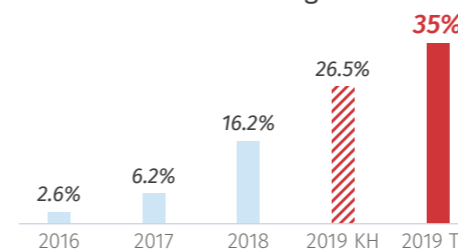
Since the selling expenses and financial expenses only fulfilled 71% and 36.8% of the set plan respectively (as the actual exchange rate as at 31/12/2019 was VND23,130/ USD, 0.78% lower than the forecasted rate of VND23,310/ USD), the Company's profit before tax surged by 19% as compared to the 2019 plan.

Consequently, the Company's profit after tax surpassed the budget by 7.6% even though the corporate income tax in 2019 increased by 84% as compared to 2018.

Profit after Tax– Actual vs. Target



The proportion of Recycled yarn – Actual vs. Target



Aiming to increase the Recycled yarn's contribution to the sales revenue and hence to raise the Company's profitability, the Recycled yarn's revenue in 2019 surpassed the target by 13%. As results of outperformance of recycled yarn combined with underperformance of Virgin yarn which only met 76% of the revenue budget, the proportion of recycled yarn in total revenue reached 35%, much higher than the initial target of 26.5%.



II.4.4 ASSESMENT OF FINANCIAL STANDINGS

Table 4: Financial standings

ITEMS (VND BIL.)	2018	2019	%+/-
Total assets	2,119.4	2,071.3	-2.3%
Net Revenue	2,407.7	2,229.0	-7.4%
Gross profit	334.9	354.1	5.7%
Profit from operating activities	202.3	248.2	22.7%
Other profit	(3.1)	4.7	
Profit before Tax	199.3	252.9	26.9%
Profit after Tax	178.4	214.4	20.2%

- > The total assets in 2019 decreased by 2.4% as compared to 2018, primarily due to the decline in long-term debt from VND348 billion to VND164 billion.
- > Although the sales revenue decreased by 7.4%, the Company's profit still increased as compared to the last same period; the profitability improved as compared to 2018.

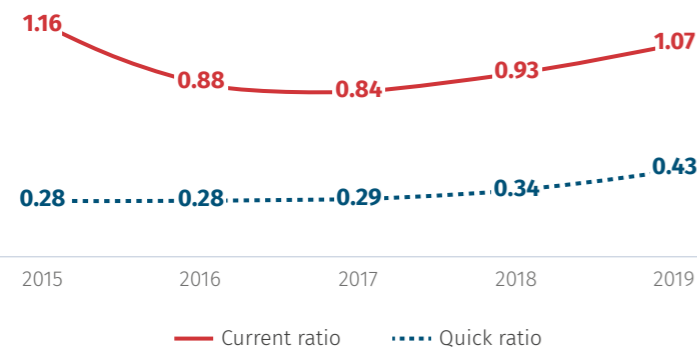
II.4.5 ANALYSIS OF KEY FINANCIAL RATIOS

Table 5: Key financial ratios

INDICATOR	UNIT	2018	2019	+/-	ASSESSMENT
Liquidity ratios					
Current ratio	Time	0.93	1.07	0.14	The current ratio of 2019 has been improved as compared to 2018
Quick ratio	Time	0.34	0.43	0.09	
Financial leverage					
Debt/Equity ratio	Time	0.85	0.62	-0.23	Due to the decrease in borrowing debts, the debt ratio to equity and the debt ratio to total assets declined as compared to 2018.
Debt/Total assets	Time	0.37	0.33	-0.04	
Effectivity					
Inventory Turnover	Time	4.40	3.47	-0.93	The inventory turnover in 2019 was reduced as compared to 2018
Net revenue/Total Assets	Time	1.14	1.08	-0.06	The asset turnover in 2019 was reduced as compared to 2018
Profitability					
Return from operating activities on sales	%	8.40%	11.13%	2.7%	The profitability ratios were improved as compared to 2018.
Return on Asset (ROA)	%	7.41%	9.62%	2.2%	
Return on Equity (ROE)	%	8.41%	10.35%	1.9%	
Return on Equity (ROE)	%	19.62%	19.80%	0.2%	

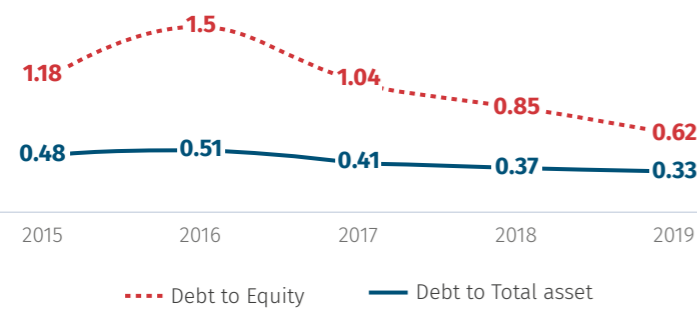


II.4.5.1 Liquidity ratios



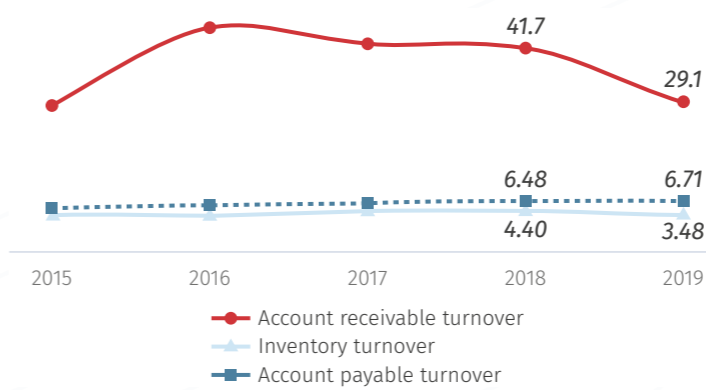
- > Current ratio in 2019 was 1.07x. This indicator was improved as compared to 2018 and the ratio of 1x indicates that the current assets is sufficient to cover current liabilities.
- > Quick ratio was improved in 2019, mainly due to increase in the account receivables by 61% as compared to 2018.

II.4.5.2 Capital structure



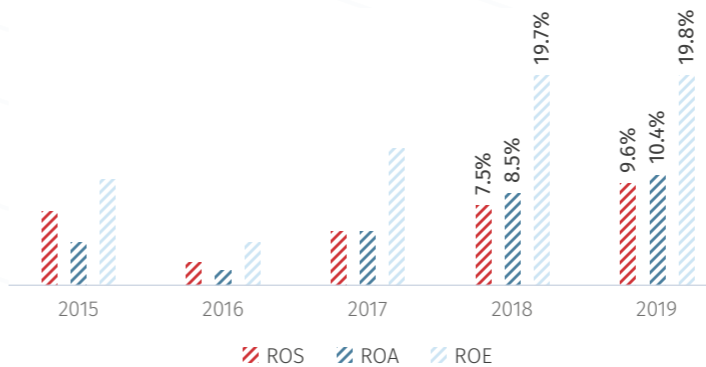
- > Debt/Equity ratio decreased from 0.85x to 0.62x, strengthening the Company's financial safety.
- > Debt to Total asset ratio dropped from 0.37x (2018) to 0.33x (2019) as the Company repaid debts in 2019 in order to ensure the financial safety.

II.4.5.3 Effectivity ratios



- > The account receivable turnover of the Company in 2019 declined significantly from 41.7 times to 29.1 times. This was due to the 2019's account receivable increased by 61% as compared to the last same period.
- > In 2019, the inventory turnover declined from 4.4 times to 3.48 times, showing that the stocking time in 2019 was longer than its in 2018.
- > In addition, the account payable turnover in 2019 decreased slightly as compared to 2018, though it was not remarkable.

II.4.5.4 Profitability



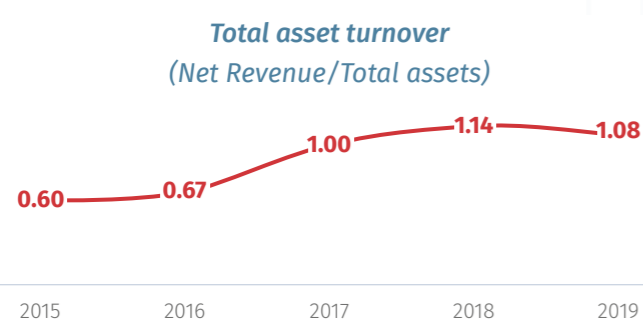
- > Since the profit after tax in 2019 increased of 20.3% as compared to 2018 thus the profitability ratios were improved as compared to last year.

II.4.6 ASSESSMENT OF THE COMPANY'S TOTAL ASSETS

Table 6: Total assets as compared to over the last same period

UNIT: VND BILLION	2018	2019	% 2018	% 2019	2019/2018
Current assets	804.3	879.7	37.9%	42.5%	9.4%
Cash & cash equivalent	153.1	150	7.2%	7.2%	-2.0%
Short term investment	45	80	2.1%	3.9%	77.8%
Accounts receivable	65.4	98.4	3.1%	4.8%	50.5%
Inventory	509.8	525.0	24.1%	25.3%	3%
Others	31.1	26.3	1.5%	1.3%	-15.4%
Long-term assets	1,315.1	1,191.6	62.1%	57.5%	-9.4%
Fixed assets	1,178.8	1,048	55.6%	50.6%	-11.1%
Long-term investment	1.9	1.7	0.1%	0.1%	
Others	132.8	140.6	6.3%	6.8%	5.9%
Total Assets	2,119.4	2,071.3	100%	100%	-2.3%

The 2019 short-term assets increased by 9.4% as compared to the last same period last year, meanwhile the long-term assets decreased by 9.4%. The short-term financial investment surged by 77.8% and accounts receivable soared up by 50.5% as compared to the last same period.



The current asset turnover in 2019 reached 1.08 times. As this ratio was greater than 1x, indicating that the Company has been effectively using the assets to generate the revenue.

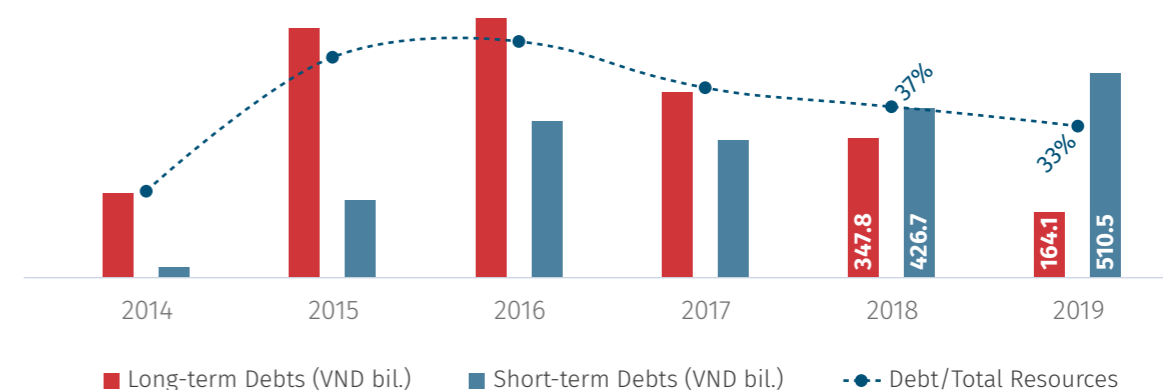
Although the current asset turnover decreased slightly as compared to 2018 (1.14 times), the Company has recognized several improvements as compared to previous period (since 2017).

Bad debts and bad assets

The bad debts and bad assets which had impacts on the Company's business performance in 2019: None

II.4.7 ASSESSMENT OF BORROWING DEBTS

Figure 5: Debt/Total resources



In 2019, the Company's total debt accounted 33% of the total resources, declining as compared to 37% in 2018. The Company repaid long-term debts in order to reduce the financial expenses. In particular, the long-term debts of the Company dropped by 53% as compared to the last same period.

II.4.8 ANALYSIS OF IMPACT OF INTEREST RATE AND FOREIGN EXCHANGE RATE ON THE COMPANY'S PERFORMANCE

Table 7: Year-on year comparison of financial income and expenses

INDICATORS (VND BILLION)	2018	2019	2019/2018
Financial incomes	11.1	14.3	3.2
> Interest income	7.9	8.9	1
> Foreign exchange gain	3.2	5.3	2.1
Chi phí tài chính	53.4	35.2	-18.2
> Foreign exchange rate loss	24.4	4.5	-19.9
> Interest expenses	29.0	30.7	1.7

The exchange rate as at 31/12/2019 was VND23,130, declining by 0.2% as compared to the exchange rate as at 31/12/2018 (VND23,170).

II.4.9 IMPROVEMENTS IN ORGANIZATIONAL STRUCTURE AND MANAGEMENT POLICIES

> Reinforcing the production machines, fostering the production human resources;

The Company's BOM reorganised the production team, redelegation of authority in production management, systemizing the production efficiency management of the direct production team;

> Deploying the human resource management software and the warehouse management software, improving the production efficiency and reducing resource wastes;

II.4.10... GENERAL ASSESSMENTS OF BOM

INDICATOR (VND BILLION)	2019 ACTUAL	2019 ACTUAL/ 2018 ACTUAL	2019 ACTUAL/ BUDGET
Net revenue	2,229	-7.4%	85.6%
Profit before tax	252.9	26.9%	119.2%
Profit after tax	214.6	20.3%	107.6%

1. Achievements

- > Thanks to switching of the product-mix and proper sales strategy, the Company's profit before and after tax increased as compared to the last same period and outperformed the budget. The proportion of recycled yarn in the total sales revenue of 2019 reached 35%, surpassing the budget (26.5%) and increasing significantly by 16.2% as compared to the last year.
- > The gross profit margin increased from 13.9% in 2018 to 15.9% in 2019.
- > The financial standing was stable and the current ratio also was improved remarkably.
- > Expanding further into the U.S market and yarn for automotive textile industry.
- > Production quality was improved, enhancing the Century's market position not only in domestic but also in global markets.

2. Areas of improvements

- > In order to enhance the Company's competitiveness against Chinese dumping activities, beside appropriate sales strategy, the Company needs to continuously improve the operational efficiency, implement cost cuttings measures and develop new high value added yarns in order to attract more orders of higher profitable products.

II.4.11... FUTURE DEVELOPMENT PLAN

Short-term:

- > **Products:** the BOM will concentrate on development of recycled yarn and other special functional yarns, gradually raising the proportion of recycled yarn in total revenue to 50% by 2020.
- > **Market:** maintaining the existing markets and seeking further opportunities in other markets such as US market in automotive industry.

Medium-long term:

In medium-long term, given inherent risks posed by the trade war between US-China and the global economy, STK's strategy is to enhance the Company's market position by improving product quality and customer service performance. In addition, the Company is aimed to become an integral part of top brandnames' supply chains, hence securing orders and optimizing selling price and sales revenue.

II.5 / Company's business forecast in 2020

Table 8: Business forecast in 2020

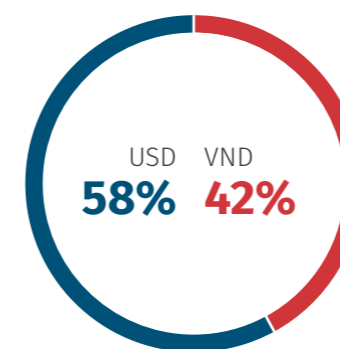
KPI (VND BILLION)	2019 ACTUAL	2020 FORECAST	2020F VS. 2019A
Net revenue	2,229	2,558	114.8%
Gross profit	354.1	399.1	112.7%
Net profit before tax	252.9	264.4	104.5%
Net profit after tax	214.4	234.8	109.5%

The above forecast for 2020 will be subject to the approval of the Annual General Shareholder Meeting 2020.

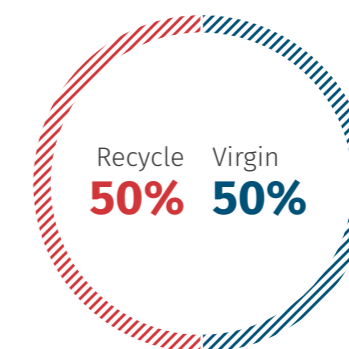
Some assumptions for the Company's 2020 business plan forecast

- > The proportion of recycled yarn in the total sales revenue is forecasted to reach 50% in 2020;
- > The average selling price is estimated to increase 1.5% as compared to 2019;
- > The average chip price is projected to be the same as 2019;
- > The selling expenses is forecasted to surge by 28% and the administration expenses is forecasted to increase 22% as compared to 2019 (recruitment of additional senior managers);
- > The FX rate as at 31/12/2020 is forecasted to increase by 2% as compared to 31/12/2019;
- > The corporate income tax is planned to increased 11.2%;

2020 Estimated net sales revenue by currencies



2020 Estimated net sales revenue by products



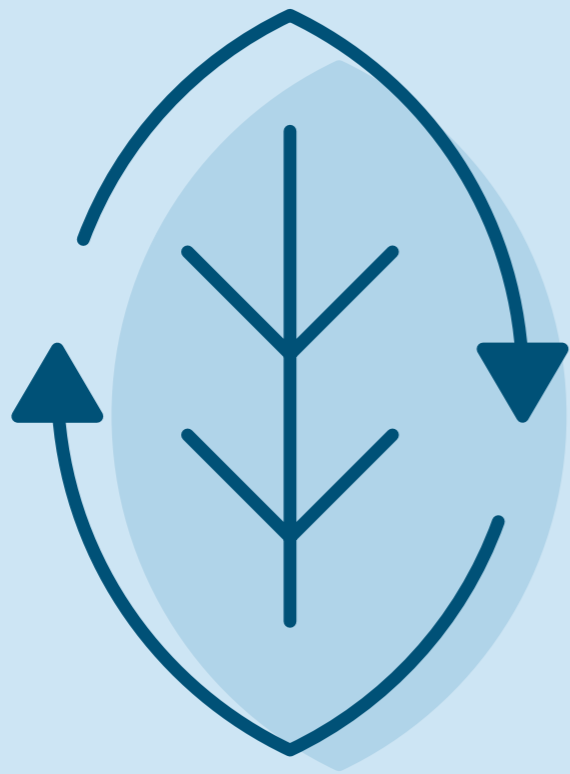
II.6 / Earning Distribution plan for the fiscal year 2019

The FY 2019's dividend payment plan will be submitted to the 2020 Annual General Shareholders Meeting for approval:

Dividend payment method	Dividend payment ratio
Cash dividend	15%/par value

II.7 / BOM's Explanations on audit opinion




The auditing firm E&Y has no qualified opinion on the Company's 2019 consolidated and separated financial statements.



REPORT ON SUSTAINABLE DEVELOPMENT

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III.1 / Objectives of Sustainable Development

PROTECTION OF SUSTAINABLE ENVIRONMENT	IMPLEMENTATION ORIENTATION	ALIGNMENT WITH UN'S SDGS	STK'S CONTRIBUTION TO ACHIEVE THE UN'S SDGS	THE COMPANY'S GOALS FOR 2020-2025
PROTECTION OF SUSTAINABLE ENVIRONMENT	Enterprise's sustainable development based on protection of natural environment	Clean water and sanitation	<ul style="list-style-type: none"> > The Company also arranged 50 separate toilets for men and women, meeting the State standards. > The Company also does not use chemicals in production certified by the world's trusted organizations (eg REACH STK certification has been achieved in 2017 and OEKO-Tex 100). > Every quarter and every 6 months, the Company conducts waste water quality monitoring and environmental impact monitoring. > The Company regularly propagates and popularize water saving policies in the Company, and uses water properly to protect water resources. 	<ul style="list-style-type: none"> > Supervising and monitoring environmental reports to take preventive measures. > Continue to develop color yarn project to help replacing traditional dyeing activities. > Restrain the usage of clean water and chemical, limiting the discharge of waste water into environment. > Increase the proportion of recycled yarn production to 100% by 2025. > Comply with standards under REACH 168, Oeko-tex 100, GRS and ISO 9001-2015.
				
		Affordable and clean energy		
	<ul style="list-style-type: none"> > Research and propose measure to save energy. > Restrain carbon emission and usage of diesel oil. 			
Climate action		<ul style="list-style-type: none"> > Periodically conducted a carbon footprint measurement. > Set out measures to reduce emissions. > Replace diesel fueled forklift trucks by electric ones. > Coordinate ordering and travelling to reduce the use of transport vehicles. 		
				

DEVELOPMENT OF HUMAN RESOURCES AND SUSTAINABLE SOCIETY

IMPLEMENTATION ORIENTATION

- > Employees are the main asset of the Company; the Company always focuses on human resources development.
- > Ensure safe working environment for workers.

ALIGNMENT WITH UN'S SDGS

Good health and well-being



No Poverty



STK'S CONTRIBUTION TO ACHIEVE THE UN'S SDGS

- > Ensure labour safety and health care for employees.
- > Provide well-equipped medical rooms (with adequate facilities, medicines and medical instruments with a full time medical staff) for employees.
- > Organise periodical health check for employees, send those employees whom were detected with health problem to specialized medical centers for medical examination and treatment and follow up in 6 consecutive months.
- > The Company does not use chemicals in the production process.
- > The Company strictly implement regulations on prevention the use of drugs in the Company.
- > Recruit and create jobs for more than 1,000 peoples.
- > Offer competitive salary, compensation and allowances (higher than industry average).
- > Buy raw materials, logistics services locally.
- > Use local catering services, uniforms providing service, security service, transportation service.
- > Provide training and promotion opportunities, and fair treatment.
- > Employees are encouraged to participate in corporate decision-making process.

THE COMPANY'S GOALS FOR 2020-2025

- > Organise training programs on worker skill improvement
- > Make skill assessment and set/ implement policies on job promotion
- > Regularly check equipment to ensure work safety
- > Provide regular health check for employees
- > Ensure fair and healthy working environment
- > Target to achieve the ratio of 100% employees participating in collective negotiation of labour agreement
- > Set high recruitment requirements (in term of quality).
- > Continuously improve HR policies, benefits and remunerations for employees.
- > Ensure the Company's average salary higher than the regional minimum salary and the industry's average salary.

DEVELOPMENT OF HUMAN RESOURCES AND SUSTAINABLE SOCIETY (continued)

Peace, justice and strong institutions



- > Committed to integrity in all activities.
- > Develop policies and measures to prevent acts of corruption, bribery and tax evasion.
- > Ensure transparent and accurate disclosure.
- > Comply with and support to the regulations and policies issued by the state.

Responsible Consumption and Production



- > Produce yarn from recycled materials and waste yarn.
- > Reduce usage of natural resources in production process.
- > Take measure to save energy and save clean water.
- > Reuse POY paper tubes.
- > Give priority to suppliers who meet criterion on environmental protection, social responsibility and sustainable development.

SUSTAINABLE ECONOMIC DEVELOPMENT	IMPLEMENTATION ORIENTATION	ALIGNMENT WITH UN'S SDGS	STK'S CONTRIBUTION TO ACHIEVE THE UN'S SDGS	THE COMPANY'S GOALS FOR 2020-2025
<p>SUSTAINABLE ECONOMIC DEVELOPMENT</p>	<ul style="list-style-type: none"> > Contribute to economic development of the community. > Protect environment in the region. > Comply with Vietnam's regulations and rules of the industrial zones. 	<p>Industry, Innovation, and Infrastructure</p> 	<ul style="list-style-type: none"> > Create direct and indirect jobs for the community. > Contribute to development of local infrastructure. > Enhance life quality for local peoples. > Invest in R&D to create new value added products. > Protect natural resources (oil, water) to minimize greenhouse gas emission. 	<ul style="list-style-type: none"> > Increase the Company's revenue and profit. > Continuously expand markets and customer network domestically and internationally. > Train and enhance capacity of local human resources.
		<p>Decent Work and Economic Growth</p> 	<ul style="list-style-type: none"> > Maintain competitive remuneration and allowance in STK. > STK's average salary growth is maintained higher than national GDP growth rate and inflation rate. > Ensure comfortable, safe and hygiene working environment. > Create healthy competitive corporate culture. 	<ul style="list-style-type: none"> > Maintain jobs, create stable employment in Cu Chi and Trang Bang. > Keep track and monitor environmental assessment reports. > Comply with prevailing regulation, ensure transparency in information disclosure and business activities.
		<p>Peace, Justice, and Strong Institutions</p> 	<ul style="list-style-type: none"> > Committed to integrity in all activities. > Develop policies and measures to prevent acts of corruption, bribery and tax evasion. > Ensure transparent and accurate disclosure. > Comply with and support to the regulations and policies issued by the state. 	<ul style="list-style-type: none"> > Actively fight against bribery and corruption.

