# \_EΔREFICO

# Shaping the FULUICE ANNUAL 2016



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Address: 72 – 74 Nguyen Thi Minh Khai, Ward 6, District 3, Ho Chi Minh City Phone: +84 8 3822 7260 Fax: +84 8 3822 6001 Website: www.searefico.com / Stock code: SRF

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# Message from THE BOARD OF DIRECTORS

Dear shareholders, customers and investors,

In 2016, it has marked a flourishing change in the construction and real estate market, especially high-end segment such as five-star hotels & resorts, Class A apartments and office buildings. Accordingly, Searefico has gained a lot of achievements – the most significant improvement in all aspects since equitization.

No hurry with the pace, business results in recent years show that Searefico has been taking firm steps - far enough to prove internal strength and fast enough to keep up with the goals – first and foremost the short term goals and strategies set out by the Board of Directors.

Searefico has also made decisive changes in organizing human resources, restructuring the company, innovating management strategy horizontally, assigning authority to levels of managers and training the key personnel to create a strong corporate from the "root" - the humans. Besides, modern and high quality managing tools such as ERP (Enterprise Resource Planning), Labor Unit Price Set, Management Accounting System and Internal control have been successfully established and efficiently operated in 2016, facilitating Searefico to keep pace with international management technology.

Searefico has become the top contractor of high reputation in M&E and Industrial refrigeration with proven capability and experience. With 3D - 5D BIM (Building Information Modelling) and MOS (Methods of Statement), the past year has marked a milestone when Searefico won high-value key projects such as Gateway Thao Dien Luxury Apartments, Vinhomes Central Park -Landmark 1, Hoa Lam International Hospital, The Sun Avenue, West Bay Sky Residences, Mong Tay Retreat, JW Marriott Phu Quoc, Hilton Hotel Da Nang and French Village Ba Na Hills. Moreover, we have set up new Business Units to reach out to the target markets: The establishment of M&E Plant Division - in the context of booming hi-tech plant projects - is expected to boost the revenue in this sector.

As a result, the year 2016 witnessed a breakthrough when Searefico gained the most pleasing achievements of ever. The revenue reached 1,316 billion VND, EAT 96 billion VND. The company moved up 121 ranks in Top 500 largest enterprises in Vietnam (VNR500). Especially, we have reached Top 50 Best Enterprises by Vietnam Report and entered Top 5 Best Technology Companies voted by Ashui Architecture and Construction Forum.

Looking forward, Searefico is proud to share the good news with shareholders, partners and employees. The achievements can not only build the brand and platform for sustainable development but also enhance the strategic vision, effective investment and cooperation to develop properly with breakthrough results.

On that momentum, Searefico has been taking careful steps with sustainability towards 2020 goals, becoming Top 100 Best Places to Work in Vietnam.

On behalf of the Board of Directors, I truly appreciate shareholders and investors for trust, the BOD members for consensus and devotion, and our dream team for enthusiasm and non-stop efforts. Together, we have built a solid foundation to shape a bright future with added values for shareholders and better care for employees.

Sincerely yours, Chairman

Nguyen Huu Thinh

Searefico has travelled a long journey being heated in flame and it is now firm enough to build solid walls for the future.

Nguyen Huu Thinh, Chairman

Coto























SINCERITY

SINCERITY

Frankness and integrity are the foundation of all behaviors and work performance. We strive to comply well with the laws and business ethics. EXCELLENT

**EXCELLENCE** 

Products are always improved. New constructions work must be better than previous ones. Today must be better than yesterday but less than tomorrow.

**ACCOUNTABILITY** 

ACCOUNTABILITY

We highly evaluate personal responsibility, encourage employees to take accountability for assigned jobs. RESPECT

RESPECT

We respect all differences and encourage equal participation of all members in the Company. **EDUCATION** 

**EDUCATION** 

Non – stop learning for improvement. All executive leaders are supposed to guide, help employees fulfill gaps between requirements and personal knowledge, capability to set their own personal goals.

**FAIRNESS** 

**FAIRNESS** 

Performance assessment shall be done in an objective, fair and transparent way. Compensation & benefits scheme is based on competency and contribution of each person in line with mutual interests of the company. INNOVATION

INNOVATION

We commit to build a work environment which encourages creativity, broadens the mind and nurtures dreams.

**COOPERATION** 

COOPERATION

We encourage an open, sincere, democratic and cooperative work environment. **OBJECTIVE** 

**OBJECTIVENESS** 

We manage by objectives. All departmental objectives must conform to the Company's objectives.

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#### 1. General information:

# SEAPRODEX REFRIGERATION CORPORATION (SEAREFICO)

Certificate of Business Registration No.: 0301825452 issued by the Department of Planning and Investment of Hochiminh City, the 1st issuance dated 18/09/1999 and the 15th amendment registration dated 15/07/2014.

**Charter capital:** 243.749.160.000 VND

**Owner's equity:** 243.749.160.000 VND

Address: 72 – 74 Nguyen Thi Minh Khai, Ward 6, Dist 3, HCMC

**Tel:** +84 8 3822 7260