III.2 / Assessment of the BOM on Environment-Labour-Community Aspects

ENVIRONMENT

- > By raising the percentage of recycled yarn in total revenue from 16,2% (2018) to 35% (2019), the Company has indirectly increase the number of post-consumer used bottles recycled from 394 million to 740 million.
- > By reusing POY paper tubes, the number of POY paper tube used was curbed at 870,087 and each paper tube was reused by 3.56 times.
- > Total electricity consumption reduced by 6% compared to the same period last year. As a result, the carbon footprint related to electricity consumption declined by 6%.
- > Total water consumption declined by 5% compared to the same period last year.
- > No recorded cases related to violation of environmental regulations.

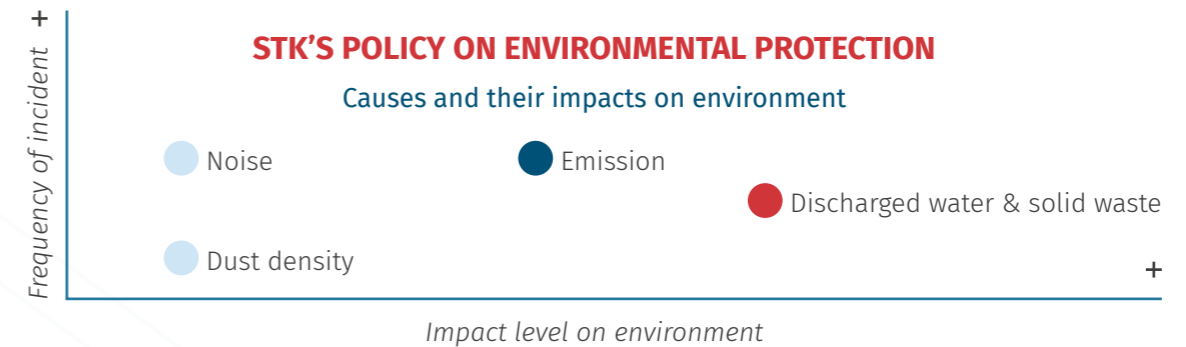
LABOUR

- > Average income of employees increased by 7% in 2019 as compared to 2018.
- > Increase the fund for bonus (13th month salary and performance related bonus).
- > Enhance capacity for employees via training courses by foreign experts and the roadmap for skill improvement and promotion.
- > Improve the mechanism for complaint and opinion contribution by employees.
- > No recorded cases of work accidents.
- > Complete share issuance to employees under ESOP.

COMMUNITY

- > Stable and growing business help raising contribution to state budget by 34% year on year.
- > Comply with the rules of industrial zones, regulations on tax, import/export, Law on Enterprises, Law on Securities ...
- > Indirectly create jobs for local peoples.

III.3 / Report on environmental protection



CAUSE	FREQUENCY OF INCIDENT	IMPACT LEVEL	CONSEQUENCE (*)	MANAGERIAL APPROACH	SPECIFIC MEASURES	KPIS
Dust density	1 mark	1 mark	Low (1 mark)	Set targeted KPIs for each related divisions which are required to report on actual achievement on weekly, monthly, quarterly, biannually and annual basis to the Managing Director (the Company's highest ranking officer in charge of environmental protection).	Procedures on periodical inspection of air quality	Maximum level of dust density without silica.
Noise	3 marks	1 marks	Medium (3 marks)		Procedures on periodical inspection of air quality, ear plug for noise protection, airlock door for workshops, health check for employees	No case of illness caused by noise. However, by the nature of this industry, there is noise generated by running machines.
Emission	3 marks	2 marks	Medium (6 marks)		Minimize usage of DO, take measure to save electricity.	Carbon footprint related to electricity consumption reduced by 6% and carbon footprint related to DO consumption dropped by 1%.
Discharged water and solid waste	2 marks	3 marks	Medium (6 marks)		Daily monitor sanitary waste water treatment system, classify and collect solid waste in accordance with regulations.	No case of violation

(*) Note

Consequence < 3	3 ≤ Consequence ≤ 6	Consequence > 6
Low	Medium	High

III.3.1 MATERIAL USAGE

CLASSIFICATION OF MATERIAL	TYPE OF MATERIALS	COUNTRY OF ORIGIN	2017 (TONS)	2018 (TONS)	2019 (TONS)	2019 /2018
Non renewable materials	Polyester Chip	Korea,Taiwan, Japan...	53,495	54,393	49,558	-9%
	Oil	Taiwan, Japan, Germany	713.5	1,026	904	-18%
Renewable materials	Paper tubes	Vietnam, Taiwan	3,907	4,457	3,224	-28%
	Carton boxes	Vietnam	2,301	2,054	1,705	-17%

INITIATIVES FOR ENVIRONMENTAL PROTECTION IN 2019

ACHIEVEMENTS

- > Increase the usage of recycled polyester chip to reduce the usage of virgin polyester chip and eliminate plastic waste (post consumer used bottles) on the earth.
 - > Volume of recycled chip increased by 89% year on year.
 - > Number of post consumer used bottles indirectly recycled was 740 million, surging by 188% as compared to 2018.
- > Recover and reuse POY paper tube
 - > Number of times POY paper tube is reused: 3.56x, raising the Company's overall ratio of reuse in all types of paper tubes (including POY, DTY, FDY paper tubes) to 23%.

The rate of reusing materials

$$= \frac{\text{Volume of recycled polyester chip (kg)}}{\text{Total volume of polyester chip in use (kg)}} \times 100 = \frac{16,401,136}{49,558,552} = 33\%$$

In 2019, number of POY paper tube in use was 870,087 and each POY paper tube was reused by 3.56x, raising the Company's overall ratio of reuse in all types of paper tubes (including POY, DTY, FDY paper tubes) to 23% as compared to the rate of 21.7% in 2018:

$$= \frac{\text{Volume of material reused}}{\text{Total volume of material in use during the year}}$$

The rate of recovery and reuse of paper tube

$$= \frac{\text{The number of POY paper tubes} \times \text{reusing times}}{\text{POY paper tubes} \times (\text{reusing times}) + \text{DTY paper tube} + \text{FDY paper tubes}}$$

$$= \frac{870,087 \times 3.56}{870,087 \times (3.56) + 10,378,366} = 23\%$$

III.3.2 ENERGY CONSUMPTION

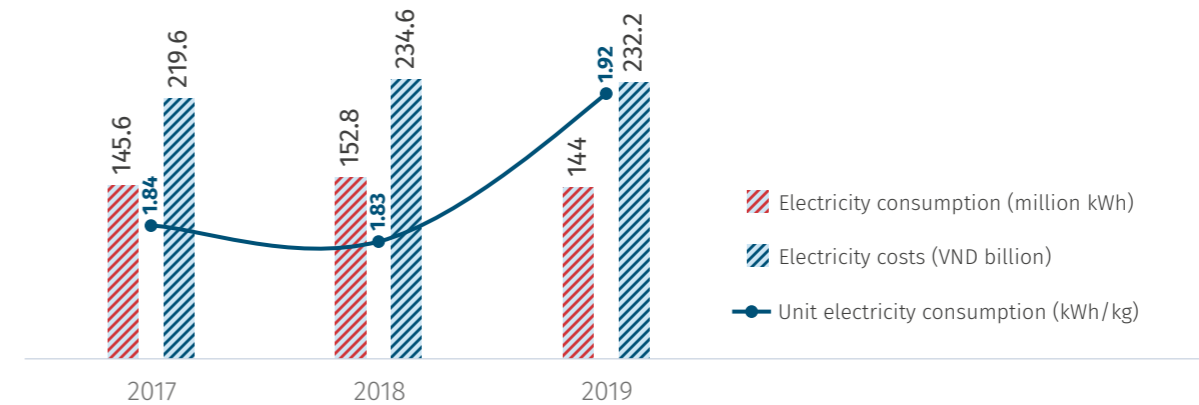
The Company only uses electricity and diesel oil ("DO") in production. Of which:

1 Non renewable energy - DO. Volume of DO consumption in 2019: **1,1 tons.**

2 Renewable energy: **electricity.**

1 + 2 Total energy consumption (in Joule): **518,320 J**

Electricity consumption in 2019



Electricity consumption in 2019 reduced by 6% and electricity cost declined by 1%. However, the electricity consumption unit slightly in 2019 as compared to 2018 since the Company proactively switched to production of high value added products such as recycled yarn and colour yarn.

SOLUTIONS

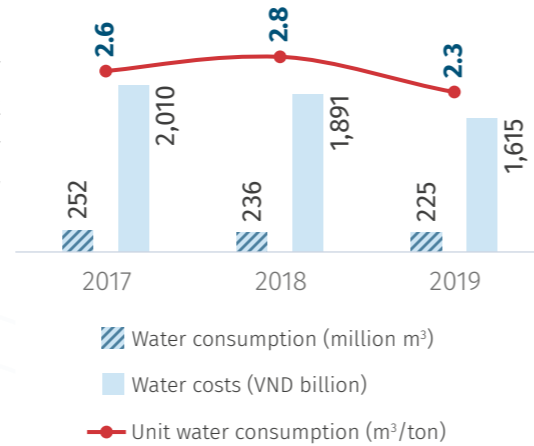
ACHIEVEMENT

- > Installation of inverter for AC fan 1, 2, 3 at Cu Chi factory.
 - > Saved 20,879 kWh/year.
- > Replace 200W high pressure light bulbs at Cu Chi factory by led 70w bulbs.
 - > Cost saving was VND 32million/year.
- > Install automatic switch for lights at DTY factories.
 - > Implement in 38 machines, saving 2kw/hour per machine, generating total saving of VND27.2 million/year.

III.3.3 WATER CONSUMPTION

The water used in the Company is supplied and ensured of quality by industrial zone management companies.

- > In 2019, water consumption reduced by 5% year on year, saving VND275.5 million as result of strict implementation of measure to save water. Further more, water consumption per 1 kg of yarn reduced by 18% year on year.
- > At STK, there is a closed air-conditioning system, whereby water after going through chiller will come to AC reservoirs and cooling water pool in order to be reused. Thanks to this system, STK has saved 875 m³ water per year
- > At the beginning of each year, the Company set water consumption limit in according to established norms. These norms are set at the beginning of the year, based on the production volume, power outage (20 times/year), maintenance cycles, the procedure for water replacement in AC reservoirs and cooling towers. This KPI is reported on monthly basis to production and others departments.
- > At the beginning of every year, the Company will set targeted water consumption volume based on forecasted output of yarn. This targeted volume will be updated and monitored monthly by the factories and relevant divisions.



Water saving and reusing measures implemented in 2019

SOLUTION	RESULTS
> At Cu Chi factory, reuse the filtered water from AC 1, 2 system for cooling tower 3.	> Saved 875 m ³ of water, equivalent to Vnd 7.1 million.
> At Trang Bang factory, reuse the water discharged from RO filtration system.	> Saved 3m ³ per day. Total saving was 1,095 m ³ , equivalent to VND 7.7 million.
> At Trang Bang factory, reuse the water discharged from the dryer cooling system for the cooling tower.	> Saved 2 m ³ per day. Total saving was 730 m ³ , equivalent to VND 5.1 million.

Percentage of recycled and reused water

$$= \frac{\text{Volume of recycled and reused water}}{\text{Total volume of water consumed}} \times 100 = \frac{2,700}{224,956} \times 100 = 1.2\%$$

III.3.4 EMISSION

The Company strictly complies with regulation on emission management. In reality, the Company does not have emission as it does not use steam boiler.

Belows are measures which have been implemented by the Company to minimize emission:

- > Monitor emission of Company's vehicles such as container trucks, trucks, forklift trucks, sedan cars. Stop operation of those vehicles which have high level of emission.
- > Minimize consumption of gas and diesel oil.
- > Regularly maintain vehicles, machines, equipments which use gas and DO to minimize emission.

In 2019, the Company's carbon footprint declined by 6% as compared to 2018. The carbon footprint related to DO also reduced by 75% as compared to 2018 as the Company replaced diesel forklift trucks by electricity forklift trucks.



III.3.5... DISCHARGED WATER AND SOLID WASTE

Discharged water

STK's discharged water comes from 2 sources: sanitary water and discharged from production (from dyeing activities).

To manage the discharged water, the Company apply the following measures:

- > Treat discharged water in accordance with the prevailing regulations.
- > Have separate drainage systems for rain water and discharged water which can be connected with the industrial zones' water treatment system.
- > Regularly test and monitor parameters of discharged water, ensure meeting of GRS standards.
- > Submit semi-annual report on monitoring of discharged water to relevant authorities in accordance with the regulations.
- > Measure discharged water on daily basis and make proper records.
- > Declare and pay for environmental protection fees on discharge water in accordance with the regulations.

Solid waste

The Company classifies solid waste into 2 groups: hazardous waste and nonhazardous waste. The Company has been applying the following measures to treat the waste:

- > Regarding consumer waste and industrial nonhazardous waste:
 1. Collect these wastes to its storage;
 2. Subcontracts relevant companies to collect, transport and process the waste.
- > Regarding hazardous waste:
 1. Put up hazardous warning signs and attach hazardous labels;
 2. Set up a separate storage area;
 3. Subcontracts relevant companies to collect, transport and process this type of waste.

Table 9: Type of hazardous waste and treatment measures

NAME OF WASTE	VOLUME (KG)	TREATMENT	NAME OF WASTE COLLECTION AND TREATMENT COMPANY
Clouts with oil stain	44	Burning	Ho Chi Minh City Urban Environment Ltd
Ink containers for printing, fax machines	3	Burning	Ho Chi Minh City Urban Environment Ltd
Oil discharged from motors, gear boxes and lubricant (waste oil)	26	Burning	Ho Chi Minh City Urban Environment Ltd
Fluorescent lamp waste	7	Disintegration, Solidification, Burying	Ho Chi Minh City Urban Environment Ltd
Scrap metal containers (Iron barrels)		Recycling	Dai Phuc Mechanical Production and Service Ltd
Scrap plastic containers (Plastic barrels)	28,901	Recycling	Dai Phuc Mechanical Production and Service Ltd
Total	28,981		

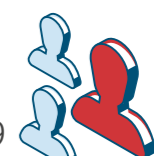
III.3.6... COMPLIANCE WITH REGLATIONS ON ENVIRONMENTAL PROTECTION

Number of cases on violation of environmental protection regulation: None.

III.4 / Report on labour and social impact

III.4.1... DEMOGRAPHIC STRUCTURE

By gender	
Male	786
Female	117
By qualification	
Secondary and high school graduate	433
Primary school graduate	237
Technical school/college graduate	231
University graduate	62
By management grade	
Managerial position	74
Office staff	169
Worker	720
Total headcounts	
	963

Number of headcount as at 31 December 2019 

963 person



III.4.2 LABOR POLICIES IN 2019

Ensure labour safety

The Company ensure labour safety in 2 main aspects: health protection and safe working environment. Firstly, the Company organises annual health check up and periodical check up on professional illness and provides standard medical rooms. In addition, the Company kept trying to improve quality of meals and securities/safety in boarding houses for its employees. Secondly, the Company set periodical plan for inspection of equipment, fire & explosion protection and fighting system, infrastructure and internal electricity grid lines.

Fair and reasonable remuneration and benefit policies

Employees remuneration which is based on their achievement, comprise of basic salary, allowances, bonus on work achievement, 13th month salary and the Company has roadmap for salary increase for each position. In addition, the rewarding policies and implementation procedures are publically and fairly implemented.

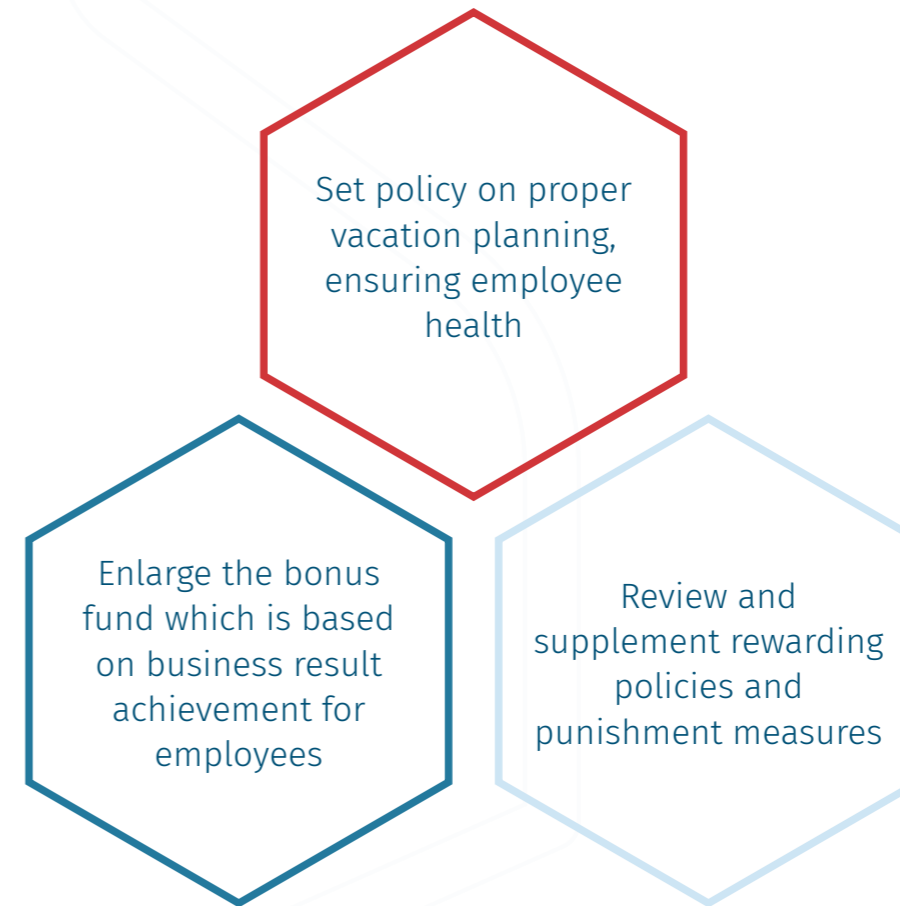
Enhance labour capacity

Annually, STK sets training programs, skill enhancement training programs for production team. Apart from technical training, the Company also offer training on first aid, fight protection and fighting, work safety. Each division/department should set general objectives and individual objectives for each staff, hence motivating employees to get promotion and challenges in higher positions.

United, sharing and healthy corporate culture

The Company together with the Union takes care of employees' life by giving Tet gift, birthday gifts, holiday gifts and bonus. In addition, the Union also forged sharing spirit by giving monetary supports for those employees who face difficulties, accidents, serious illness. The Company also takes a strong stance against bribery, corruption and has punishment policies on such violation, ensuring principled and healthy working environment.

Changes to labour policies in 2019



STK pays great intension in developing professional, skillful and high calibre workforce. Therefore, qualification and disciple compliance are importance criterion in the Company's employment policies.

The recruitment procedure is strictly based on the Company's actual demand for labour and the candidate's capacity to meet the job requirements without any exception. STK commits to ensure transparent employment procedures and fair/transparent working environments. Furthermore, the Company makes firm commitment that it will not recruit child labour (under 18 years old).



III.4.3...EMPLOYEE WELFARE

Basic salary

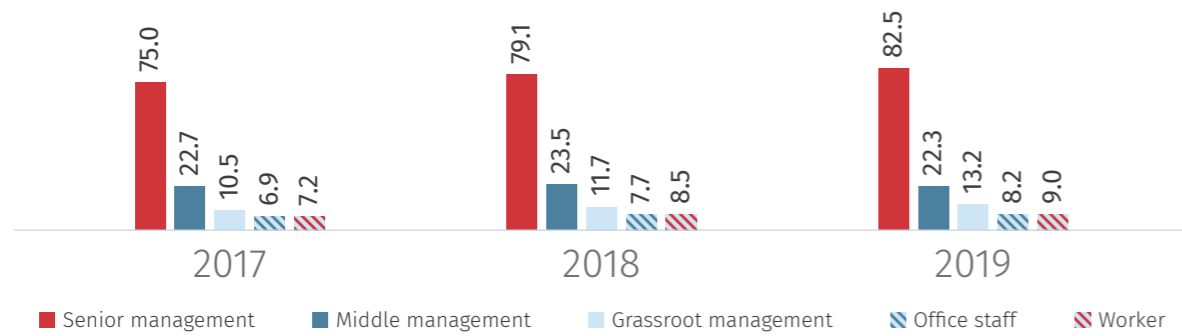
The Company always sets and updates salary scales based on prevailing minimum basic salary of the region and regulations. The basic salary to calculate insurance contribution is based on the Company's salary scales.

The basic salary is updated annually to be aligned with the market conditions and the government regulations.

Actual salary

Office staffs	Production staff
Depending on nature of each job position, the Company sets salary for each position.	Salary is based on output and productivity. Unit salary per product will be adjusted depending on the Company's performance results from time to time.

Average salary at STK
(Million dong/person/month)



In 2019, average salary rose by 7% year on year, mainly due to staff turnover and salary increase policies.

Bonus

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

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

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

- > Tet holidays bonus
- > Bonus on annual business performances

For fiscal year 2019, based on the Company's result, STK had remunerated extraordinary bonuses and annual bonuses to all employees with an average of 2 months' salary, as for encouraging and appreciating everyone's efforts to accomplish the Company's common budget

Insurance

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

Welfare

The Company board of management is always caring to the lives of employees through provision of the following supports:

- > Free boarding houses to the employee whose home is more than 30 kilometers from the workplace
- > Meals at shift breaks
- > Supplementary foods and drinks for heavy and/or hazardous jobs
- > Annual leave
- > Periodical health check
- > Telephone allowance;
- > Support to female employees who has young child: 7 working hours per day for those with child under 1 year old, milk gift package for those with child under 3 years old;
- > Issue shares at preferential prices to employees allowing them to align their interests with the Company's interest.

Work safety and health care

- > Comply with regulation on labour health and work safety for its employees, suppliers and related parties throughout the operation.
- > Identify, assess and take measures to prevent and monitor risks such as disease, fire and explosion, accidents and develop standard operation procedures and give employees training on these SOPs prior to their commencement of work.
- > Provide workers with protection tools.
- > Ensure provision of necessary medical supports to all employees.
- > Provide sufficient equipments/vehicles for fire & explosion fighting and protection.
- > Ensure that employees are sufficient trained before commencing works, regularly provide training on labour health, labour safety, fire fighting and protection, waste management, transportation and treatment of chemical and hazardous substances for employees and managerial persons in accordance with the prevailing regulations.
- > Bi-annually, the Managing Director will review and consider necessary update, supplements to the policies in accordance with regulations.
- > Consult relevant parties on policies so that they can timely contribute to enhance the efficiency of the policies on the Company's operations.
- > Periodically inspect the working environment in accordance with the regulations issued by the Ministry of Health.

In 2019 the Company recorded no case of accidents.

III.4.4...LABOUR TURNOVER

As results of fair labour policies and duly care by the Company's management, the staff turnover rate reduced from 23% (2018) to 21.6% (2019). In addition, as policies on remuneration and welfare were improved, the employees' lives were improved, motivating employees to work and aligning the employees' interest with the Company's interest.

III.4.5... EDUCATION AND TRAINING

	2017	2018	2019
Number of training courses	20	22	21
> By internal trainers	13	15	12
> By outside trainers	7	7	9
Actual training costs (million dong)	158.4	51.4	43.5
Actual training costs (million dong) including salary of trainers	821		973.5
Average number of training hours (hour/person/year)	222.34	130.83	138.4

Average training hours (hour/person/year)

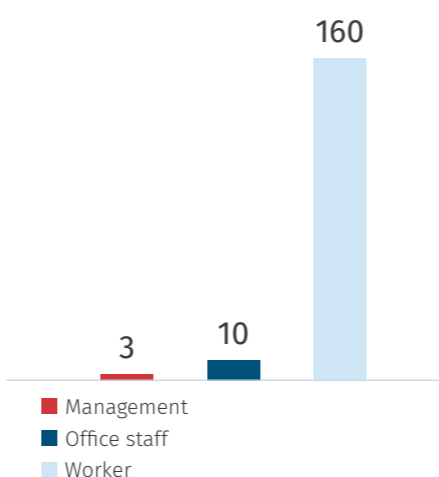


Table 10: Capacity training courses

NAME OF TRAINING COURSES	ELIGIBLE PERSON
Labour safety and sanitary	All staffs
Chemical training course	All staffs
Chemical safety techniques (group 3)	All staffs
First aid	All staffs
Fire fighting and protection	All staffs
POY production procedures	Sales taff
DTY production procedures	Sales taff
Training on inverter	Utility
Guide on rules of origin, tariff checking by HS code, comprehension of product rules and effective application of favourable tariff treatment under CPTPP which took effect from 8 March 2019	Import/export staff
Mechanism for origin certification applied on Vietnam made products in EU,Norway, Switzerland and Turkey.	Import/export staff
Guide on implementation of rules of origin under CPTPP	Sales taff
Guide on self certification of origin. REX mechanism and favourable import/export duties under CPTPP.	Import/export staff Sales taff

III.4.6... CONTRIBUTION TO SOCIETY

Contribution to society

In 2019, the Company continued to give 13 scholarship for pupils and students who attend the local education establishments (Cu Chi Technical Training School and Tay Ninh Technical College) with total amount of VND13 million.

ITEM (VND BILLION)	2017	2018	2019
Total salary and bonus payment for employees	96	118	108*
Total transaction value with suppliers	1,438	1,855	1,484
> Transaction value with domestic suppliers	185	238	197
Total tax payment during the year (Including VAT, import/export duties, corporate income tax, personal income tax, natural resource consumption tax and others)	136	125	168

(* Total remuneration payment for employees in 2019 reduced as compared to 2018 due to decline in the number of headcounts)

Compliance to regulations

- > Public announcement of environmental and social impact assessments.
- > Implementation of procedures for accepting and resolving official complains from the community.
- > Compliance and support to the government's policies.
- > Commitment to strictly comply with prevailing regulations and respect the government's policies.
- > No violation of regulations throughout the operation.
- > The Managing Director specifically commit that the Company will comply with the prevailing regulations as well as best practices as follows:
 - > Committed to no collateral and voluntary employment policy;
 - > Committed to no child employment policy;
 - > Committed to freedom of association and collective bargaining policy;
 - > Committed to no discrimination, no sexual harassment and abuse policies;
 - > Committed to labour health and safety policies;
 - > Committed to have remuneration and bonus policies in accordance with regulations;
 - > Committed to hour of work and vacation policies.

Anti bribery and anti corruption

The Company's management team pay great attention to anti-corruption and equality at work. The Company's entire system is required to comply to regulations and universal code of conduct in order to ensure integrity in all activities. Any employee who is found of demanding or accepting bribery from customers and supplier shall be strictly punished and there will be no exception for bribery, illegitimate benefit which is contrary to regulations, the company's rules and policies and moral principles.

III.5 / Green Capital Market

Since 2016, with an aim to green capital market and sustainable development, STK has been vigorously investing and implementing projects which create added value while reduce environmental impact. In particular:

PRODUCTION OF RECYCLED YARN

Since the third quarter of 2016, STK started the production of recycled yarn. In 2019, the proportion of recycle yarn in total revenue reached 35%, surpassing the annual target by 7.5% and setting strong foundation to achieve the target of 100% by the year 2025.

Using recycled PET chips and existing production facilities to produce recycled yarn which is of high quality and environmental friendly contributing to the eco-friendly consumptions and reducing the number of bottles discharged into the environment. This activity helped reuse of 1.34 billion post consumer bottles, protecting earth from plastic waste which is an alarming problem.

PRODUCTION OF COLOUR YARN

Since August 2019 the Company started trial production of colour yarn and has been developing variety of colour. The Company is marketing this product and gradually expanding the market for this product.

Colour yarn will meet the demand for eco-friendly product, help replacing the traditional dyeing activities, limiting clean water and chemical consumption and hence discharge of waste water and hazardous chemical, protecting the environment.



IV

DEVELOPMENT ORIENTATION

Far Reaching Endeavor

IV.1 Business objectives are closely aligned with sustainable development objectives	83
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IV.3 Business strategies aligned with medium-long term sustainable development strategies	84



STK's medium to long-term vision is based on growth potentials of the global and Vietnam's garment and textile industry as well as the Company's core objectives. The Company's development strategies are based on strength-weakness-opportunity-threat ("SWOT") analysis.

To stay and develop in a market which has many unforeseen risks (such as Sino-American trade war, protection trend in international trade, diseases, political unrests and economic uncertainties around the world), STK need to gradually enhance its competitiveness (improvement of product quality, reduce production cost, development of value added products and building capacity of its human resources). In addition, the Company need to quickly adopt new trends in the markets to alleviate competition.

IV.1 / Business objectives are closely aligned with sustainable development objectives

- Provide high quality, eco-friendly product at competitive price
- Achieve high growth while maintaining healthy financial standing
- Generate highest benefits to related parties

Strengths

- > Focus on core business;
- > Early catching trend approach;
- > State of art equipment, skillful, experienced and loyal work force;
- > Healthy and transparent financial standing;
- > High quality product and services which are highly appreciated by customers.



IV.2 / SWOT Analysis

Weaknesses

- > Insufficiency of high and middle management who have managerial and technical experience to manage and train lower managerial officers;
- > Reliance on imported materials for exporting goods;
- > Highly susceptible to demand volatility due to the nature of industry.



Opportunities

- > Global demand for apparel is expected to grow at a stable rate of 3%-4%;
- > Polyester fiber in general and polyester filament in particular will continue to dominate the fiber and yarn industry;
- > Opportunities generated by free trade agreements;
- > Rising trend of using eco-friendly material;
- > Opportunity to expand to US market due to Sino-American trade tension.



Threats

- > As results of Sino - American trade war, potential dumping activities or origin fraud/transshipment (to avoid additional tariff) by Chinese producers in Vietnam and international market;
- > Rising electricity, labour costs may force the Company to incur higher costs;
- > The entry barrier is not high;



IV.3 Business strategies aligned with medium-long term sustainable development strategies

STK has acumen to quickly catch up with market trends as well as to identify inherent risks. As an yarn producer for garment-textile supply chain, the Company has set the following development strategies for the period 2020-2025.

Focus in production of eco-friendly products



The tale of post-consumer bottles conversion into recycled yarn

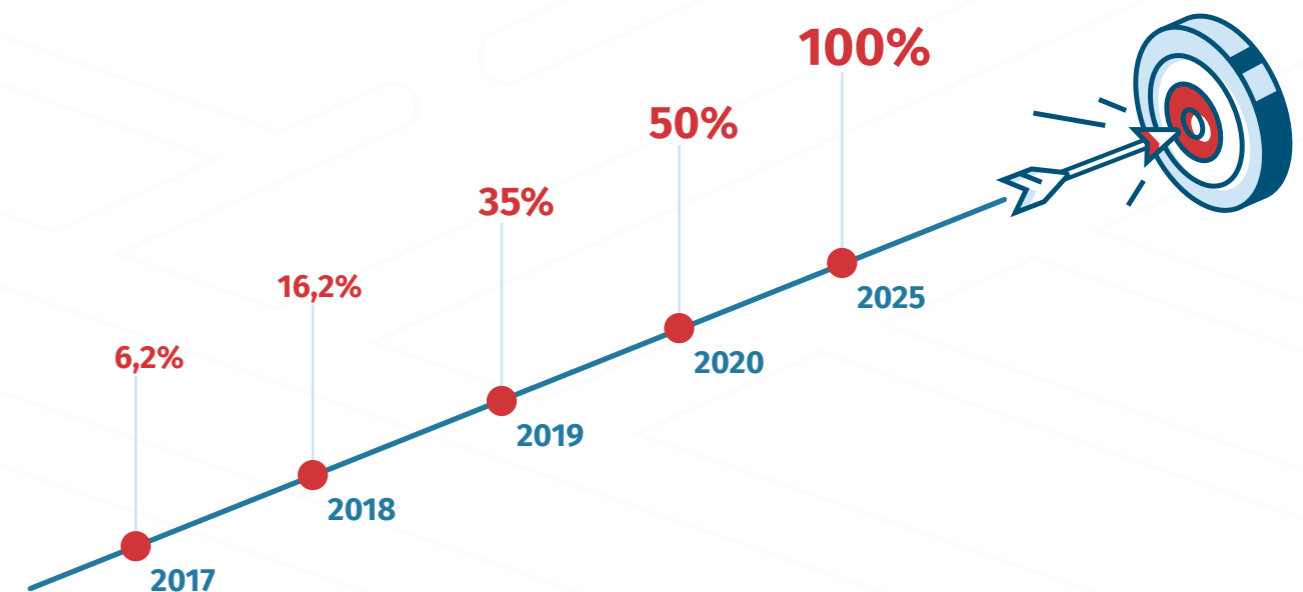
With customer centric business strategies, STK has not only target direct customers but also pay attention to end users. Right from the end of 2016, with an aim to reduce plastic waste on earth, the Company already launched recycled yarn which is made from post consumer bottles. This is the Company's flagship products during the period 2020-2025.

Based on this breakthrough product, the Company will continue to develop recycled plus products with value added features such as dope dyed (black, navy blue), functional yarn.



The Company's strategies focus on improving efficiency through product development rather than on rapid capacity expansion. STK's recycled yarn will have competitiveness in term of quality and functionality. Foreseeing the growth potential in demand for recycled yarn, STK aims to raise the proportion of recycled yarn in its total revenue.

Roadmap to raise the proportion of recycled yarn in total revenue



Become an integral part of sustainable supply chains for world renown brandnames

STK has been preparing for its “niche markets” since inception by enhancing competitiveness in term of state-of-art equipment, high calibre human resources, high quality raw materials and modern management approaches. Cooperation with a prominent US-based industry player and being appointed as its sole trade mark licensee is a strong foundation for STK to grow in domestic market and expand to regional markets such as Japan, Thailand, Korea, Taiwan. With profound knowledge of the industry, STK does not apply traditional strategy of price competition against Chinese rivals which have huge capacity but focus on special products with excellent quality. The Company’s strategic positioning in medium-high end segment was proved successful after 19 years of development.

Started from a humble beginning, STK has reached out international markets. The Company is not only a reputable and trustworthy supplier for fabric mills but also considered as a reliable vendor by Nike, Adidas, Target, Uniqlo in their supply chains.

Business strategies aligned with sustainable development aspects (environment – community – society)

With a long-term vision, STK has been realizing that economic development should be aligned with sustainable development. Apart from provision of eco-friendly products, the Company’s recycled yarn also certified for compliance with regulations and industry best practices in term of labour treatment, social responsibility, energy saving, product safety by international certification institutions such as GRS (Global Recycled Standard), Oeko-tex 100 (which certify that the company’s product does not contain hazardous chemicals).

Environment

- Adopt measures to save electricity, water consumption, minimize emission and noise.
- Contribute to reduction of plastic waste through usage of post consumer bottle and ocean plastic.
- Provide alternative solution for traditional dyeing activities by offering color yarn.
- Limit/minimize discharged water and solid waste by strictly monitoring the waste water treatment process and recycling waste yarn from production.

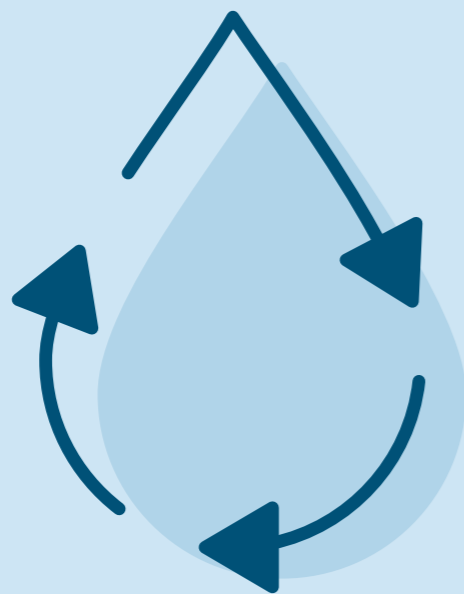
Labour – Society

- Ensure healthy and disciple corporate culture, provide proper care for labour health and safety.
- Adopt fair, transparent and reasonable remuneration, reward policies.
- Pay attention to human resource development, recruit experienced foreign experts to help training and building capacity for local managerial personnel in term of technical and managerial knowledge.

Community

- Ensure stable development and create jobs for local community.
- Contribute to local fiscal budget.





V

RISK MANAGEMENT

Prevention is Better than Cure

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V.1 / Objectives of Risk Governance

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

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

V.2 / CENTURY's risk governance structure

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

1. MD and Heads of Departments

Understand the function of each departments and Company's activities.

Assess and classify risks after evaluate the impact of risks to the Company.

Outline measures to improve risk control in each day to day activity of the Company.

2. Internal Control

Evaluate risk control mechanism of each department/division, then develop evaluation criterion.

Monitor operations and evaluate based on set criterion.

Timely prevent and handle violations or inherent risks.

3. Board of Supervisors

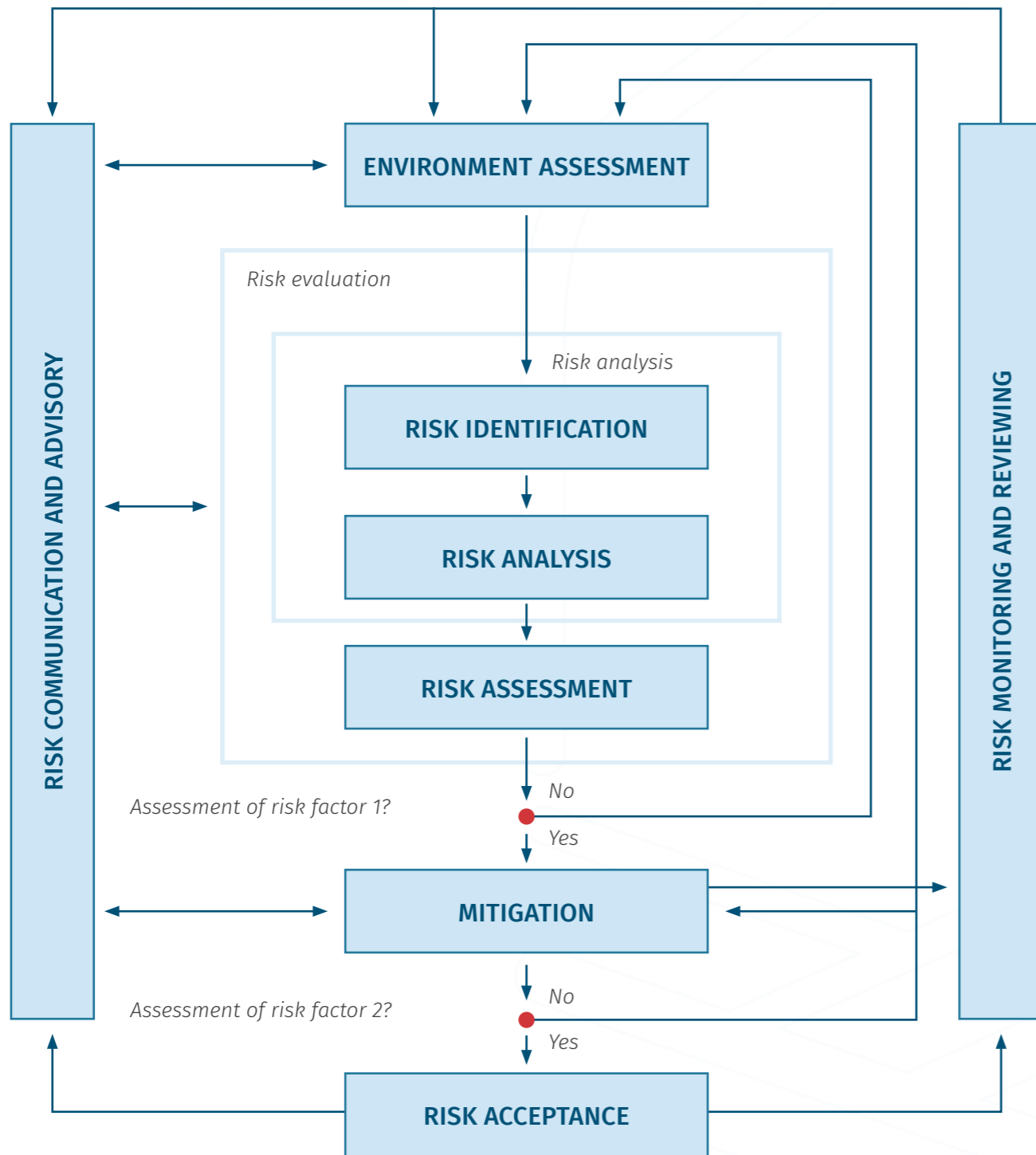
Evaluate the effectiveness and timeliness of internal control department.

Outline measures to improve the risk governance mechanism.



V.3 / Risk management process

Figure 6: Risk management process



V.4 / Risk identification

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

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

V.5 / Evaluation of risks – Risk matrix

Seriousness of Risk = Consequence × Likelihood

Table 11: Risk matrix

		LIKELIHOOD					
		Not likely to happen	Rarely happen	Likely to happen	Happen sometimes	Happen regularly	
Impact of risk (Consequence)	Scale		1	2	3	4	5
	Very Low	1	1	2	3	4	5
	Low	2	2	4	6	8	10
	Moderate	3	3	6	9	12	15
	Big	4	4	8	12	16	20
	Very big	5	5	10	15	20	25

Classification of risk base on the seriousness of risk

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

V.6 / Analysis and evaluation of important risks

Table 12: Analysis and evaluation of important risks

TYPE OF RISKS	EXPLANATIONS	LEVEL OF RISKS	MITIGATIONS
■ Demand reduction risk	Global economic crisis, diseases, disasters... may affect demand for garment and textile products and hence affecting the Company's sales.	High risk (20) = Happen frequently (5) × big impact (4).	<ul style="list-style-type: none"> ➤ CENTURY has been making efforts to diversify customer base, develop new markets. In addition, the Company continuously enhance product quality and customer services, strictly control costs in orders to retain customers. ➤ In addition, the Company also focused on R&D activities to develop product with special functions which are preferable by sport-wear brand names.
■ Operational risk	Staffs' failure to comply with operational procedures may affect the quality of products and services.	High risk (20) = Happen frequently (5) × big impact (4).	<ul style="list-style-type: none"> ➤ CENTURY pays great intention to training of staffs, frequent update of standard operating procedures ("SOPs") and the quality assurance's strictly control of the production's compliance to SOPs ➤ Increase the roles of functional division in self controlling the risks during operational process.
■ Quality risk	Being a raw material manufacturer, the Company's final products is the input material of another production stage, therefore, disqualified products will have negative impacts on customers, causing customer complaints or compensations	High risk (20) = Happen frequently (5) × big impact (4).	<ul style="list-style-type: none"> ➤ The Company sets up the procedures, cross-checking mechanism in each production stage. ➤ Skillful and extensively experienced production team always strictly control the quality before shipments.
■ Price risk	Fluctuation of prices in global market can affect CENTURY's raw material purchasing price and selling prices of finished product.	High risk (16) = Happen sometimes (4) × big impact (4).	<ul style="list-style-type: none"> ➤ However, thanks to its policies to diversify suppliers and customers as well as the price fixing mechanism between raw material purchase and sales of finished products, CENTURY can maintain its target price gap between selling price and polyester chip price.
■ Foreign exchange risk	Polyester chip accounts for 55% - 60% of cost of goods sold and CENTURY has to pay for this material importation in USD. In addition, CENTURY's long-term loans are in USD denomination.	High risk (12) = Likely to happen (3) × big impact (4).	<ul style="list-style-type: none"> ➤ In order to minimize realized forex loss, the Company maintain the portion of export revenue around 60% to create USD inflow to pay for raw material importation and debt repayment. Regarding unrealized forex loss related to revaluation of USD denominated loans at the end of period¹. ➤ Forecast the potential exchange rate in order to have timely solutions.

¹ This provisioning affects CENTURY's reported earnings but it does not impact CENTURY's cash flow

Table 12: Analysis and evaluation of important risks (continued)

TYPE OF RISKS	EXPLANATIONS	LEVEL OF RISKS	MITIGATIONS
■ Material risk	Currently, the Company has been importing the main raw material, therefore the insufficient disqualified supply will have negative impacts on production such as late shipments, disqualified products...	High risk (12) = Likely to happen (3) × big impact (4)	<ul style="list-style-type: none"> > The Company always diversifies its suppliers and periodically evaluates them. > Depending on market conditions, a definite amount of raw materials always in storage in order to meet the production demand.
■ Risk of competition	The relocation trend of garment and textile production from China, Taiwan and Korea to Vietnam together with the investment wave to catch the opportunities brought by FTAs will lead to more competition in the yarn subsector.	Moderate risk (9) = Likely to happen (3) × moderate impact (3)	<ul style="list-style-type: none"> > With the business model focusing on modern facilities, skillful and professional workforce and modern management system, CENTURY believes that it will be able to maintain competitiveness in providing high quality products at competitive price.
■ Risk of anti-dumping investigation in exporting markets	In the context of free trade throughout global markets, trade safeguard measures (including anti-dumping, anti-subsidy investigations) are frequently used by the governments of importing countries in order to protect their local producers. The requests for application of those trade safeguard measures are sometime absurd and it will take times and efforts to reject those absurd requests.	Moderate risk (8) = less Likely to happen (2) × big impact (4)	<ul style="list-style-type: none"> > CENTURY apply reasonable selling price policies for domestic and exporting markets and maintain a good reporting system to help proving that CENTURY does not dump prices. In addition, the Company also keeps frequent contacts with its peers and Vietnam Cotton and Spinning Association in order to regularly update the market information as well as to protect legitimate rights of CENTURY and its peers in exporting markets.
■ Environmental risk	The main raw material of the Company is PET chip which is the derivative of oil while the auxiliary materials are paper tubes and paper boxes. Therefore, the global policies and regulations on environment, especially the ones regarding oil and forest resources exploration will significantly influence the supply of these materials, thereby causing a strong impact on production and business of CENTURY.	Moderate risk (8) = less Likely to happen (2) × big impact (4)	<ul style="list-style-type: none"> > In order to reduce these risks, CENTURY has researched and developed new products such as Recycled yarns (using Recycled PET chip recycled from polyester plastic bottles in order to reduce oil exploration), dope dyed yarn (reducing the water usage and not using toxic chemicals) and cooperated with suppliers in order to enhance quality of POY paper tubes. In addition, the Company has made commitments, issued environmental handbook and management guidelines and toxic chemicals policies so as to reduce the bad impact of production and business process on the surrounding environments.
■ Interest rate risk	Fluctuation of interest rates (USD and VND) can affect CENTURY's financial expenses as the Company's loans in both VND and USD have variable interest rates.	Moderate risk (6) = Likely to happen (3) × low impact (2)	<ul style="list-style-type: none"> > As CENTURY maintains prudent borrowing policies and has abundant cash flows, it can repay loans when interest rates increase.
■ Cash flow risk	A deficit in the Company's cash flow will be insufficient to pay loans and finance for new investment projects.	Moderate risk (6) = Likely to happen (3) × low impact (2)	<ul style="list-style-type: none"> > The Company always be conservative in borrowing loans and ensure sufficient cash flow for loan principal and interest payments.

Table 12: Analysis and evaluation of important risks (continued)

TYPE OF RISKS	EXPLANATIONS	LEVEL OF RISKS	MITIGATIONS
■ Risks to assets	Natural disasters (earthquake, storms, and floods) or fire and explosion or intentional destruction may cause damage to the Company's assets.	Moderate risk (6) = less Likely to happen (2) × moderate impact (3)	> CENTURY already bought insurances for all of these risks as well as business disruption insurance.
■ Policy risk	Changes in laws regarding to tax, customs, environmental protection and labor may cause increase in operating expenses.	Moderate risk (6) = Likely to happen (3) × low impact (2)	> CENTURY has set up a system to frequently monitor, update the information in order to have the best adaptation to these changes.
■ Information Security risk	Risk of Information incident (loss of information due to transmission interruption, malware, fire) may cause disruption of operation, economic damage and negatively impact the Company's image. Risk of loss of confidential information (business strategies, customer list, supplier list, knowhow) may cause economic damage to the Company.	Moderate risk (6) = Likely to happen (3) × low impact (2)	> Establish and apply ISO/IEC > 27001:2013 and get certification "for information security in production and trade of polyester filament". > Apply safety measures such as investment in automatic fire fighting system, back up system, installation of anti-virus, training staffs, development and implementation of policies on information security.
■ Human resource quality risk	Risk of failure to meet the Company's need for human resources in term of quality: the staffs are lack of necessary qualification and experience, affecting the Company's operation.	Moderate risk (4) = less Likely to happen (2) × low impact (2)	> Set criteria for recruitment, provide training and develop the quality of human resources to meet the job requirements. > Provide the best salary, benefit and remuneration policies as well as working environment for the staffs. > Provide trainings to enhance skills and knowledge for staffs, develop succession planning.

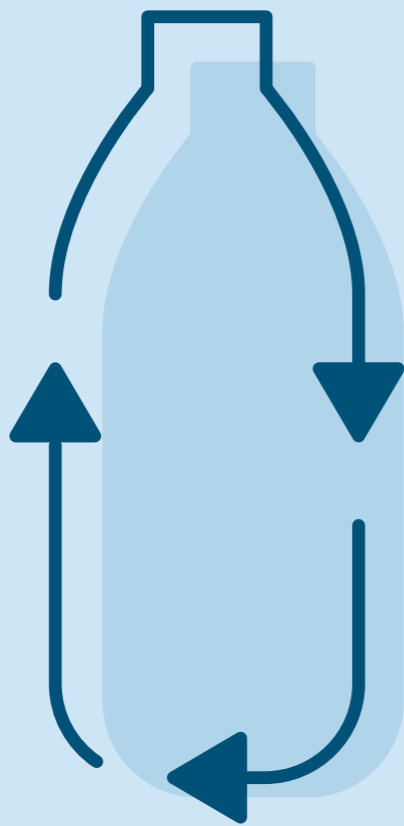


v.7 / Summarize of risk evaluations

Table 13: Company's risk rankings

HIGH	MODERATE	LOW
Demand reduction risk Quality risk Operational risk Competition risk Price risk Exchange rate risk Material risk	Risk of anti-dumping investigation Environmental risk Interest rate risk Risk to asset Cash flow risk Policy risk Information security risk	HR quality risk

Major risks



VI

IMPLEMENTATION OF INVESTMENT PROJECTS

VI.1 / Implementation of projects during 2019

1. Trang Bang project – Phase 4

Although this project finished in 2018, the Company completed the public offering to finance this project in 2019. Therefore, the Company has obtained approval of the AGSM on change of the purpose of using raising capital from new share issuance to existing shareholder (supplementing working capital instead of financing equipment purchase). The raised fund and the progress of using raised fund are shown in detail as follows:

Total raised fund	VND65,733,563,493
Total actual using amount*	VND65,985,162,407
> Payment of Insurances premium	VND6,556,242,592
> Payment of Electricity bills	VND59,428,919,815

* According to the progress report of using capital raised from the public offering No.137-19/CV-TK issued on 09/10/2019, disclosed in compliance with the State Securities Commission's Regulations.

2. Dope Dyed Yarn project

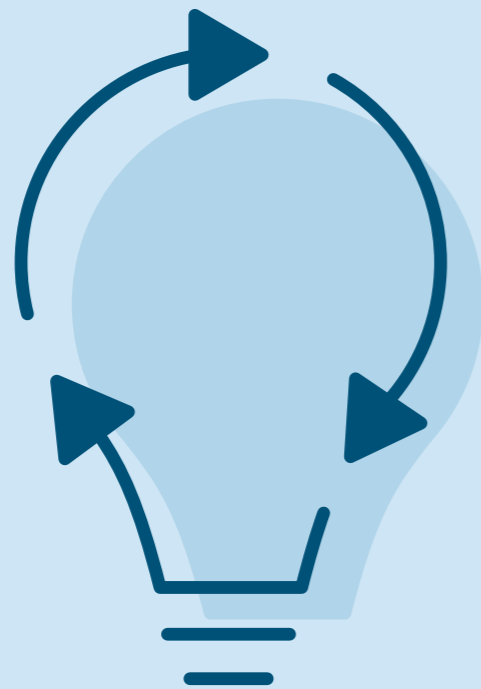
Currently, the Company has produced Black Dope Dyed Yarn and offered samples to customers. In 2020, the Company will continue to develop other colors of Dope Dyed Yarn.

3. Alliance project from Yarn to Garment

In 2019, the alliance project from Yarn to Garment between Century and the partners has come to some certain agreements. Nonetheless, Century would consider the partners' progress in order to make decisions on project implementation schedule (yarn factory construction, capacity expansion...), which is expected to begin by 2021.

VI.2 / Capex plan for 2020

The Company has no major investment projects in 2020.



VII

COMPANY'S STOCK AND INVESTOR RELATIONS

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VII.1 / Stock's information

Name of stock	SHARE OF CENTURY SYNTHETIC FIBER CORPORATION
Stock code	STK
Stock exchange	HOSE
Total trading sessions in 2019	250 sessions
Average order-matching volume per session	80,970 shares

Figure 7: Movements of Century's stock price in 2018 (STK)



Source: vietstock.vn

VII.2 / Shares and Shareholder's structure

As at 31/12/2019, the number of shares of Century as follows:

Registered Owner's Equity	707,269,440,000
Total number of listed shares	70,726,944
Total number of outstanding shares	70,726,944
Total number of treasury shares	0
Total number of restricted transferring shares	617,812
Total number of free transferring shares	70,109,132
Stocks trading abroad	0

Table 14: Shareholder list (finalized on 23/12/2019)

TYPES OF SHARES			
STOCK TYPES	NUMBER OF VOTING RIGHTS	NUMBER OF SHARES	RATIO
Common stocks	01 share: 01 voting right	70,726,944	100%
Preferred stock	/	0	0%
Treasury stock	/	0	0%
Total		70,726,944	100%

TYPES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	RATIO/TOTAL NUMBER OF SHAREHOLDERS	TOTAL NUMBER OF OWNED SHARES	OWNERSHIP SHARE RATIO
BY OWNERSHIP RATIO				
Major shareholders	5	0.4%	39,995,942	56.5%
Minor shareholders	1,277	99.6%	30,731,002	43.5%
Total	1,282	100%	70,726,944	100%
BY TYPES OF OWNERSHIP				
State shareholders	0	0%	0	0%
Other shareholders	1,282	100%	70,726,944	100%
Total	1,282	100%	70,726,944	100%
BY GEOGRAPHIES				
Local shareholders	1,205	94%	64,540,516	91.3%
> Individuals	1,181	92.1%	49,763,789	70.4%
> Institutions	24	1.9%	14,776,727	20.9%
Foreign shareholders	77	6%	6,186,428	8.7%
> Individuals	46	3.6%	559,472	0.7%
> Institutions	31	2.4%	5,626,956	8.0%
Total	1,282	100%	70,726,944	100%

Table 15: Major shareholder list (owned above 5% of Company' shares) and major shareholder's transactions in 2019

SHAREHOLDER NAMES	OWNERSHIP TYPE	NATIONALITY	BEGINNING PERIOD (AT 25/01/2019)		ENDING PERIOD (AT 23/12/2019)		CHANGES
			NO. OF OWNED SHARES	% OWNERSHIP	NO. OF OWNED SHARES	% OWNERSHIP	
Huong Viet JSC.	Organization	VN	12,083,414	20.16%	14,137,593	19.99%	Exercising the right to buy new shares, share dividend
Mr. Dang Trieu Hoa	Individual	VN	8,332,793	13.90%	9,749,367	13.78%	Exercising the right to buy new shares, share dividend
Mdm. Dang My Linh	Individual	VN	5,112,168	8.53%	6,481,235	9.16%	Exercising the right to buy new shares, share dividend, new purchase
Mr. Dang Huong Cuong	Individual	VN	5,112,168	8.53%	5,981,235	8.46%	Exercising the right to buy new shares, share dividend
Tang Kien Nghiep	Individual	VN	2,080,451	3.47%	3,646,512	5.16%	Exercising the right to buy new shares, share dividend
Total			32,720,994	54.59%	39,995,942	56.5%	

Table 16: Transactions between internal persons and related persons on shares of the listed company in 2019

NO.	TRANSACTION EXECUTOR	RELATIONSHIP WITH INTERNAL PERSON	NO. OF SHARES OWNED AT THE BEGINNING OF THE PERIOD		NO. OF SHARES OWNED AT THE END OF THE PERIOD		REASONS FOR INCREASE/DECREASE (PURCHASE, SALE, CONVERT, REWARD...)
			NO. OF SHARES	%	NO. OF SHARES	%	
1	Nguyen Tu Luc	Head of BOS	40,000	0.07%	10,000	0.01%	Selling shares for managing portfolio
2	Nguyen Tu Luc	Head of BOS	10,000	0.01%	0	0.00%	Selling shares for managing portfolio
3	Nguyen Tu Luc	Head of BOS	0	0%	4,000	0.01%	ESOP purchase
4	Nguyen Tu Luc	Head of BOS	5,700	0.01%	4,000	0.006%	Selling shares for managing portfolio
5	Dang Trieu Hoa	Chairman	8,332,793	13.90%	9,749,367	13.78%	Exercising the right to buy new shares, share dividend
6	Dang Huong Cuong	BOD member	5,112,168	8.53%	5,981,235	8.46%	Exercising the right to buy new shares, share dividend
7	Dang My Linh	BOD member	5,112,168	8.53%	5,981,235	8.46%	Exercising the right to buy new shares, share dividend
8	Dinh Ngoc Hoa	BOS member	8	0.00%	21,008	0.03%	ESOP purchase
9	Hoang Nu Mong Tuyen	BOS member	2,007	0.003%	3,147	0.004%	ESOP purchase Share dividend
10	Pham Ngoc Thai	Husband of BOS member Hoang Nu Mong Tuyen	0	0.00%	5,000	0.007%	ESOP purchase
11	Huong Viet JSC.	Related person of BOD member Vo Quang Long	12,083,414	20.16%	14,137,593	19.99%	Exercising the right to buy new shares, share dividend
12	Nguyen Phuong Chi	CSO	0	0.00%	10,000	0.014%	ESOP purchase
13	Phan Nhu Bich	CFO	40,554	0.07%	99,447	0.14%	ESOP purchase Exercising the right to buy new shares, share dividend
14	Dang My Linh	BOD member	5,981,235	8.46%	6,481,235	9.16%	New purchase

VII.2.1... TREASURY STOCK TRADING

Treasury stock transactions in 2019: None

VII.3 / History of chartered capital increase and changes in owner's equity

History of chartered capital increase (VND billion)

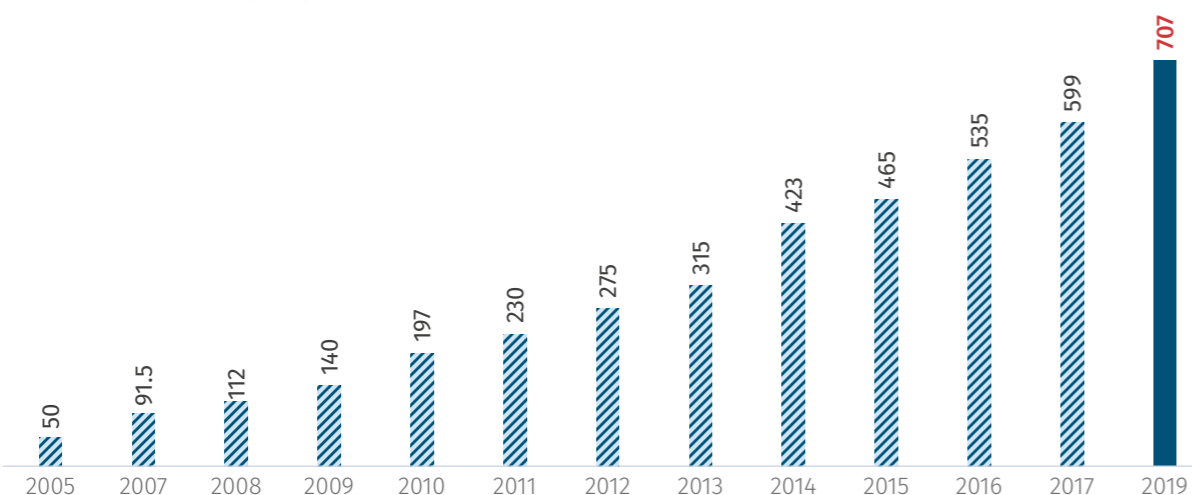


Table 17: History of chartered capital increase

ISSUANCE TIME	SUBJECTS RELEASED	CAPITAL INCREASE (VND BIL.)	CHARTER CAPITAL AFTER RELEASE (VND BIL.)
05/2005	Equitization: initial chartered capital	-	50
05/2007	Founding partners; Workers	15	65
09/2007	Existing shareholders; Strategic partnership	26.5	91.5
01/2008	Strategic partnership	8.5	100
12/2008	Existing shareholders (bonus shares: 12%)	12	112
11/2009	Existing shareholder (additional issuance : 25%)	28	140
01/2010	Strategic partnership (Issued separately)	40	180
09/2010	Existing shareholders (bonus shares: 10%)	17.3	197.3
06-07/2011	Existing shareholders (stock dividends: 15%); Workers (ESOP 2010)	32.6	229.9
05/2012	Existing shareholders (stock dividends: 20%)	45	274.9
06/2013	Existing shareholders (issued shares to increase equity from ownership equity: 15%)	40.5	315.4

ISSUANCE TIME	SUBJECTS RELEASED	CAPITAL INCREASE (VND BIL.)	CHARTER CAPITAL AFTER RELEASE (VND BIL.)
06/2014	Existing shareholders (- stock dividends: 15%) (- Issues shares to increase equity from ownership equity: 10%)	77.6	393.1
12/2014	Auction to the public	30.0	423.1
12/2015	Existing shareholders (- Issues shares to increase equity from ownership equity: 10%)	42.3	465.4
06/2016	Existing shareholders (- stock dividends: 10%) (- Issues shares to increase equity from ownership equity: 05%)	69.8	535.2
09/2017	Existing shareholders (- stock dividends: 12%)	64.2	599.4
05/2019	Existing shareholders (-stock dividends: 7%) (- public offering: 10%) (- ESOP: 0.1%)	107.9	707.3

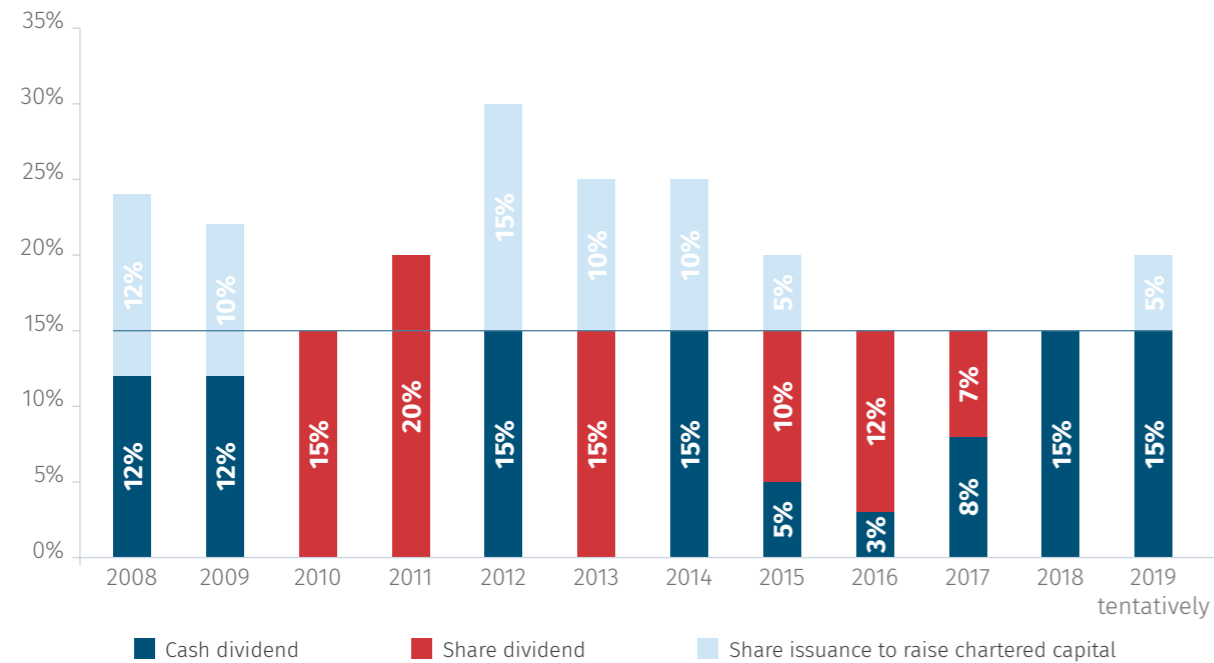
Changes in owner's equity in 2019

SHARE ISSUANCES	RATIOS	NUMBER OF SHARE INCREASE	
2017 share dividends	7% (100:07)	4,195,366	Supplementarily listed date: 17/05/2019
Public offering	10% (10:01)	6,593,780	
ESOP	0.1%	600,000	First trading date: 03/06/2019
Total		10,789,146	

OWNER'S EQUITY AT THE BEGINNING OF THE YEAR	OWNER'S EQUITY INCREASE DURING THE YEAR	OWNER'S EQUITY AT THE END OF THE YEAR
599,377,980,000	107,891,460,000	707,269,440,000

VII.4 / Consistent dividend policies

Figure 8: Century's dividend policies



The dividend policies for the fiscal year 2019 will be submitted to 2020 General Shareholders Meeting for approvals.



VII.5 / Investor relations

Ensuring the transparency, equality among shareholders

Always complying with Circular 155/2015/TT-BTC, the Regulations on information disclosures; timely and promptly disclosure; no insider tradings and stock price manipulations.

Effectively managing the flow of information to investors

The publicly announced information should be sufficient and accurate about the company's situation.

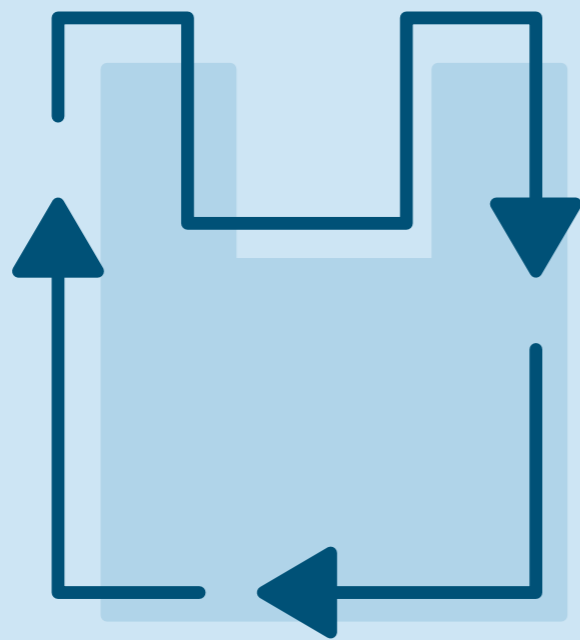
Maintaining and expanding the investor network

Frequently having meetings and diversifying the communication channels with investor, maintaining the existing investor network and attracting new potential investors, hence creating a platform and a foundation for the Company's fund raising activities in the future.



IR CONTACT INFORMATION

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VIII

BOARD OF DIRECTOR'S REPORT

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VIII.1 / Corporate Governance Model

- > STK is organised and operate according to a corporate governance model as stipulated in Article 134.1.a of the Law on Enterprise. Accordingly, the organizational, management and control structure of the Company is comprised of General Shareholder Meeting (“GSM”), Board of Directors (“BOD”), Board of Supervisors (“BOS”), Managing Director (“MD”), Board of Management, functional divisions and departments.
- > In STK, the GSM has the highest authority. Annual GSM is organised once a year. Matters to be passed by GSM are stipulated in Article 14 of the Company’s Charters and provisions of prevailing regulations.
- > The BOD is the governance authority at the Company. Number of members to the BOD, election, dismissal of these members is decided by the GSM. Rights and obligations of the BOD is stipulated in Article 25 of the Company’s Charter. The BOD is fully entitled to decide matters which are not belong to the GSM’s authority. The BOD is responsible to implement and supervise the implementation of the GSM’s resolutions and responsible before the GSM for the Company’s operations. The Company’s business and operations should be under the management and guidance of the BOD. BOD is the body, which has full authority to conduct all matters on behalf of the Company except those under the GSM’s authority. STK’s BOD comprises of 5-7 members with 5-year tenure.
- > The BOS is elected with the functions to present the GSM to supervise all of the Company’s business activities. The rights and responsibility of the BOS (including supervising the BOD and the MD, requesting the BOD and the MD to explain on the Company’s financial standings) are stipulated in Article 36 of the Company’s Charter. The Company’s BOS comprise of 3 members with 5-year tenure.
- > The MD is appointed by the Board of Directors with 5-year tenure. The rights and responsibility of the MD (including implementation of the GSM’s and the BOD’s resolutions, the Company’s business plan and investment plan as approved by the GSM and the BOD) are stipulated in Article 30 of the Company’s Charter. The Board of Management comprises of 3 members (including 1 Chief Financial Officer cum Chief Accountant) shall support the MD in managing the Company’s operations.

Company’s organizational structure is presented in page 15

VIII.2 / Corporate Governance Rules

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

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

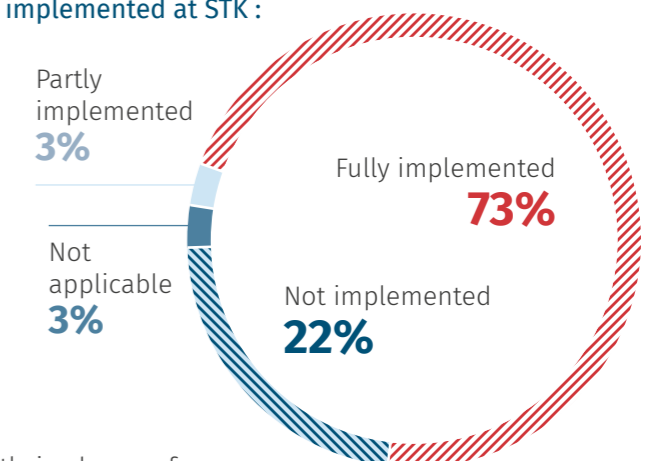
STK’s Corporate Governance is in accordance with ASEAN Corporate Governance Scorecards (“the Scorecards”). Based on the Company’s self-assessment on the Company’s corporate governance, STK accomplished 106 out of 146 items in the Scorecards.

Principles of corporate governance which are fully implemented at STK :

- > Ensuring basic rights of shareholders;
- > Ensuring equitable treatment of shareholders;
- > Protecting rights of stakeholders;
- > Ensuring transparent information disclosures;
- > Ensuring the BOD’s accountability;

Areas need to be improved:

- > BOD’s structure: no sub-committees under the BOD has been established.
- > BOD’s personnel: The Chairman was concurrently in charge of the Managing Director; the Chairman is non-independent member. However, since 14 February 2020, these two positions were separated with Mr. Dang My Linh holding the position of Chairwoman while Mr. Dang Trieu Hoa holding the position of Managing Director;



VIII.3 / Board of Directors of the Company

Introduction of STK's BOD of tenure 2018-2023 (appointed since 17/04/2018 pursuant to AGSM Resolution No. 01-2018/NQĐHĐCĐ/TK)

*According to the Corporate Governance FY2019 No.02-20/CV-TK dated on 21/01/2020

Table 18: The Board of directors of the Company of tenure 2018-2023

Mr. Dang Trieu Hoa founded STK in 2000 and has been playing the important role in incorporation and development of STK. He has more than 20 years of experience in yarn and textile trading and manufacturing. He was the Director of Hoan A Trading & Services Co., Ltd and Viet Phu Trading & Services before setting up STK.

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

Qualification: **Business Administration**

Position at STK*: **Chairman Cum MD**

Date of appointment: **Since 2005**



Mr. DANG TRIEU HOA (51 years old)



Mr. DANG HUONG CUONG (44 years old)

Mr. Dang Huong Cuong is one of co-founders of STK. Currently, he is the Director of P.A.N Pacific Co., Ltd which is also in the yarn sector.

Qualification: **Business Administration**

Position at STK*: **Non-executive member**

Date of appointment: **Since 2005**

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

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

Qualification: **Business Administration**

Position at STK*: **Non-executive member**

Date of appointment: **Since 2005**



Mdm. DANG MY LINH (48 years old)



Mdm. CAO THI QUE ANH (54 years old)

Currently, she is the Director of Thuc Pham Xanh Company. Before that, she has many years of experience in commerce and finance in Poland and Vietnam.

Position at STK*: **Non-executive independent member**

Date of appointment: **12/01/2015**

He is the capital representative of major shareholder Huong Viet JSC.

Education level: **Business Administration**

Position at STK*: **Non-executive member**

Date of appointment: **17/04/2018**



Mr. VO QUANG LONG (42 years old)



Mr. CHEN CHE JEN (58 years old)

Mr. Chen Che Jen has many years of experience in textile and yarn business.

Education: **Technology**

Position at STK*: **Non-executive independent member**

Date of appointment: **17/04/2018**

Mr. Nguyen Quoc Huong is an expert in finance-banking and finance risk management.

Education: **Finance-Banking**

Position at STK*: **Non-executive independent member**

Date of appointment: **17/04/2018**



Mr. NGUYEN QUOC HUONG (49 years old)

STK's Board of Directors (tenure 2018-2023) comprises of 07 members, in which:

- > 03 members are independent members, accounted for 43%, in compliance with Decree 71/2017/NĐ-CP (06/06/2017) on Corporate Governance.
- > 06 members are non-executive members;
- > 03 members are non-executive, independent members;

Table 19: Share ownership at STK and BOD membership at other entities (shareholder list finalized on 23/12/2019)

NO.	NAME	POSITION AT STK	SHARE OWNERSHIP AT STK	PERCENTAGE (%)	MEMBERSHIP AT OTHER ENTITIES' BOARD OF DIRECTORS	OWNERSHIP OF OTHER RELATED PARTIES	PERCENTAGE (%)
1	Dang Trieu Hoa	BOD Chairman	9,749,367	13.78%		12,462,470	17.6%
2	Dang My Linh	BOD Member	6,481,235	9.16%		15,730,602	22.24%
3	Dang Huong Cuong	BOD Member	5,981,235	8.46%		16,230,602	22.94%
4	Cao Thi Que Anh	BOD Member	0	0%	None	425,040	0.70%
5	Vo Quang Long	BOD Member	0	0%		14,137,593	19.99%
6	Chen Che Jen	BOD Member	0	0%		0	0%
7	Nguyen Quoc Huong	BOD Member	0	0%		0	0%

VIII.4 / 2019 Board of Directors' Report

VIII.4.1... BOD MEETINGS IN 2019

> In 2018, BOD has conducted 04 face-to-face meetings and 19 meetings via mailing form to solve matters belonging to the BOD's functions and authority.

1 BOD meeting on 25/01/2019 (Q4-2018 and 2018)

2 BOD meeting on 23/05/2019 (Q1-2019)

3 BOD meeting on 25/08/2019 (Q2-2019 and 6M2019)

4 BOD meeting on 21/10/2019 (Q3-2019 and 9M2019)

> BOD has issued 23 Resolutions. The minutes and resolutions of the BOD were sufficiently sent to BOD members and BOS members. In the BOD's meetings, the BOD and Board of Management were invited to discuss about strategy, business orientation and direction.

Table 20: Attendance ratio of BOD's members (tenure 2018 – 2023)

NO.	BOD MEMBERS	POSITION	NUMBER OF ATTENDANCE	PERCENTAGE	REASONS FOR ABSENCE
1	Mr. Dang Trieu Hoa	Chairman cum MD	23/23	100%	
2	Mdm. Dang My Linh	Non-executive BOD member	23/23	100%	
3	Mr. Dang Huong Cuong	Non-executive BOD member	20/23	87%	Conflicting Business schedule
4	Mdm. Cao Thi Que Anh	Non-executive independent member	21/23	91%	Conflicting Business schedule
5	Mr. Vo Quang Long	Non-executive BOD member	23/23	100%	
6	Mr. Chen Che Jen	Non-executive independent member	22/23	96%	Conflicting Business schedule
7	Mr. Nguyen Quoc Huong	Non-executive independent member	23/23	100%	

VIII.4.2... SEPARATE MEETINGS OF INDEPENDENT BOD MEMBERS

None

VIII.4.3... BOD'S MEETINGS RESOLUTIONS

Table 21: BOD's Resolutions

NO.	RESOLUTION NO.	DATE	CONTENTS
1	01-2019/NQHĐQT	26/01/2019	Approving transactions with related party Lien An Trading and Investment Joint Stock Company.
2	02-2019/NQHĐQT	26/01/2019	Approving transactions with related party P.A.N Asia Limited Company.
3	03-2019/NQHĐQT	26/01/2019	Approving transactions with related party Hung Loi Service Trading Investment Company Limited.
4	04-2019/NQHĐQT	07/01/2019	Approving the record date of the shareholder list for the public share issuance.
5	05-2019/NQHĐQT	26/01/2019	Approving 2019 business plan and the record date of attending 2019 AGSM.
6	06-2019/NQHĐQT	19/02/2019	Approving the short-term credit line provided by Techcombank
7	07-2019/NQHĐQT	18/03/2019	Approving 2019 AGSM's documents
8	08-2019/NQHĐQT	28/03/2019	Approving the plan of handling odd and unsubscribed shares
9	09-2019/NQHĐQT	03/04/2019	Approving to maintain the short-term credit with CTBC
10	10-2019/NQHĐQT	04/04/2019	Approving the public share issuance results
11	11-2019/NQHĐQT	03/04/2019	Approving the short-term credit line provided by Vietcombank
12	12-2019/NQHĐQT	25/03/2019	Approving the short-term credit line provided by OCB
13	13-2019/NQHĐQT	29/05/2019	Approving the plan of cash dividend payment for year 2018
14	14-2019/NQHĐQT	30/05/2019	Approving the short-term credit line for Branch of Century by Eximbank
15	15-2019/NQHĐQT	18/06/2019	Approving the termination of BCC for color yarn production at Cu Chi
16	16-2019/NQHĐQT	18/06/2019	Approving the termination of BCC for color yarn production at Trang Bang
17	16A-2019/NQHĐQT	27/06/2019	Approving the credit line for Trang Bang Branch at Vietcombank
18	17-2019/NQHĐQT	02/07/2019	Approving the appointment of Ernst & Young Vietnam, Ltd. as the independent auditing company for the fiscal year 2019.
19	18-2019/NQHĐQT	03/10/2019	Approving the short-term credit line for the Company and its branch provided by EXB in 2019.
20	18A-2019/NQHĐQT	03/10/2019	Approving the short-term credit line for the Company and its branch provided by EXB in 2020.
21	19-2019/NQHĐQT	09/10/2019	Appointing the person in charge of the Company's Corporate Governance.
22	20-2019/NQHĐQT	03/12/2019	Approving the credit line for the Company and its branch provided by HDBank.
23	21-2019/NQHĐQT	12/12/2019	Approving the capital contribution of the alliance from yarn to garment.

VIII.4.4. IMPLEMENTATION OF 2019 AGSM RESOLUTIONS

NO.	APPROVED CONTENTS	RESULTS
1	Approving the profit distribution plan FY2018: cash dividend of 15% on par value	Actual dividend amount: VND106,009,143,674, already paid on 05/07/2019.
2	Approving the revenue-profit budget FY2019 > Revenue: VND2,602,942,005,150 > Profit after tax: VND199,492,521,031	2019 actual performance: > Revenue: VND2,228,984,623,663 (85.6% of the budget) > Profit after tax: VND214,423,398,058 (107.6% of the budget)
3	Approving the authorization to the BOD to appoint the independent audit firm for 2019 financial statements.	Appointed E&Y Vietnam to be the independent audit firm for 2019 financial statements.
4	Approving BOD and BOS's remuneration FY2019 > BOD non-independent members' remuneration FY2019: VND480 million. > BOD independent members' remuneration FY2019: VND540 million. > BOS members' remuneration FY2019: VND144 million.	Already paid on 10/12/2019.
5	Approving the Chairman & Managing Director duality	Mr. Dang Trieu Hoa – the Chairman concurrently took the position of Managing Director of Century Corporation.
6	Approving the adjustment of using fund plan raising from the public offering	Adjusted the using fund plan according to the official dispatch No.67-19/CV-TK on 11/04/2019 and progress report of using fund No.137-19/CV-TK on 09/10/2019.
7	Approving the adjustment of Charter of the Company	Adjusted and disclosed on 05/04/2019.

VIII.4.5. ACTIVITIES OF THE NON-EXECUTIVE BOD MEMBERS

The BOD members play vital roles in evaluating and monitoring the activities of the BOM, ensuring the prevention of conflicts of interest between related parties; increase equality and functional efficiency, providing strategic direction, risk managements, production quality managements.

The non-executive BOD members are all highly-experienced in manufacturing, trading, finance and management.

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

- > Mr. Chen Che Jen has many years of experience in yarn production and trading, he has frequently monitored the quality KPIs to come up with solutions and experience in risk managements in production activities.
- > Ms. Cao Thi Que Anh has many years of experience in the garment industry and finance, she has always monitored and supervised the production cost mix, fixed costs, and the ability to optimize profits.
- > Mr. Nguyen Quoc Huong has extensive experience in finance, he has always supervised the working capital flow, debt standings and profit distribution plans of the Company.

VIII.4.6. LIST OF BOD MEMBERS HAVING CERTIFICATE ON CORPORATE GOVERNANCE TRAINING

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

List of members who have the certificate of corporate governance:

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

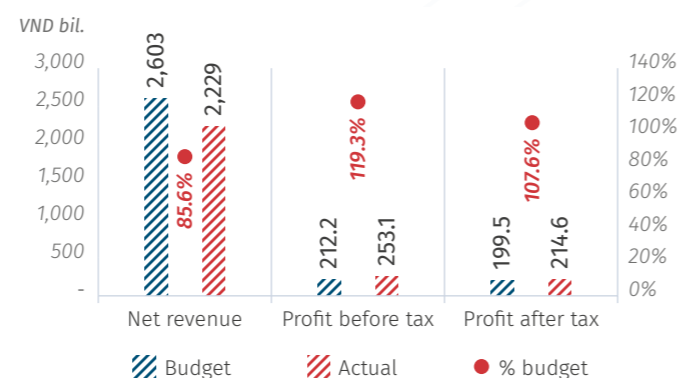
VIII.4.7. BOD'S SUB-COMMITTEES

Not yet established, so there are no activities of the BOD's Sub-committees.

VIII.4.8. BOD'S ASSESSMENT ON THE COMPANY'S BUSINESS PERFORMANCE AND THE BOM'S ACTIVITIES

2019 performance

In 2019, despite the unfavorable business environment, the Company has effectively managed the production costs, borrowing debts, resulting in the over-achievement in pre-tax and after-tax profits which surpassed the budget by 19.3% and 7.6% respectively, while net revenue reaches 85.6% of the set target.



Overall review on the Company's performance

1. Implementation of key objectives in 2019

Proactively conquering new markets, approaching more customer segments

In 2019, taking opportunities posed by the trade war, the Company has approached the US automotive textile segment. The dynamic sales team has maintained an existing customer network and expanded new customers with diverse demands from middle to high-end.

Surpassing the target of recycled yarn's portion in total revenue

Focusing on its competitive advantages, the Company surpassed the targeted proportion of recycled yarn in total revenue (actual rate of 35% vs. the targeted one of 27%).

Increasing the proportion of recycled yarn is a short-medium-term strategy of the Company, following the global fashion trends.

Quality control, reducing expenses, lowering production costs, enhancing competitiveness

Facing the intense competition in 2019, the BOM has taken measures to lower expenses and production costs, increase operational efficiency.

2. Achievements

- STK's market position and reputation in local and international markets has been enhanced. The Company's products are highly appreciated by customers – the suppliers for high-end fashion brands. STK in 2019 has strengthened customer relationships, gradually participating in major textile supply chains.
- The Company has also developed high value-added products, recycled yarn are strategic products and has great competitive advantages.
- Focusing on quality, not quantity, the Company did not increase capacity in 2019, but carried out measures to reduce production costs and increase efficiency when the macro-economic has shown slowing down signals, and labor and energy costs has started to rise.
- The Company has actively managed capital risks such as early repaying loans to reduce financial expenses, thereby contributing to stabilizing the financial standings.

3. Further improvements in future

The BOM should make relentless effort to release inventories, increase the Company's working capital turnover.

4. Implementation of environmental and social goals

Environmental goals:

During 2019, the BOM has made relentless efforts to improve product quality, increase production volume while still reducing environmental impacts, leading to a decrease in energy consumption, in particular:

- Declining electricity consumption: 6%
- Declining total water usage: 5%
- Declining electricity carbon footprint per unit: 6%

Social goals:

Focusing on economic development associated with the social community development, the Company has created more jobs for local communities, contributing over VND167 billion to the National Budget. In addition, the Company has adopted beneficial policies toward employees, encouraging the employees to create more added-value for the society and the economy.

BOD's Assessment of the BOM's activities

Supervising methods

- The BOD has periodically and regularly supervised the BOM through regular BOD meetings and meetings via email on the implementation of the General Meeting of Shareholders' Resolutions.
- The BOD has discussed and approved the BOD Resolutions based on proposals of the BOM;
- The BOM is responsible for explaining the quarterly and annually business performance in details, forecasting the business results of the next quarter or the following year.

Results

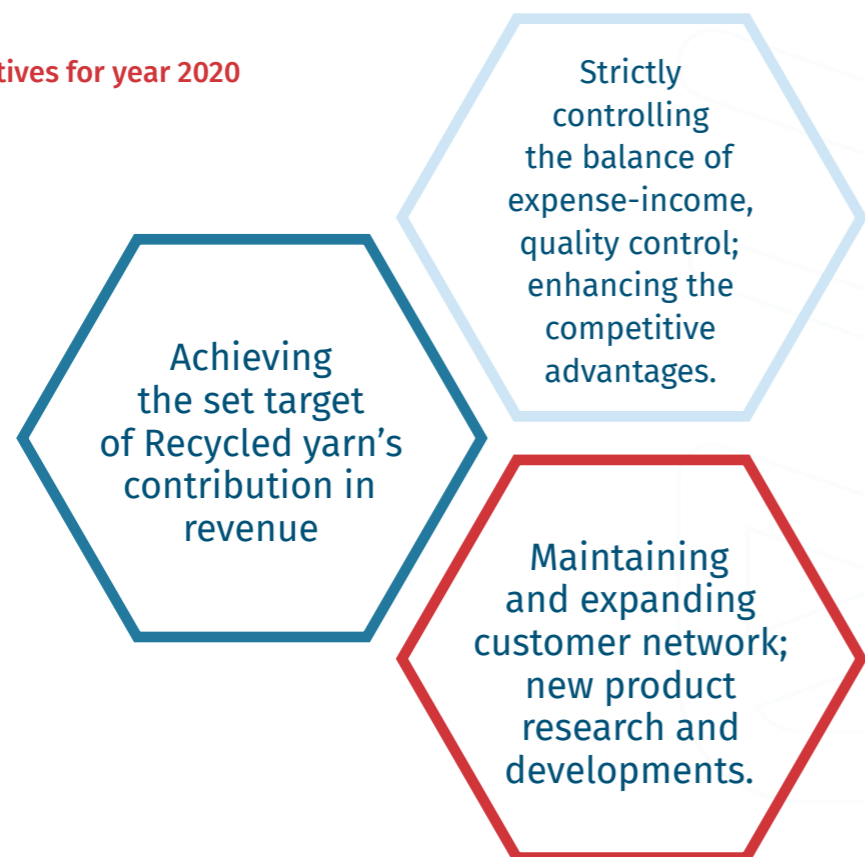
- The BOM has carried out its tasks in accordance with the Resolutions of the ASM.
- The BOD has launched innovative solutions to improve operations, risk management, supporting the BOM, therefore gained certain achievements in 2019.
- 2019 actual results has met the profit target. However, the actual revenue was below the budget. Therefore, the BOM needs to be more cautious in a challenging market conditions in 2020. The BOM has to set specific business strategies, continue to maintain develop and markets, raise revenue contribution of recycled yarn, develop new products and maintain stable financial standings.
- The Company's functional directors should perform well their functions in order to support the Managing Director and supervise the departments' performances, identify the potential problems in order to prevent internal risks, therefore enhance its internal resources to encounter with external risks.

○ Implementation of corporate governance in accordance with the law

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

REGULATIONS OF DECREE NO.71/2017/NĐ-CP	2019	REASONS OF NOT IMPLEMENTATION	ADJUSTMENT SCHEDULES
Article 12, Clause 2. The Chairman shall not concurrently take the position of managing director (director) in the same public company	The chairman and the managing director is the same person.	The Company did not find suitable personnel	The BOD approved the resignation of Mr.Dang Trieu Hoa from the position of Chairman. Pursuant to BOD Resolution No.01-2020 issued on 14/02/2020, Mdm. Dang My Linh was elected as the Company's new chairwoman.
Article 17. The sub-committees of the BOD	No establishments of sub-committees	The Company has not yet found suitable personnel	In the near future, the BOD will establish the HR and salary-bonus sub-committees.

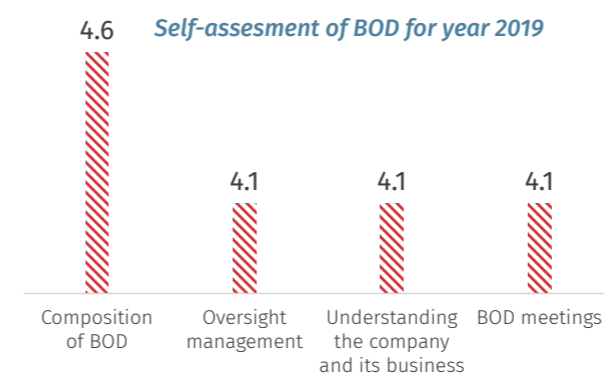
5. Key objectives for year 2020



VIII.4.9 SELF-ASSESSMENT OF BOD'S PERFORMANCE

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

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



- > The composition of the BOD is in compliance with provisions of Decree No. 71/2017/NĐ-CP with 3 out of 7 members are independent ones.
- > The independent members have actively participated in the BOD's meetings, contributed realistic opinions to the BOM and the BOD in setting business strategies, implementing business plan and enhancing corporate governance.

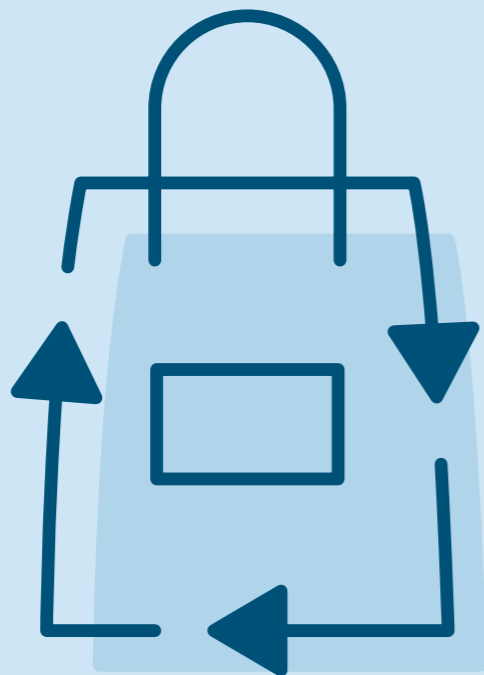
- > BOD members were provided with sufficient information on timely manner so that they can make correct analysis on the Company's situation and fulfill their responsibilities honestly and diligently for the ultimate interests of the Company's shareholders.
- > The BOD's meetings were organised and conducted in accordance with the Company's Charter. The BOD meeting minutes, resolutions and decisions were made with consensus of its members and were filed in accordance with regulations.

VIII.4.10 BOD'S PLAN AND ORIENTATION

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

VIII.4.11 NEW SHARE ISSUE PLAN TO RAISE CAPITAL TO FINANCE INVESTMENT PROJECTS

In 2019, as the Company does not plan to implement new large project, there is no capital raising plan.



IX

THE BOARD OF SUPERVISOR'S REPORT

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IX.1 / Composition of the BOS

Table 22: BOS members of tenure 2018-2023 (started on 17/04/2018)



Mr. NGUYEN TU LUC

Head of the BOS

Year 1952
Education Bachelor of Accounting
Working experience 1/2015 – present: Chief Accountant, Mai Hoang Vu Co. Ltd.
 2007 – present: Chief Supervision Committee, STK
 2006 – present: Assistant to Managing Director, STK.
 2000 – 2006: Chief Accountant, STK.
 1984 – 2000: Chief Accountant, South Asia Shoes.
 1979 – 1984: General Accountant, HCM Hotel, Chief Accountant of Saigon Hotel.



Mdm. HOANG NU MONG TUYEN

BOS Member

Year 1990
Education Bachelor
Working experience 2018 – present: MD assistant, STK
 2012 – 2018: Sales admin, STK



Mdm. DINH NGOC HOA

BOS Member

Year 1979
Education Bachelor
Working experience 2005 – present: Head of Planning-production department, STK
 2002 – 2004: Accountant, Vi Hop Ltd.,



Table 23: BOS and ownership ratios (shareholder list on 23/12/2019)

NO.	NAME	POSITION AT STK	SHARE OWNERSHIP AT STK	PER-CENTAGE (%)	MEMBERSHIP AT OTHER ENTITIES' BOS	OWNERSHIP OF OTHER RELATED PARTIES	PER-CENTAGE (%)
1	Nguyen Tu Luc	Head of BOS	4,000	0.005%	-	-	-
2	Hoang Nu Mong Tuyen	BOS Member	3,147	0.004%	-	5,000	0.007%
3	Dinh Ngoc Hoa	BOS Member	21,008	0.03%	-	-	-

IX.2 / Activities of the BOS

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

- > Supervise the implementation of the AGSM's resolution;
- > Supervise the operation and financial standing of the Company;
- > Supervise the activities of the BOD, BOM and management system of the Company;
- > Make assessment on cooperation between the BOD and the BOM;
- > Supervise the operation and financial status of the Company;
- > Make assessment on the Company's investment projects including those projects already implemented and being implemented in accordance with the BOD's resolutions.
- > Based on that to make proposal to the BOD for the coming years.

IX.2.1 MEETINGS OF THE BOS

Table 24: Meetings of the BOS

NO.	CONTENTS	MEETING DATES	RESULTS
1	Assessments of 2018 performance	29/03/2019	The BOS agreed the 2018 results.
2	Discussion of 2019 business plan	10/5/2019	The BOS agreed the 2019 plan.
3	Discussion and assessments of Q3.2019 and 9M2019 performance	26/10/2019	The BOS gave opinions about the 9M2019 performance and further improvements for Q4.2019.
4	Discussion and assessments of Q4.2019 and 12M2019 performance, 2020 forecast.	16/01/2020	The BOS agreed the 2020 forecast.

IX.3 / Report on the BOS activities

IX.3.1 EVALUATION OF THE BOS ON THE IMPLEMENTATION OF THE 2019 AGSM RESOLUTIONS

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

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

Distribution of 2018 profit

Cash dividend 15%/par value

Date of completion: July 2019

2019 Business results

KPIS	2019 ACTUAL	2019 ACTUAL /2018 ACTUAL	2019 ACTUAL VS. PLAN
Net revenue (VND billion)	2,229	-7.4%	85.6%
Net profit before tax (VND Billion)	252.9	26.9%	119.2%
Net profit after tax (VND Billion)	214.6	20.3%	107.6%

Financial indicators

KPIS	UNIT	AS AT 31/12/2019	AS AT 31/12/2018
Asset structure			
Current Assets/ Total Assets	%	42%	38%
Non-current Assets/ Total Assets	%	58%	62%
Capital structure			
Debt/Equity	Times	0.62	0.85
Liquidity analysis			
Current ratio	Times	1.07	0.93
Quick ratio	Times	0.43	0.34
Profitability			
ROS	%	9.62%	7.41%
ROA	%	10.35%	8.4%
ROE	%	19.80%	19.6%

Public Disclosure

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

IX.3.2... EVALUATION OF THE BOS' OVERSIGHT ON THE BOD'S ACTIVITIES

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

IX.3.3... ASSESSMENTS OF THE BOS' OVERSIGHT ON THE BOM'S ACTIVITIES

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

- > Guide on the Company's implementation of business plan as approved by 2019 AGSM.
- > Comply with laws on capital contribution, construction, investment and business registration.
- > Organise meetings to agree on strategy formation and settle outstanding obstacles in the operation and manage risks arising from the Company's activities as well as outside environment.

Based on the business results in 2019, the BOS considers that the BOM has fulfilled its core responsibility in management of the Company's operation to reach the Company's goal of profit. However, the target of revenue was still not fulfilled.

IX.3.4... EVALUATION OF THE COMPANY'S FINANCIAL STANDINGS

- > The Company has prepared quarterly financial reports (4 reports per year) and disclose in accordance with the regulations on public disclosure of listed companies.
- > The Company's semi-annual and annual financial reports was audited by Ernst & Young Vietnam Ltd.,
- > 2019 financial reports reflect accurately and reasonably in all important matters of the Company's financial standings as at 31 December 2019 and is complied with Vietnam Accounting Standards and relevant regulations. There are no substantial differences between unaudited quarter reports with the ones reviewed or audited by E&Y Vietnam.

IX.3.5... EVALUATION OF THE BOS ON THE COOPERATION BETWEEN THE BOS, BOD AND BOM IN 2019

The BOD's vision and business knowledge and competency:

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

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

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

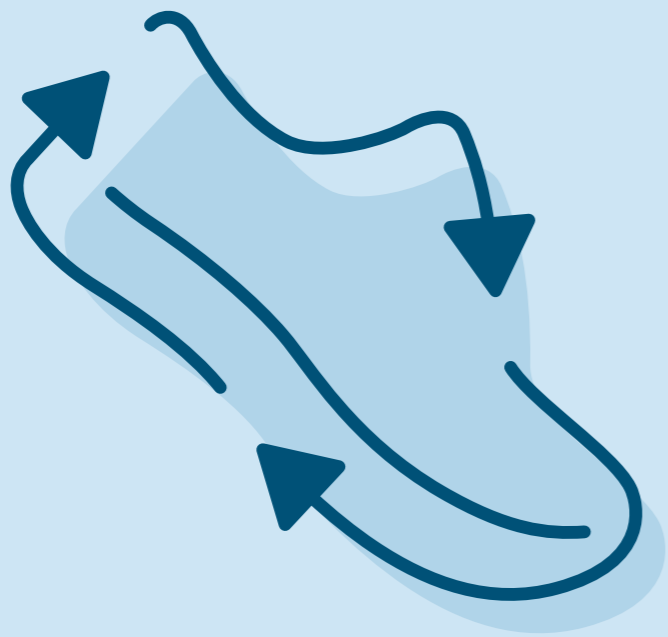
The BOS has set working plan for the first year in 2018-2023 tenure, has assigned tasks for each members in order to make report to the AGSM.

IX.3.6... SETTLEMENT OF SHAREHOLDERS' COMPLAINTS (IF ANY)

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

IX.3.7... BOS'S RECOMMENDATION AND ACTION PLAN FOR 2019

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



X

PREVENTION OF INTEREST CONFLICT OF INTEREST AND TRANSACTIONS WITH RELATED PARTIES

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X.1 / Prevention of conflict of interest

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

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

X.2 / Significant transactions with related parties during the year

Table 25: Transactions with related parties

RELATED PARTIES	RELATIONSHIP	BUSINESS CONTENT	2019	2018
E.DYE Vietnam Joint Stock Company	Associated company	Capital withdrawal	-	24,663,600,000
Lien An Trading and Investment Joint Stock Company	Related party	Sales of good	18,383,946,860	30,213,644,533
P.A.N Asia Co.,LTD.	Related party	Sales of good	17,877,581,900	12,427,881,727
Hung Loi Service Trading Investment Company Limited	Related party	Sales of good	8,655,709,290	21,005,627,131

All transactions with related parties above were complied with the Company’s Charter and followed market mechanism.

X.3 / Stock transactions of inside shareholders 2019

Presented at section VII.2 - Shares and Shareholder’s structure, page 105, Annual Report.

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

X.4.1.....SALARY, BONUS AND REMUNERATIONS OF BOD

Table 26: Remunerations of BOD FY2019

NO.	FULL NAME	TITLES	REMUNERATION AND BONUS (AFTER TAX)	SALARY (%)	BONUS (%)	LENGTH OF SERVICE
1	Dang Trieu Hoa	Chairman cum MD	120,000,000	-	-	01/01/2019 - 31/12/2019
2	Dang My Linh	BOD member	120,000,000	-	-	01/01/2019 - 31/12/2019
3	Dang Huong Cuong	BOD member	120,000,000	-	-	01/01/2019 - 31/12/2019
4	Cao Thi Que Anh	BOD member	180,000,000	-	-	01/01/2019 - 31/12/2019
5	Vo Quang Long	BOD member	120,000,000			01/01/2019 - 31/12/2019
6	Chen Che Jen	BOD member	180,000,000	-	-	01/01/2019 - 31/12/2019
7	Nguyen Quoc Huong	BOD member	180,000,000	-	-	01/01/2019 - 31/12/2019
TOTAL (VND)			1,020,000,000			

X.4.2.....SALARY, BONUS AND REMUNERATIONS OF THE BOS

Table 27: Salary, bonus and remunerations of the BOS FY2019

NO.	FULL NAME	TITLES	REMUNERATION AND BONUS (EXCLUDED INCOME TAX)	SALARY (%)	BONUS (%)	LENGTH OF SERVICE
1	Nguyen Tu Luc	Head of BOS	48,000,000	80.13%	19.87%	01/01/2019 - 31/12/2019
2	Hoang Nu Mong Tuyen	BOS member	48,000,000	80.47%	19.53%	01/01/2019 - 31/12/2019
3	Dinh Ngoc Hoa	BOS member	48,000,000	81.97%	18.03%	01/01/2019 - 31/12/2019
TOTAL (VND)			144,000,000		761,277,186	

X.4.3.....SALARY, BONUS AND REMUNERATIONS OF BOM

Table 28: Salary, bonus and remunerations of BOM FY2019

NO.	FULL NAME	TITLES	REMUNERATION AND BONUS (AFTER TAX)	SALARY (%)	BONUS (%)	LENGTH OF SERVICE
1	Dang Trieu Hoa	Managing director	-	14.31%	85.69%	06/2010 - present
2	Nguyen Phuong Chi	Chief Strategic Officer	-	16.79%	83.21%	01/2015 - present
3	Nguyen Thai Hung	Chief Administration Officer	-	14.22%	85.78%	02/2017 - present
4	Phan Nhu Bich	Chief Financial Officer	-	15.96%	84.04%	10/2016 - present
TOTAL (VND)					3,971,493,802	



XI

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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 17th Amended Enterprise Registration Certificate No. 0302018927 issued by the Department of Planning and Investment of Ho Chi Minh City on 18 April 2019.

The Company listed its shares on the Ho Chi Minh Stock Exchange with trading code 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
Mr Vo Quang Long	Member
Mr Nguyen Quoc Huong	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 Hoang Nu Mong Tuyen	Member
Ms Dinh Ngoc Hoa	Member

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.

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 2019.

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 2019 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
10 March 2020

Reference: 60867230/21093828-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 10 March 2020 and set out on pages 5 to 34, which comprise the consolidated balance sheet as at 31 December 2019, 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 assessments, 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 2019, 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

Duong Le Anthony
Deputy General Director
Audit Practicing Registration Certificate
No. 2223-2018-004-1

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

Ho Chi Minh City, Vietnam
10 March 2020

Consolidated Balance Sheet

as at 31 December 2019

Century Synthetic Fiber Corporation B01-DN/HN

CODE	ASSETS	NOTES	ENDING BALANCE	BEGINNING BALANCE
100	A. CURRENT ASSETS		879,671,740,019	804,312,305,352
110	I. Cash and cash equivalents	4	150,025,727,572	153,072,426,650
111	1. Cash		14,025,727,572	20,572,426,650
112	2. Cash equivalents		136,000,000,000	132,500,000,000
120	II. Short-term investment		80,000,000,000	45,000,000,000
123	1. Held-to-maturity investment	5	80,000,000,000	45,000,000,000
130	III. Current accounts receivable		98,415,173,904	65,396,857,542
131	1. Short-term trade receivables	6	94,290,868,321	58,695,785,076
132	2. Short-term advances to suppliers	7	2,446,151,451	5,137,275,770
136	3. Other short-term receivables	8	1,678,154,132	1,563,796,696
140	IV. Inventories		524,957,682,859	509,769,177,869
141	1. Inventories	9	539,301,164,894	541,173,285,220
149	2. Provision for obsolete inventories	9	(14,343,482,035)	(31,404,107,351)
150	V. Other current assets		26,273,155,684	31,073,843,291
151	1. Short-term prepaid expenses	14	7,684,573,766	7,246,898,222
152	2. Value-added tax deductible	17	18,502,698,844	23,552,370,973
153	3. Tax and other receivables from the State	17	85,883,074	274,574,096
200	B. NON-CURRENT ASSETS		1,191,601,316,113	1,315,122,067,286
220	I. Fixed assets		1,048,021,294,256	1,178,792,442,927
221	1. Tangible fixed assets	10	1,047,700,238,196	1,178,357,295,893
222	Cost		2,055,787,018,466	2,049,933,670,971
223	Accumulated depreciation		(1,008,086,780,270)	(871,576,375,078)
227	2. Intangible assets	11	321,056,060	435,147,034
228	Cost		14,385,298,205	14,385,298,205
229	Accumulated amortisation		(14,064,242,145)	(13,950,151,171)
240	II. Long-term asset in progress		1,276,183,372	1,662,483,372
242	1. Construction in progress	12	1,276,183,372	1,662,483,372
250	III. Long-term investment		1,697,845,959	1,884,588,394
252	1. Investment in an associate	13	1,697,845,959	1,884,588,394
260	IV. Other long-term assets		140,605,992,526	132,782,552,593
261	1. Long-term prepaid expenses	14	135,294,053,341	125,163,320,649
262	2. Deferred tax assets	27.3	5,311,939,185	7,619,231,944
270	TOTAL ASSETS		2,071,273,056,132	2,119,434,372,638

CODE	ASSETS	NOTES	ENDING BALANCE	BEGINNING BALANCE
300	C. LIABILITIES		988,153,508,712	1,210,381,370,769
310	I. Current liabilities		823,668,989,301	862,133,399,464
311	1. Short-term trade payables	15	228,826,462,237	331,972,930,617
312	2. Short-term advances from customers	16	38,904,567,735	29,144,341,774
313	3. Statutory obligations	17	2,011,823,443	34,120,205,203
314	4. Payables to employees		28,186,498,161	25,979,917,686
315	5. Short-term accrued expenses	18	7,245,093,814	7,079,641,862
319	6. Other short-term payables	19	5,310,529,163	5,179,574,379
320	7. Short-term loans	20	510,474,231,598	426,713,696,161
322	8. Bonus and welfare funds		2,709,783,150	1,943,091,782
330	II. Non-current liabilities		164,484,519,411	348,247,971,305
338	1. Long-term loans	20	164,112,248,703	347,818,799,805
342	2. Long-term provision		372,270,708	429,171,500
400	D. OWNERS' EQUITY		1,083,119,547,420	909,053,001,869
410	I. Capital	21.1	1,083,119,547,420	909,053,001,869
411	1. Share capital		707,269,440,000	599,377,980,000
411a	- Shares with voting rights		707,269,440,000	599,377,980,000
412	2. Share premium		35,093,198,872	35,297,435,379
418	3. Investment and development fund		1,219,011,000	1,219,011,000
421	4. Undistributed earning		339,537,897,548	273,158,575,490
421a	- Undistributed earnings by the end of prior years		125,114,499,490	94,806,345,221
421b	- Undistributed earnings of current year		214,423,398,058	178,352,230,269
440	TOTAL LIABILITIES AND OWNERS' EQUITY		2,071,273,056,132	2,119,434,372,638

Preparer	Chief Accountant	General Director
Phan Thanh Phu	Phan Nhu Bich	Dang Trieu Hoa

10 March 2020

Consolidated Income Statement

for the year ended 31 December 2019

Century Synthetic Fiber Corporation B02-DN/HH

VND

CODE	ITEMS	NOTES	CURRENT YEAR	PREVIOUS YEAR
01	1. Revenue from sale of goods	22.1	2,231,825,707,808	2,408,319,231,223
02	2. Deductions	22.1	(2,841,084,145)	(615,863,551)
10	3. Net revenue from sale of goods	22.1	2,228,984,623,663	2,407,703,367,672
11	4. Cost of goods sold		(1,874,854,239,562)	(2,072,793,297,772)
20	5. Gross profit from sale of goods		354,130,384,101	334,910,069,900
21	6. Finance income	22.2	14,278,599,770	11,092,734,188
22	7. Finance expenses	23	(35,205,005,009)	(53,407,737,370)
23	<i>In which: Interest expenses</i>		(30,714,160,176)	(29,036,662,759)
24	8. Shares of loss in an associate	13	(186,742,435)	(502,211,606)
25	9. Selling expenses	24	(26,906,231,821)	(33,513,908,086)
26	10. General and administrative expenses	25	(57,920,605,533)	(56,234,808,411)
30	11. Operating profit		248,190,399,073	202,344,138,615
31	12. Other income		1,540,510,469	1,352,482,359
32	13. Other expenses		3,189,245,097	(4,427,719,810)
40	14. Other profit (loss)		4,729,755,566	(3,075,237,451)
50	15. Accounting profit before tax		252,920,154,639	199,268,901,164
51	16. Current corporate income tax expense	27.1	(36,189,463,822)	(25,265,371,167)
52	17. Deferred tax income (expense)	27.3	(2,307,292,759)	4,348,700,272
60	18. Net profit after tax		214,423,398,058	178,352,230,269
61	19. Net profit after tax attributable to shareholders of the parent		214,423,398,058	178,352,230,269
70	20. Basic earnings per share	29	3,163	2,781
71	21. Diluted earnings per share	29	3,163	2,781

Preparer
Phan Thanh Phu

Chief Accountant
Phan Nhu Bich

General Director
Dang Trieu Hoa

10 March 2020



Consolidated Cash Flow Statement

for the year ended 31 December 2019

VND

CODE	ITEMS	NOTES	CURRENT YEAR	PREVIOUS YEAR
I. CASH FLOWS FROM OPERATING ACTIVITIES				
01	Accounting profit before tax		252,920,154,639	199,268,901,164
	<i>Adjustments for:</i>			
02	Depreciation and amortisation	10, 11	136,956,773,221	143,017,657,234
03	(Reversal of provisions)/provisions		(16,873,882,881)	28,998,545,421
04	Foreign exchange (gain) loss arising from revaluation of monetary accounts denominated in foreign currency		(1,829,474,182)	7,038,326,662
05	Profits from investing activities		(5,228,390,815)	(7,284,600,630)
06	Interest expense	23	30,714,160,176	29,036,662,759
08	Operating profit before changes in working capital		396,659,340,158	400,075,492,610
09	Increase in receivables		(25,835,856,560)	(4,642,679,985)
10	Decrease (increase) in inventories		1,872,120,326	(139,388,409,335)
11	(Decrease) increase in payables		(113,829,560,167)	35,863,163,497
12	Increase in prepaid expenses		(10,568,408,236)	(1,526,177,386)
13	Interest paid		(30,144,364,731)	(28,976,003,536)
14	Corporate income tax paid	17	(48,064,095,345)	(13,548,589,783)
15	Other cash inflows from operating activities		2,049,281,161	657,643,325
16	Other cash outflows for operating activities		(1,282,589,793)	(445,975,343)
20	Net cash from operating activities		170,855,866,813	248,068,464,064
II. CASH FLOWS FROM INVESTING ACTIVITIES				
21	Purchase and construction of fixed assets		(9,772,090,921)	(100,298,662,279)
22	Proceeds from disposals of fixed assets and other long-term assets		260,000,000	50,000,000
23	Loans to other entities and payments for purchase of debt instruments of other entities		(35,000,000,000)	(45,000,000,000)
26	Collection from investment in another entity		-	24,663,600,000
27	Interest received		9,316,332,985	7,567,344,698
30	Net cash used in investing activities		(35,195,757,936)	(113,017,717,581)

VND

CODE	ITEMS	NOTES	CURRENT YEAR	PREVIOUS YEAR
III. CASH FLOWS FROM FINANCING ACTIVITIES				
31	Capital contribution and issuance of shares	21.1	65,733,563,493	-
33	Drawdown of borrowings		1,045,014,508,520	1,376,905,717,790
34	Repayment of borrowings		(1,143,446,901,580)	(1,427,323,460,551)
36	Dividends paid	21.2	(106,009,143,674)	(48,237,928,680)
40	Net cash used in financing activities		(138,707,973,241)	(98,655,671,441)
50	Net (decrease) increase in cash and cash equivalents for the year		(3,047,864,364)	36,395,075,042
60	Cash and cash equivalents at the beginning of the year		153,072,426,650	116,615,724,965
61	Impact of exchange rate fluctuation		1,165,286	61,626,643
70	Cash and cash equivalents at end of the year	4	150,025,727,572	153,072,426,650

Preparer
Phan Thanh Phu

Chief Accountant
Phan Nhu Bich

General Director
Dang Trieu Hoa

10 March 2020

Notes to the Consolidated Financial Statements

as at and for the year ended 31 December 2019

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 16th 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 listed its shares on the Ho Chi Minh Stock Exchange with trading code 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 2019 was 963 (31 December 2018: 1,027).

Corporate structure

As at 31 December 2019, 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, Unitex is in pre-operation progress.

As at 31 December 2019, the Company holds 100% ownership and voting rights at Unitex.

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 2019.

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.

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.

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:

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

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 of the investment is made when there are reliable evidences of the diminution in value of those investments at the balance sheet date.

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.

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 foreign exchange differences incurred 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

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.

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.

4. CASH AND CASH EQUIVALENTS

VND

	ENDING BALANCE	BEGINNING BALANCE
Cash on hand	52,452,397	286,520,068
Cash in banks	13,973,275,175	20,285,906,582
Cash equivalents (*)	136,000,000,000	132,500,000,000
TOTAL	150,025,727,572	153,072,426,650

(*) 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	92,627,651,711	57,067,512,272
- Y.R.C Textile Co., Ltd	17,714,088,690	-
- Formosa Taffeta Dong Nai Company Limited	14,923,517,117	25,524,664,217
- Gain Lucky Vietnam Limited	8,485,120,800	8,888,941,108
- Formosa Taffeta Viet Nam Co., Ltd.	7,928,546,879	11,775,055,458
- Chori Co., Ltd	7,497,839,217	469,534,274
- Coats Phong Phu Company Limited	7,398,270,000	707,256,000
- Far Eastern Polytex (Viet Nam) Limited	4,268,161,127	6,537,251,261
- Others	24,412,107,881	3,164,809,954
Trade receivables from related parties (Note 28)	1,663,216,610	1,628,272,804
TOTAL	94,290,868,321	58,695,785,076

7. SHORT-TERM ADVANCES TO SUPPLIERS

VND

	ENDING BALANCE	BEGINNING BALANCE
Oerlikon Barmag Zweigniederlassung	589,407,693	1,076,772,110
New Taiwan Filters Corp	-	2,388,597,150
Others	1,856,743,758	1,671,906,510
TOTAL	2,446,151,451	5,137,275,770

8. OTHER SHORT-TERM RECEIVABLES

VND

	ENDING BALANCE	BEGINNING BALANCE
Social insurance	1,221,397,593	1,066,067,138
Others	456,756,539	497,729,558
TOTAL	1,678,154,132	1,563,796,696

9. INVENTORIES

VND

	ENDING BALANCE		BEGINNING BALANCE	
	COST	PROVISION	COST	PROVISION
Finished goods	322,026,575,272	(10,179,057,241)	337,108,080,072	(26,667,659,161)
Raw materials	179,478,522,412	(4,164,424,794)	161,164,425,068	(4,736,448,190)
Goods in transit	37,796,067,210	-	42,900,780,080	-
TOTAL	539,301,164,894	(14,343,482,035)	541,173,285,220	(31,404,107,351)

Detail of movements of provision for obsolete inventories:

VND

	CURRENT YEAR	PREVIOUS YEAR
Beginning balance	(31,404,107,351)	(2,405,561,930)
Add: Provision made during the year	(15,402,074,607)	(28,998,545,421)
Less: Reversal of provision made during the year	32,462,699,923	-
Ending balance	(14,343,482,035)	(31,404,107,351)

10. TANGIBLE FIXED ASSETS

VND

	BUILDINGS, STRUCTURES	MACHINERY AND EQUIPMENT	MOTOR VEHICLES	OFFICE EQUIPMENT	TOTAL
Cost:					
Beginning balance	302,962,145,912	1,558,717,636,119	183,462,162,860	4,791,726,080	2,049,933,670,971
Newly purchase	1,646,480,546	3,332,628,465	336,888,440	-	5,315,997,451
Transfer from construction in progress	-	4,842,393,470	-	-	4,842,393,470
Disposal	-	(3,332,628,465)	(972,414,961)	-	(4,305,043,426)
Ending balance	304,608,626,458	1,563,560,029,589	182,826,636,339	4,791,726,080	2,055,787,018,466
In which:					
Fully depreciated	83,900,367,044	137,306,365,911	19,558,017,762	286,355,981	241,051,106,698
Accumulated depreciation:					
Beginning balance	(121,003,991,503)	(657,588,120,982)	(89,300,556,658)	(3,683,705,935)	(871,576,375,078)
Depreciation for the year	(10,578,674,139)	(106,183,842,553)	(19,362,586,903)	(717,578,652)	(136,842,682,247)
Disposal	-	-	332,277,055	-	332,277,055
Ending balance	(131,582,665,642)	(763,771,963,535)	(108,330,866,506)	(4,401,284,587)	(1,008,086,780,270)
Net carrying amount:					
Beginning balance	181,958,154,409	901,129,515,137	94,161,606,202	1,108,020,145	1,178,357,295,893
Ending balance	173,025,960,816	799,788,066,054	74,495,769,833	390,441,493	1,047,700,238,196
In which:					
Pledged as loan security (Note 20.2)	115,470,232,805	603,890,715,697	121,424,361,767	4,505,371,271	845,290,681,540

11. INTANGIBLE ASSETS

VND

	COMPUTER SOFTWARE
Cost:	
Beginning and ending balances	14,385,298,205
In which:	
Fully amortised	13,834,916,387
Accumulated amortisation:	
Beginning balance	(13,950,151,171)
Amortisation for the year	(114,090,974)
Ending balance	(14,064,242,145)
Net carrying amount:	
Beginning balance	435,147,034
Ending balance	321,056,060

12. CONSTRUCTION IN PROGRESS

VND

	ENDING BALANCE	BEGINNING BALANCE
Machinery and equipment	255,522,372	255,522,372
Unitex factory project	-	692,800,000
Others	1,020,661,000	714,161,000
TOTAL	1,276,183,372	1,662,483,372

13. INVESTMENT IN AN ASSOCIATE

VND

	ENDING BALANCE		BEGINNING BALANCE	
	% OF INTEREST	COST	% OF INTEREST	COST
E.DYE Vietnam Joint Stock Company	35.44	2,386,800,000	35.44	2,386,800,000
TOTAL		2,386,800,000		2,386,800,000

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. Detail of the investment in an associate is as follows:

VND

E.DYE VIETNAM JOINT STOCK COMPANY	
Cost of investment:	
Beginning and ending balances	2,386,800,000
Accumulated share in post-acquisition loss of the associate:	
Beginning balance	(502,211,606)
Share in post-acquisition loss of the associate for the year	(186,742,435)
Ending balance	(688,954,041)
Net carrying amount:	
Beginning balance	1,884,588,394
Ending balance	1,697,845,959

As at 31 December 2019, the Company is in the process of recovering the investment in E.DYE in accordance with BOD's Resolution No. 15-2019/NQHDQT/TK and 16-2019/NQHDQT/TK dated 19 June 2019.

14. PREPAID EXPENSES

VND

	ENDING BALANCE	BEGINNING BALANCE
Short-term	7,684,573,766	7,246,898,222
Tools and supplies	5,764,297,394	5,935,758,152
Car rental	1,644,860,512	340,000,000
Others	275,415,860	971,140,070
Long-term	135,294,053,341	125,163,320,649
Land rental (land use rights) (*)	116,122,079,350	117,079,269,307
Tools and supplies	18,778,727,849	6,298,401,384
Others	393,246,142	1,785,649,958
TOTAL	142,978,627,107	132,410,218,871

(*) 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

	ENDING BALANCE	BEGINNING BALANCE
Tainan Spinning Co., Ltd.	143,907,844,735	227,122,876,440
Unifi Textile (Suzhou) Co., Ltd.	32,058,075,500	46,734,000,000
Chori Co., Ltd	14,467,661,640	12,983,416,000
Thai Toray Synthetics Co., Ltd.	12,361,568,256	-
Other suppliers	26,031,312,106	45,132,638,177
TOTAL	228,826,462,237	331,972,930,617

16. SHORT-TERM ADVANCE FROM CUSTOMERS

VND

	ENDING BALANCE	BEGINNING BALANCE
Advances from other parties	38,904,567,735	29,025,011,686
Treasure Star International Limited	11,576,002,964	9,090,907,079
Nam Phuong Textile and Dyeing Company Limited	10,132,537,779	4,433,232,651
Long Ni International Trading Co., Ltd	719,403,994	-
Jatec Co., Ltd.	-	5,092,796,500
Others	16,476,622,998	10,408,075,456
Advances from a related party (Note 28)	-	119,330,088
TOTAL	38,904,567,735	29,144,341,774

17. STATUTORY OBLIGATIONS

VND

	BEGINNING BALANCE	PAYABLE FOR THE YEAR	PAYMENT/NET-OFF IN THE YEAR	ENDING BALANCE
Payables				
Corporate income tax	13,836,351,224	36,189,463,822	(48,312,650,965)	1,713,164,081
Import and export duties	13,527,642,243	17,882,207,643	(31,367,092,287)	42,757,599
Personal income tax	308,992,910	5,359,550,042	(5,412,641,189)	255,901,763
Value-added tax	6,427,739,989	831,155,288,324	(837,583,028,313)	-
Other	19,478,837	2,323,552,265	(2,343,031,102)	-
TOTAL	34,120,205,203	892,910,062,096	(925,018,443,856)	2,011,823,443

	BEGINNING BALANCE	RECEIVABLE FOR THE YEAR	NET-OFF IN THE YEAR	ENDING BALANCE
Receivables				
Value-added tax deductible	23,552,370,973	779,470,929,108	(784,520,601,237)	18,502,698,844
Corporate income tax	248,555,620	-	(248,555,620)	-
Other	26,018,476	85,883,074	(26,018,476)	85,883,074
TOTAL	23,826,945,069	779,556,812,182	(784,795,175,333)	18,588,581,918

18. SHORT-TERM ACCRUED EXPENSES

VND

	ENDING BALANCE	BEGINNING BALANCE
Utility expenses	3,486,222,748	3,078,386,834
Sales commission	2,660,074,708	1,853,557,723
Interest expense	988,796,358	2,032,697,305
Others	110,000,000	115,000,000
TOTAL	7,245,093,814	7,079,641,862

19. SHORT-TERM OTHER PAYABLES

VND

	ENDING BALANCE	BEGINNING BALANCE
Dividends	126,789,090	58,535,865
Social insurance	3,337,350,476	3,027,530,711
Others	1,846,389,597	2,093,507,803
TOTAL	5,310,529,163	5,179,574,379

20. LOANS

VND

	BEGINNING BALANCE		MOVEMENT DURING THE YEAR	FOREIGN EXCHANGE DIFFERENCE	ENDING BALANCE
Short-term					
Loans from banks (Note 20.1)	280,515,587,992		1,045,014,508,520	(962,860,280,546)	361,452,671,910
Current portion of long-term loans (Note 20.2)	146,198,108,169		183,503,923,073	(93,850,520)	149,021,559,688
	426,713,696,161		1,228,518,431,593	(1,310,994,576)	510,474,231,598
Long-term					
Loans from banks (Note 20.2)	347,818,799,805		-	(183,503,923,073)	164,112,248,703
TOTAL	774,532,495,966		1,228,518,431,593	(1,326,950,824,653)	674,586,480,301

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 2.98% to 4.00% per annum (on foreign currency). Details are as follows:

BANKS	ENDING BALANCE VND	ORIGINAL AMOUNT USD	TERM AND MATURITY DATE
Joint Stock Commercial Bank for Foreign Trade of Vietnam	198,511,837,200	8,582,440	From 29 January 2020 to 29 May 2020
Vietnam Export Import Commercial Joint Stock Bank	65,680,873,200	2,839,640	From 30 January 2020 to 27 May 2020
CTBC Bank Company Limited	88,007,961,510	3,804,927	From 10 March 2020 to 28 May 2020
Orient Commercial Joint Stock Bank	9,252,000,000	400,000	1 May 2020
TOTAL	361,452,671,910	15,627,007	

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 VND	ORIGINAL AMOUNT USD	TERM AND MATURITY DATE	DESCRIPTION OF COLLATERAL
Vietnam Commercial Joint Stock Export Import Bank	199,545,563,161	8,627,132	From 20 Jan 2020 to 20 October 2021	Assets funded by loans including prepaid land rental (Note 14) and imported machinery and equipment (Note 10) at Trang Bang project, Tay Ninh
CTBC Bank Co., Ltd	113,588,245,230	4,910,862	From 5 Jan 2020 to 5 December 2022	Assets funded by loans including all imported machinery and equipment (Note 10) (Trang Bang project - 4 th and 5 th stage)
TOTAL	313,133,808,391	13,537,994		

In which:

Current portion	149,021,559,688
Long-term loans	164,112,248,703

21. OWNERS' EQUITY

21.1 Increases and decreases in owners' equity

VND

	SHARE CAPITAL	SHARE PREMIUM	INVESTMENT AND DEVELOPMENT FUND	UNDISTRIBUTED EARNINGS	TOTAL
Previous year:					
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
Current year:					
Beginning balance	599,377,980,000	35,297,435,379	1,219,011,000	273,158,575,490	909,053,001,869
Capital increase (*)	107,891,460,000	(204,236,507)	-	(41,953,660,000)	65,733,563,493
Net profit for the year	-	-	-	214,423,398,058	214,423,398,058
Dividend declared (**)	-	-	-	(106,090,416,000)	(106,090,416,000)
Ending balance	707,269,440,000	35,093,198,872	1,219,011,000	339,537,897,548	1,083,119,547,420

(*) As at 10 April 2019, the Company successfully issued 4,195,366 shares to pay dividends for 2017 according to General Shareholder Meeting No. 01-2018/NQ-DHDCD/TK dated 17 April 2018, and Resolution of Board of Directors No. 08-2019/NQHDQT/TK dated 7 January 2019.

As at 10 April 2019, the Company successfully issued 5,993,780 shares to existing shareholders according to General Shareholder Meeting No. 03-2018/NQ-DHDCD/TK dated 17 April 2018, and Resolution of Board of Directors No. 04-2018/NQHDQT/TK, 13-2018/NQHDQT/TK and 14-2018/NQHDQT/TK dated 22 August 2018.

As at 10 April 2019, the Company successfully issued 600,000 shares to employees under ESOP according to General Shareholder Meeting No. 01-2018/NQ-DHDCD/TK dated 17 April 2018, and Resolution of Board of Directors No. 04-2019/NQHDQT/TK dated 7 January 2019.

As at 18 April 2019, the Company obtained the 17th Amended Enterprise Registration Certificate issued by the Department of Planning and Investment of Ho Chi Minh City, approving on the share capital increase to VND 707,269,440,000.

(**) The Resolutions of Annual Shareholder Meeting dated 2 April 2019, and of Board of Directors No. 13-2019/NQHDQT dated 29 May 2019 approved the dividend by cash of 15% par value of share (VND 1,500/share).

21.2 Capital transactions with owners and distribution of dividends, profits

VND

	CURRENT YEAR	PREVIOUS YEAR
Issued share capital		
Beginning balance	599,377,980,000	599,377,980,000
Share issuance	107,891,460,000	-
Ending balance	707,269,440,000	599,377,980,000
Dividends declared		
Dividend paid in cash	(106,009,143,674)	(48,237,928,680)
Stock dividend	(41,953,660,000)	-

21.3 Shares

VND

	ENDING BALANCE		BEGINNING BALANCE	
	QUANTITY	AMOUNT (VND)	QUANTITY	AMOUNT (VND)
Authorized shares	70,726,944	707,269,440,000	59,937,798	599,377,980,000
Issued shares				
Issued and paid-up shares	70,726,944	707,269,440,000	59,937,798	599,377,980,000
Ordinary shares	70,726,944	707,269,440,000	59,937,798	599,377,980,000
Shares in circulation				
Ordinary shares	70,726,944	707,269,440,000	59,937,798	599,377,980,000

22. REVENUES

22.1 Revenue from sale of goods

	VND	
	CURRENT YEAR	PREVIOUS YEAR
Gross revenue	2,231,825,707,808	2,408,319,231,223
Less:		
Trade discount	(764,230,502)	(5,614,560)
Sales returns	(2,076,853,643)	(610,248,991)
Net revenue	2,228,984,623,663	2,407,703,367,672

22.2 Finance income

	VND	
	CURRENT YEAR	PREVIOUS YEAR
Interest income	8,941,157,186	7,900,963,682
Foreign exchange gains	5,337,442,584	3,191,770,506
TOTAL	14,278,599,770	11,092,734,188

23. FINANCE EXPENSES

	VND	
	CURRENT YEAR	PREVIOUS YEAR
Interest expense	30,714,160,176	29,036,662,759
Foreign exchange losses	4,490,844,833	24,371,074,611
TOTAL	35,205,005,009	53,407,737,370

24. SELLING EXPENSES

	VND	
	CURRENT YEAR	PREVIOUS YEAR
Transportation expense	12,084,996,155	17,140,619,021
Letter of credit (L/C) and documentary fee	6,947,349,102	8,632,350,141
Commission fee	4,575,738,209	5,146,879,241
Others	3,298,148,355	2,594,059,683
TOTAL	26,906,231,821	33,513,908,086

25. GENERAL AND ADMINISTRATION EXPENSES

	VND	
	CURRENT YEAR	PREVIOUS YEAR
Labour costs	26,527,207,472	28,816,407,362
Expenses for external services	12,310,256,871	12,100,894,347
Stationery and other tools costs	8,102,156,780	5,066,773,515
Depreciation and amortisation expenses (Notes 10 and 11)	2,165,473,870	3,416,801,592
Other expenses	8,815,510,540	6,833,931,595
TOTAL	57,920,605,533	56,234,808,411

26. PRODUCTION AND OPERATING COSTS

	VND	
	CURRENT YEAR	PREVIOUS YEAR
Raw materials	1,353,106,128,093	1,528,342,410,706
Expenses for external services	276,729,700,158	285,345,126,623
Depreciation and amortisation expenses (Notes 10 and 11)	136,956,773,221	143,017,657,234
Labour costs	133,247,271,009	146,511,203,483
Other expenses	59,641,204,435	59,325,616,223
TOTAL	1,959,681,076,916	2,162,542,014,269

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, CIT is applied according to each product type. In particular:
 - Income from FDY and DTY products is exempted for four years (2016 - 2019), and is subject to 50% deduction in the nine following years (2020 - 2028). The applicable rate is 20%.
 - Income from POY products at stages 1, 2 is exempted for two years (2013 - 2014), and is subject to 50% deduction in the two following years (2015 - 2016). The applicable rate is 17% from 2016 to 2020.
 - Income from POY products at stage 3 is exempted for two years (2016 - 2017), and is subject to 50% deduction in the four following years (2018 - 2021). The applicable rate is 20%.
- > 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 CIT expenses

	VND	
	CURRENT YEAR	PREVIOUS YEAR
Current tax expense	22,984,249,920	24,299,230,212
Adjustment for under accrual of CIT from prior years	13,205,213,902	966,140,955
Deferred tax expense (income)	2,307,292,759	(4,348,700,272)
TOTAL	38,496,756,581	20,916,670,895

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.

27.2 Current CIT

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

	VND	
	CURRENT YEAR	PREVIOUS YEAR
Accounting profit before tax	252,920,154,639	199,268,901,164
At the applicable CIT rate for the Group	50,584,030,928	39,853,780,233
Adjustments:		
Non-deductible expenses	1,348,237,810	286,303,797
Tax incentive at Trang Bang branch	(23,683,089,306)	(22,368,209,105)
Adjustment for under accrual of tax from prior years	13,205,213,902	966,140,955
Unrealised (profit) loss	(2,957,636,753)	2,178,655,015
CIT expense	38,496,756,581	20,916,670,895

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:

	CONSOLIDATED BALANCE SHEET		CONSOLIDATED INCOME STATEMENT	
	ENDING BALANCE	BEGINNING BALANCE	CURRENT YEAR	PREVIOUS YEAR
Deferred tax assets				
Accrued expenses	555,577,715	362,412,806	193,164,909	(39,463,703)
Accrued salaries and bonus	3,828,333,066	3,443,358,935	384,974,131	1,137,057,276
Accrual for severance pay	74,454,142	69,150,200	5,303,942	(4,844,050)
Provision for obsolete inventory	832,884,959	1,009,306,806	(176,421,847)	528,194,420
Provision for import duties	-	2,733,745,103	(2,733,745,103)	2,733,745,103
Foreign exchange arising from revaluation of monetary accounts denominated in foreign currency	20,689,303	1,258,094	19,431,209	(5,988,774)
	5,311,939,185	7,619,231,944		
Net deferred tax (charge) credit to consolidated income statement			(2,307,292,759)	4,348,700,272

28. TRANSACTIONS WITH RELATED PARTIES

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

VND				
RELATED PARTIES	RELATIONSHIP	TRANSACTIONS	CURRENT YEAR	PREVIOUS YEAR
E.DYE Vietnam Joint Stock Company	Associate	Capital withdrawal	-	24,663,600,000
P.A.N Asia Co., Ltd	Related party due to a BOD member of the Group investing therein	Sale of goods	18,383,946,860	30,213,644,533
Liantex Corp	Related party due to a BOD member of the Group investing therein	Sale of goods	17,877,581,900	12,427,881,727
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	8,655,709,290	21,005,627,131

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

VND				
RELATED PARTIES	RELATIONSHIP	TRANSACTION	ENDING BALANCE	BEGINNING BALANCE
Short-term trade receivable (Note 6)				
P.A.N Asia Co., Ltd	Related party due to a BOD member of the Group investing therein	Sale of goods	1,307,646,387	1,628,272,804
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	355,526,818	-
Liantex Corp	Related party due to a BOD member of the Group investing therein	Sale of goods	43,405	-
			1,663,216,610	1,628,272,804
Other short-term advance to suppliers (Note 16)				
Liantex Corp	Related party due to a BOD member of the Group investing therein	Advance	-	119,330,088

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

VND		
	CURRENT YEAR	PREVIOUS YEAR
Management	3,971,493,802	3,802,428,850
Board of Directors	540,000,000	540,000,000
Board of Supervision	144,000,000	144,000,000
TOTAL	4,655,493,802	4,486,428,850



XII

INTERNATIONAL FINANCIAL REPORTING STANDARDS

XII.1 IFRS BALANCE SHEET

	2019 (VND1,000)	2018 (VND1,000)
ASSETS		
Non-current assets		
Property, plant and equipment	1,180,019,779	1,186,318,180
Intangible assets	117,514,417	117,514,417
Investment in an associate and a joint venture	1,697,846	1,884,588
Non-current financial assets	393,247	
Deferred tax assets	5,311,939	7,619,232
Non-current assets	1,191,601,317	1,313,336,417
Current assets		
Inventories	524,957,683	509,769,178
Trade and other receivables	117,003,756	89,223,803
Prepayments	1,920,277	
Other current financial assets	80,000,000	45,000,000
Cash and short-term deposits	150,025,728	153,072,427
Current assets	873,907,444	797,065,408
TOTAL ASSETS	2,065,508,761	2,110,401,825
EQUITY AND LIABILITIES		
Equity		
Issued capital	707,269,440	599,377,980
Share premium	35,093,199	35,297,435
Other capital reserves	1,219,011	1,219,011
Retained earnings	333,773,601	264,126,027
Equity attributable to equity holders of the parent	1,077,355,251	900,020,453
Total equity	1,077,355,251	900,020,453

	2019 (VND1,000)	2018 (VND1,000)
Non-current liabilities		
Interest-bearing loans and borrowings (LT)	164,112,249	347,818,800
Provisions (LT)	372,271	429,172
Non-current liabilities	164,484,520	348,247,972
Current liabilities		
Trade and other payables	311,354,805	421,524,818
Interest-bearing loans and borrowings (ST)	510,474,232	426,713,696
Income tax payable	1,713,164	13,836,351
Dividends payable	13,836,351	3,026,909
Current liabilities	823,668,990	862,133,400
Total liabilities	988,153,510	1,210,381,372
TOTAL EQUITY AND LIABILITIES	2,065,508,761	2,110,401,825

XII.2 IFRS INCOME STATEMENTS

	2019 (VND1,000)	2018 (VND1,000)
Revenue from contracts with customers	2,228,984,624	2,407,703,368
Cost of sales	(1,871,585,989)	(2,076,293,817)
Gross profit	357,398,635	331,409,551
Other operating income	5,872,384	4,544,253
Selling and distribution expenses	(26,906,232)	(33,513,908)
Administrative expenses	(57,920,606)	(56,234,808)
Other operating expenses	(1,301,600)	(28,798,795)
Operating profit	277,142,580	217,406,293
Finance costs	(30,714,160)	(29,036,662)
Finance income	9,946,726	7,900,963
Share of loss of an associate	(186,742)	(502,212)
Profit before tax from continuing operations	256,188,405	195,768,382
Income tax expenses	(38,496,757)	(20,916,671)
Profit for the year from continuing operations	217,691,648	174,851,711
Attributable to:		
Equity holders of the parent	217,691,648	174,851,711

XII.3 IFRS CASH FLOW STATEMENTS

	2019 (1,000 đồng)	2018 (1,000 đồng)
<i>Đơn vị</i>		
Operating activities		
Profit before tax from continuing operations	256,188,405	195,768,382
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of property, plant and equipment	136,842,683	146,093,519
Amortisation of intangible assets	1,071,282	1,153,413
Net foreign exchange differences	(1,829,474)	7,038,326
Gain/loss on disposal of property, plant and equipment	3,712,766	113,994
Finance income	(9,946,726)	(7,900,963)
Finance costs	30,714,160	29,036,662
Working capital adjustments:		
Increase/decrease in trade receivables and prepayments	(76,931,433)	(39,330,548)
Increase/decrease in inventories	1,872,120	(139,388,409)
Increase/decrease in trade and other payables	(110,450,118)	40,047,484
Interest received	9,316,333	7,567,345
Interest paid	(30,144,365)	(28,976,004)
Income tax paid	(48,312,651)	(13,548,590)
Net cash flows from operating activities	145,172,199	227,241,192
Investing activities		
Proceeds from sale of property, plant and equipment	260,000	2,123,750
Purchase of property, plant and equipment	(9,772,090)	(118,977,795)
Proceeds from sale of investments in other entities	-	24,663,600
Net cash flows used in investing activities	(9,512,090)	(92,190,445)
Proceeds from issuance of shares	65,733,564	
Proceeds from borrowings	1,045,014,509	
Repayment of borrowings	(1,143,446,902)	1,549,527,932
Dividend paid to equity holders of parent	(106,009,144)	(1,599,945,675)
Net cash flows (used in) from financing activities	(138,707,973)	(98,655,672)
Net increase in cash and cash equivalents	(3,047,864)	36,395,075
Net foreign exchange difference	1,165	61,627
Cash and cash equivalents at 1 January	153,072,427	116,615,725
Cash and cash equivalents at 31 December	150,025,728	153,072,427

Appendix: ASEAN Corporate Governance Scorecards

CODE	CRITERIA	STK'S COMPLIANCE	NOTES/RECOMMENDED IMPROVEMENTS
A.	Rights of Shareholders		
A.1	Basic Shareholder Rights		
A.1.1	Paying dividends within 30 days after being announced	not yet applied this practice	STK just paid dividend within 6 months from AGSM date in accordance with Vietnam's regulations
A.2	Right to participate in decisions concerning fundamental corporate changes		
	<i>Do shareholders have the right to participate in:</i>		
A.2.1	Amendments to the company's constitution?	already applied this practice	STK get shareholders' approval for Charter amendment
A.2.2	The authorisation of additional shares?	already applied this practice	STK get shareholders' approval for new share issues
A.2.3	The transfer of all or substantially all assets, which in effect results in the sale of the company?	not applicable	This type of situation has not yet happened with STK
A.3	Right to participate effectively in and vote in general shareholder meetings and should be informed of the rules, including voting procedures, that govern general shareholder meetings.		
A.3.1	Do shareholders have the opportunity, evidenced by an agenda item, to approve remuneration (fees, allowances, benefit-in-kind and other emoluments) or any increases in remuneration for the non-executive directors/commissioners?	already applied this practice	STK get shareholders' approval for BOD Members' remuneration
A.3.2	Does the company provide non-controlling shareholders a right to nominate candidates for board of directors/commissioners?	already applied this practice	The Company's Charter stipulates that shareholders can accumulate their votes to nominate candidates
A.3.3	Does the company allow shareholders to elect directors/commissioners individually?	already applied this practice	The self-nomination, nomination and election rules have clear provisions on this matter
A.3.4	Does the company disclose the voting procedures used before the start of meeting?	already applied this practice	The self-nomination, nomination and election rules are posted on the Company's website
A.3.5	Do the minutes of the most recent AGM record that the shareholders were given the opportunity to ask questions and the questions raised by shareholders and answers given recorded?	already applied this practice	2017 AGSM minutes noted details of shareholders' questions and the BOM's answers
A.3.6	Does the company disclose the voting results including approving, dissenting, and abstaining votes for all resolutions/each agenda item for the most recent AGM?	already applied this practice	2017 AGSM minutes noted details of voting for each proposal
A.3.7	Does the company disclose the list of board members who attended the most recent AGM?	not yet applied this practice	2018 AGSM minutes will have the full list of BOD Members attending the AGSM

CODE	CRITERIA	STK'S COMPLIANCE	NOTES/RECOMMENDED IMPROVEMENTS
A.3.8	Does the company disclose that all board members and the CEO (if he is not a board member) attended the most recent AGM?	not yet applied this practice	2018 AGSM minutes will address this matter
A.3.9	Does the company allow voting in absentia?	already applied this practice	The Company's Charter and the Voting rules clearly stipulate this matter
A.3.10	Did the company vote by poll (as opposed to by show of hands) for all resolutions at the most recent AGM?	already applied this practice	The Company's Charter and the Voting rules clearly stipulate this matter
A.3.11	Does the company disclose that it has appointed an independent party (scrutineers/ inspectors) to count and/or validate the votes at the AGM?	not yet applied this practice	2018 AGSM will comply with this practice
A.3.12	Does the company make publicly available by the next working day the result of the votes taken during the most recent AGM/EGM for all resolutions?	already applied this practice	AGSM minutes and resolutions are disclosed within 24 hours on the Company's website
A.3.13	Does the company provide at least 21 days notice for all AGMs and EGMs?	partially applied this practice	The announcement for shareholder list finalization for AGSM (which is disclosed 30 days before the AGSM) mentioned the date of AGSM. However, the invitation to AGSM and AGSM documents were sent just 15 days before the AGSM. The Company will try to complw this this practice
A.3.14	Does the company provide the rationale and explanation for each agenda item which require shareholders' approval in the notice of AGM/circulars and/or the accompanying statement?	already applied this practice	AGSM proposals stated clearly the rationales and explanation for each agenda items
A.3.15	Does the company give the opportunity for shareholder to place item/s on the agenda of AGM?	already applied this practice	The Company's Charter stipulate this matter and in reality the Company always gave opportunities for shareholders to contribute on the AGSM agenda
A.4	Markets for corporate control should be allowed to function in an efficient and transparent manner.		
A.4.1	In cases of mergers, acquisitions and/or takeovers requiring shareholders' approval, does the board of directors/commissioners of the company appoint an independent party to evaluate the fairness of the transaction price?	already applied this practice	The Company's Charter stipulates this matter
A.5	The exercise of ownership rights by all shareholders, including institutional investors, should be facilitated		
A.5.1	Does the company disclose its practices to encourage shareholders to engage with the company beyond AGM?	already applied this practice	Annual report mentioned channels for shareholders' communication and contact details of the IR team is posted on the Company's website

CODE	CRITERIA	STK'S COMPLIANCE	NOTES/RECOMMENDED IMPROVEMENTS
B.	Equitable Treatment of Shareholders		
B.1	Shares and voting rights		
B.1.1	Does the company's ordinary or common shares have one vote for one share?	already applied this practice	The Company's Charter and the Voting rules clearly stipulate this matter
B.1.2	Where the company has more than one class of shares, does the company publicise the voting rights attached to each class of shares (e.g. through the company website/reports/ the stock exchange/ the regulator's website)?	not applicable	This type of situation has not yet happened with STK
B.2	Notice of AGM		
B.2.1	Does each resolution in the most recent AGM deal with only one item, i.e., there is no bundling of several items into the same resolution?	already applied this practice	The Company submit separate proposal for each agenda item
B.2.2	Are the company's notice of the most recent AGM/circulars fully translated into English and published on the same date as the local-language version?	already applied this practice	Already complied with this practice since 2017 AGSM
	Does the notice of AGM/circulars have the following details:		
B.2.3	Are the profiles of directors/commissioners (at least age, academic qualification, date of appointment, experience, and directorships in other listed companies) in seeking election/ re- election included?	already applied this practice	BOD candidates' resumes are disclosed on the Company's website
B.2.4	Are the auditors seeking appointment/re-appointment clearly identified?	already applied this practice	2017 AGSM proposal on this matter listed names of nominated auditing firms and selection criterion
B.2.5	Were the proxy documents made easily available?	already applied this practice	Proxy template is attached to invitation to AGSM and posted on the Company's website
B.3	Insider trading and abusive self-dealing should be prohibited.		
B.3.1	Does the company have policies and/or rules prohibiting directors/commissioners and employees to benefit from knowledge which is not generally available to the market?	already applied this practice	The Company's Charter and Code of Conducts stipulates this matter
B.3.2	Are the directors/commissioners required to report their dealings in company shares within 3 business days?	already applied this practice	The Company's Rules on public disclosure stipulates this matter

CODE	CRITERIA	STK'S COMPLIANCE	NOTES/RECOMMENDED IMPROVEMENTS
B.4	Related party transactions by directors and key executives		
B.4.1	Does the company have a policy requiring directors/commissioners to disclose their interest in transactions and any other conflicts of interest?	already applied the practice	The Company's Charter stipulates this matter
B.4.2	Does the company have a policy requiring a committee of independent directors/commissioners to review material RPTs to determine whether they are in the best interests of the company and shareholders?	already applied this practice	The Company's Charter stipulates this matter
B.4.3	Does the company have a policy requiring board members (directors/commissioners) to abstain from participating in the board discussion on a particular agenda when they are conflicted?	already applied this practice	The Company's Charter stipulates this matter
B.4.4	Does the company have policies on loans to directors and commissioners either forbidding this practice or ensuring that they are being conducted at arm's length basis and at market rates?	already applied this practice	The Company's Charter stipulates this matter
B.5	Protecting minority shareholders from abusive actions		
B.5.1	Does the company disclose that RPTs are conducted in such a way to ensure that they are fair and at arms' length?	partially applied the practice	2016 Annual report clearly mentioned the policies to prevent conflicts of interest that the Company already applied. Although the Annual report provided the list of related party transaction but was still lack of the confirmation that these transactions were carried out fairly at arm's length
B.5.2	In case of related party transactions requiring shareholders' approval, is the decision made by disinterested shareholders?	already applied this practice	The Company's Charter clearly stipulate this matter and the Company actually complied with this practice.
C.	Role of Stakeholders		
C.1	The rights of stakeholders that are established by law or through mutual agreements are to be respected.		
	Does the company disclose a policy and practices that address:		
C.1.1	The existence and scope of the company's efforts to address customers' welfare?	already applied this practice	The Company's Code of Conducts stipulates this matter
C.1.2	Supplier/contractor selection procedures?	already applied this practice	The Company's Code of Conducts stipulates this matter
C.1.3	The company's efforts to ensure that its value chain is environmentally friendly or is consistent with promoting sustainable development?	already applied this practice	The Sustainability Report clearly mentioned this matter since 2015
C.1.4	The company's efforts to interact with the communities in which they operate?	already applied this practice	The Sustainability Report clearly mentioned this matter since 2015

CODE	CRITERIA	STK'S COMPLIANCE	NOTES/RECOMMENDED IMPROVEMENTS
C.1.5	The company's anti-corruption programmes and procedures?	already applied this practice	The Company's Code of Conducts stipulates this matter
C.1.6	How creditors' rights are safeguarded?	already applied this practice	The Company's Code of Conducts stipulates this matter
C.1.7	Does the company have a separate report/section that discusses its efforts on environment/economy and social issues?	already applied this practice	The Company's Code of Conducts stipulates this matter
C.2	Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.		
C.2.1	Does the company provide contact details via the company's website or Annual Report which stakeholders (e.g. customers, suppliers, general public etc.) can use to voice their concerns and/or complaints for possible violation of their rights?	already applied this practice	Contact details of the Sales team and the IR team are posted in the Company's website
C.3	Mechanisms for employee participation should be permitted to develop.		
C.3.1	Does the company explicitly disclose the policies and practices on health, safety and welfare for its employees?	already applied this practice	The Sustainability Report clearly mentioned this matter
C.3.2	Does the company explicitly disclose the policies and practices on training and development programmes for its employees?	already applied this practice	the Sustainability Report clearly mentioned this matter
C.3.3	Does the company have a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures?	already applied this practice	The Company issued ESOP in 2011, 2015 and intended to issue ESOP in 2018
C.4	Stakeholders including individual employee and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and their rights should not be compromised for doing this.		
C.4.1	Does the company have a whistle blowing policy which includes procedures for complaints by employees and other stakeholders concerning alleged illegal and unethical behaviour and provide contact details via the company's website or annual report	partially applied this practice	The Code of Conducts define the feedback mechanism. However, the Company has not provided the contact details for feed back on code of conducts on the Company's website
C.4.2	Does the company have a policy or procedures to protect an employee/person who reveals alleged illegal/unethical behaviour from retaliation?	already applied this practice	The Code of Conducts define the mechanism for feedbacks and reporting of violations

CODE	CRITERIA	STK'S COMPLIANCE	NOTES/RECOMMENDED IMPROVEMENTS
D. Disclosure and Transparency			
D.1 Transparent ownership structure			
D.1.1	Does the information on shareholdings reveal the identity of beneficial owners, holding 5% shareholding or more?	already applied this practice	Annual reports provided list of major shareholders (with >5% share ownership)
D.1.2	Does the company disclose the direct and indirect (deemed) shareholdings of major and/or substantial shareholders?	partially applied this practice	Annual reports provided direct ownership of major shareholders but lack of information on their indirect ownership
D.1.3	Does the company disclose the direct and indirect (deemed) shareholdings of directors (commissioners)?	partially applied this practice	Annual reports provided direct ownership of BOD members but lack of information on their indirect ownership. 2017 Annual report will supplement the missing information
D.1.4	Does the company disclose the direct and indirect (deemed) shareholdings of senior management?	partially applied this practice	Annual reports provided direct ownership of senior management but lack of information on their indirect ownership. 2017 Annual report will supplement the missing information
D.1.5	Does the company disclose details of the parent/holding company, subsidiaries, associates, joint ventures and special purpose enterprises/vehicles (SPEs)/(SPVs)? information necessary for a proper understanding of the company's relationship with its public shareholders.	already applied this practice	Annual reports provided details information on this matter
D.2 Quality of Annual Report			
Does the company's annual report disclose the following items:			
D.2.1	Corporate objectives	already applied this practice	The Annual Reports clearly mentioned this matter
D.2.2	Financial performance indicators	already applied this practice	The Annual Reports clearly mentioned this matter
D.2.3	Non-financial performance indicators	already applied this practice	The Annual Reports clearly mentioned this matter
D.2.4	Dividend policy	already applied this practice	The Annual Reports clearly mentioned this matter
D.2.5	Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of all directors/commissioners	partially applied this practice	The Annual reports provided resume of BOD members but was still lacked of information on the number of directorship they have in other entities. 2017 Annual report will supplement this missing information
D.2.6	Attendance details of each director/commissioner in all directors/commissioners meetings held during the year	already applied this practice	The Annual Reports clearly mentioned this matter
D.2.7	Total remuneration of each member of the board of directors/commissioners	already applied this practice	The Annual Reports clearly mentioned this matter
Corporate Governance Confirmation Statement			
D.2.8	Does the Annual Report contain a statement confirming the company's full compliance with the code of corporate governance and where there is non-compliance, identify and explain reasons for each such issue?	already applied this practice	The Annual Reports clearly mentioned this matter

CODE	CRITERIA	STK'S COMPLIANCE	NOTES/RECOMMENDED IMPROVEMENTS
D.3.	Disclosure of related party transactions (RPT)		
D.3.1	Does the company disclose its policy covering the review and approval of material RPTs?	already applied this practice	The Annual Reports clearly mentioned this matter
D.3.2	Does the company disclose the name,relationship, nature and value for each material RPTs?	already applied this practice	The Annual Reports clearly mentioned this matter
D.4	Directors and commissioners dealings in shares of the company		
D.4.1	Does the company disclose trading in the company's shares by insiders?	already applied this practice	The Annual Reports clearly mentioned this matter
D.5	External auditor and Auditor Report		
D.5.1	Are the audit and non-audit fees disclosed?	not yet applied this practice	The Company has not yet applied this practice since the auditing firm requested to keep the information on auditing fee confidential
D.5.2	Does the non-audit fee exceed the audit fees?	not applicable	The Company did not used non-audit services from its auditing firm
D.6	Medium of communications		
	Does the company use the following modes of communication?		
D.6.1	Quarterly reporting	already applied this practice	The Company disclosed quarter financial statements and IR Bulletin since 2015
D.6.2	Company website	already applied this practice	The Company's website contains an IR page
D.6.3	Analyst's briefing	partially applied this practice	The Company's website provide list of analysts who issued analyst reports on STK but is lack of mentioning the analysts' opinions. The Company also hosted analyst meetings.
D.6.4	Media briefings/press conferences	already applied this practice	The Company invited reporters to its big events
D.7	Timely filing/release of annual/financial reports		
D.7.1	Are the audited annual financial report/statement released within 120 days from the financial year end?	already applied this practice	
D.7.2	Is the annual report released within 120 days from the financial year end?	already applied this practice	
D.7.3	Is the true and fairness/fair representation of the annual financial statement/reports affirmed by the board of directors/commissioners and/or the relevant officers of the company?	already applied this practice	

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D.8	Company website Does the company have a website disclosing up-to-date information on the following:		
D.8.1	Financial statements/reports (latest quarterly)	already applied this practice	
D.8.2	Materials provided in briefings to analysts and media	already applied this practice	
D.8.3	Downloadable annual report	already applied this practice	
D.8.4	Notice of AGM and/or EGM	already applied this practice	
D.8.5	Minutes of AGM and/or EGM	already applied this practice	
D.8.6	Company's constitution (company's by-laws, memorandum and articles of association)	already applied this practice	
D.9	Investor relations		
D.9.1	Does the company disclose the contact details (e.g. telephone, fax, and email) of the officer/office responsible for investor relations?	already applied this practice	
E.	Responsibilities of the Board		
E.1	Board Duties and Responsibilities Clearly defined board responsibilities and corporate governance policy		
E.1.1	Does the company disclose its corporate governance policy/board charter?	already applied this practice	The Company's Corporate Governance Rules and Charter are posted on the Company's website.
E.1.2	Are the types of decisions requiring board of directors/commissioners' approval disclosed ?	already applied this practice	The BOD's resolutions are disclosed in accordance with the prevailing regulations and stated in the Annual reports and Corporate Governance reports
E.1.3	Are the roles and responsibilities of the board of directors/commissioners clearly stated?	already applied this practice	The Company's Corporate Governance Rules and Charter clearly stipulate this matter
	Corporate Vision/Mission		
E.1.4	Does the company have an updated vision and mission statement?	already applied this practice	This information was posted in the Company's website and stated in its Annual reports
E.1.5	Does the board of directors play a leading role in the process of developing and reviewing the company's strategy at least annually?	already applied this practice	BOD meetings regularly review the implementation of strategies
E.1.6	Does the board of directors have a process to review, monitor and oversee the implementation of the corporate strategy?	already applied this practice	BOD meetings regularly review the implementation of strategies

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E.2	Board structure		
	Code of Ethics or Conduct		
E.2.1	Are the details of the code of ethics or conduct disclosed?	already applied this practice	The Company's Code of Conducts is posted on the Company's website
E.2.2	Are all directors/commissioners, senior management and employees required to comply with the code/s?	already applied this practice	The Company's Code of Conducts addresses this matter
E.2.3	Does the company have a process to implement and monitor compliance with the code/s of ethics or conduct?	already applied this practice	The Company's Code of Conducts addresses this matter
	Board Structure & Composition		
E.2.4	Do independent directors/commissioners make up at least 50% of the board of directors/commissioners?	already applied this practice	3 out of 6 BOD members are independent ones
E.2.5	Does the company have a term limit of nine years or less or 2 terms of five years each for its independent directors/ commissioners?	not yet applied this practice	
E.2.6	Has the company set a limit of five board seats that an individual independent/non-executive director/commissioner may hold simultaneously?	already applied this practice	Although the Company's Charter does not stipulate this matter, the Company and BOD Members strictly comply with the prevailing regulations
E.2.7	Does the company have any executive directors who serve on more than two boards of listed companies outside of the group?	already applied this practice	The Company does not have any BOD member of this type
	Nominating Committee		
E.2.8	Does the company have a Nominating Committee?	not yet applied this practice	The Company is considering establishment of this sub-committee
E.2.9	Is the Nominating Committee comprised of a majority of independent directors/commissioners?	not yet applied this practice	The Company is considering establishment of this sub-committee
E.2.10	Is the chairman of the Nominating Committee an independent director/commissioner?	not yet applied this practice	The Company is considering establishment of this sub-committee
E.2.11	Does the company disclose the terms of reference/ governance structure/charter of the Nominating Committee?	not yet applied this practice	The Company is considering establishment of this sub-committee
E.2.12	Is the meeting attendance of the Nominating Committee disclosed and if so, did the Nominating Committee meet at least twice during the year?	not yet applied this practice	The Company is considering establishment of this sub-committee

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Remuneration Committee/ Compensation Committee			
E.2.13	Does the company have a Remuneration Committee?	not yet applied this practice	The Company is considering establishment of this sub-committee
E.2.14	Is the Remuneration Committee comprised of a majority of independent directors/commissioners?	not yet applied this practice	The Company is considering establishment of this sub-committee
E.2.15	Is the chairman of the Remuneration Committee an independent director/commissioner?	not yet applied this practice	The Company is considering establishment of this sub-committee
E.2.16	Does the company disclose the terms of reference/ governance structure/ charter of the Remuneration Committee?	not yet applied this practice	The Company is considering establishment of this sub-committee
E.2.17	Is the meeting attendance of the Remuneration Committee disclosed and, if so, did the Remuneration Committee meet at least twice during the year?	not yet applied this practice	The Company is considering establishment of this sub-committee
Audit Committee			
E.2.18	Does the company have an Audit Committee?	not yet applied this practice	The Company is considering establishment of this sub-committee
E.2.19	Is the Audit Committee comprised entirely of non- executive directors/commissioners with a majority of independent directors/commissioners?	not yet applied this practice	The Company is considering establishment of this sub-committee
E.2.20	Is the chairman of the Audit Committee an independent director/commissioner?	not yet applied this practice	The Company is considering establishment of this sub-committee
E.2.21	Does the company disclose the terms of reference/governance structure/charter of the Audit Committee?	not yet applied this practice	The Company is considering establishment of this sub-committee
E.2.22	Does at least one of the independent directors/commissioners of the committee have accounting expertise (accounting qualification or experience)?	not yet applied this practice	The Company is considering establishment of this sub-committee
E.2.23	Is the meeting attendance of the Audit Committee disclosed and, if so, did the Audit Committee meet at least four times during the year?	not yet applied this practice	The Company is considering establishment of this sub-committee
E.2.24	Does the Audit Committee have primary responsibility for recommendation on the appointment, and removal of the external auditor?	not yet applied this practice	The Company is considering establishment of this sub-committee

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E.3	Board Processes		
	Board meetings and attendance		
E.3.1	Are the board of directors meeting scheduled before the start of financial year?	already applied this practice	The Annual reports already listed the tentative working agenda of the BOD
E.3.2	Does the board of directors/commissioners meet at least six times during the year?	already applied this practice	In 2017, beside 5 direct BOD meetings, the BOD also have 10 indirect meetings (via email, phone).
E.3.3	Has each of the directors/commissioner attended at least 75% of all the board meetings held during the year?	already applied this practice	
E.3.4	Does the company require a minimum quorum of at least 2/3 for board decisions?	already applied this practice	The passing of BOD resolutions currently follow the majority rule as required by the Law on Enterprises. However, in reality, all of STK's BOD resolutions were passed with 100% approval.
E.3.5	Did the non-executive directors/commissioners of the company meet separately at least once during the year without any executives present?	not yet applied this practice	This practice will be applied in 2018
	Access to information		
E.3.6	Are board papers for board of directors/commissioners meetings provided to the board at least five business days in advance of the board meeting?	partially applied the practice	The secretary team will comply strictly this practice in 2018
E.3.7	Does the company secretary play a significant role in supporting the board in discharging its responsibilities?	already applied this practice	The role of Company's secretary is stipulated in the Charter and is currently carried out by the IR team.
E.3.8	Is the company secretary trained in legal, accountancy or company secretarial practices and has kept abreast on relevant developments?	already applied this practice	The IR team is regularly updated on newly promulgated rules related to corporate governance
	Board Appointments and Re-Election		
E.3.9	Does the company disclose the criteria used in selecting new directors/commissioners?	already applied this practice	Notice to shareholders on self-nomination and nomination clearly set out criterion for BOD Member selection
E.3.10	Did the company describe the process followed in appointing new directors/commissioners?	already applied this practice	The Rules on self-nomination, nomination and election stipulate this matter
E.3.11	Are all directors/commissioners subject to re-election every 3 years; or 5 years for listed companies in countries whose legislation prescribes a term of 5 years each?	already applied this practice	

CODE	CRITERIA	STK'S COMPLIANCE	NOTES/RECOMMENDED IMPROVEMENTS
Remuneration Matters			
E.3.12	Does the company disclose its remuneration (fees, allowances, benefit-in-kind and other emoluments) policy/practices (i.e. the use of short term and long term incentives and performance measures) for its executive directors and CEO?	already applied this practice	This information is disclosed in the Annual report
E.3.13	Is there disclosure of the fee structure for non-executive directors/commissioners?	already applied this practice	This information is disclosed in the Annual report
E.3.14	Do the shareholders or the Board of Directors approve the remuneration of the executive directors and/or the senior executives?	already applied this practice	The Company submitted a separate proposal for this matter
E.3.15	Does the company have measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interests of the company, such as claw back provision and deferred bonuses?	not yet applied this practice	
Internal Audit			
E.3.16	Does the company have a separate internal audit function?	partially applied the practice	Although the internal control is not officially appointed, the Company has appointed personnels to control some activities such as production, finance
E.3.17	Is the head of internal audit identified or, if outsourced, is the name of the external firm disclosed?	not yet applied this practice	
E.3.18	Does the appointment and removal of the internal auditor require the approval of the Audit Committee?	not yet applied this practice	
Risk Oversight			
E.3.19	Does the company establish a sound internal control procedures/risk management framework and periodically review the effectiveness of that framework?	partially applied this practice	The previous Annual reports listed risks and mitigants but were lack of information on the internal control mechanism. 2017 Annual report will supplement this missing information.
E.3.20	Does the Annual Report/Annual CG Report disclose that the board of directors/commissioners has conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems?	already applied this practice	The BOS' reports already mentioned this matter
E.3.21	Does the company disclose the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic)?	already applied this practice	The Annual reports listed risks and mitigants
E.3.22	Does the Annual Report/Annual CG Report contain a statement from the board of directors/commissioners or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems?	not yet applied this practice	

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E.4	People on the Board		
	Board Chairman		
E.4.1	Do different persons assume the roles of chairman and CEO?	not yet applied this practice	
E.4.2	Is the chairman an independent director/commissioner?	not yet applied this practice	
E.4.3	Is any of the directors a former CEO of the company in the past 2 years?	not yet applied this practice	
E.4.4	Are the roles and responsibilities of the chairman disclosed?	already applied this practice	The roles and responsibilities of the BOD Chairman are stipulated in the Company's Charter, Rules on Corporate Governance and these documents are posted in the Company's website
	Lead Independent Director		
E.4.5	If the Chairman is not independent, has the Board appointed a Lead/Senior Independent Director and has his/her role been defined?	not yet applied this practice	
	Skills and Competencies		
E.4.6	Does at least one non-executive director/commissioner have prior working experience in the major sector that the company is operating in?	already applied this practice	

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E.5	Board Performance		
	Directors Development		
E.5.1	Does the company have orientation programmes for new directors/commissioners?	partially applied the practice	The Company provided Charter and Corporate Governance Rules to new BOD Members
E.5.2	Does the company have a policy that encourages directors/commissioners to attend on-going or continuous professional education programmes?	already applied this practice	BOD Members are encouraged to take training courses on corporate governance
	CEO/Executive Management Appointments and Performance		
E.5.3	Does the company disclose the process on how the board of directors/commissioners plans for the succession of the CEO/Managing Director/President and key management?	not yet applied this practice	
E.5.4	Does the board of directors/commissioners conduct an annual performance assessment of the CEO/Managing Director/President?	already applied this practice	The BOD's Reports had evaluation of the BOM's performance
	Board Appraisal		
E.5.5	Did the company conduct an annual performance assessment of the board of directors/commissioners and disclose the criteria and process followed for the assessment?	not yet applied this practice	This practice will be implemented in 2018
	Director Appraisal		
E.5.6	Did the company conduct an annual performance assessment of the individual directors/commissioners and disclose the criteria and process followed for the assessment?	not yet applied this practice	
	Committee Appraisal		
E.5.7	Did the company conduct an annual performance assessment of the board committees and disclose the criteria and process followed for the assessment?	not yet applied this practice	

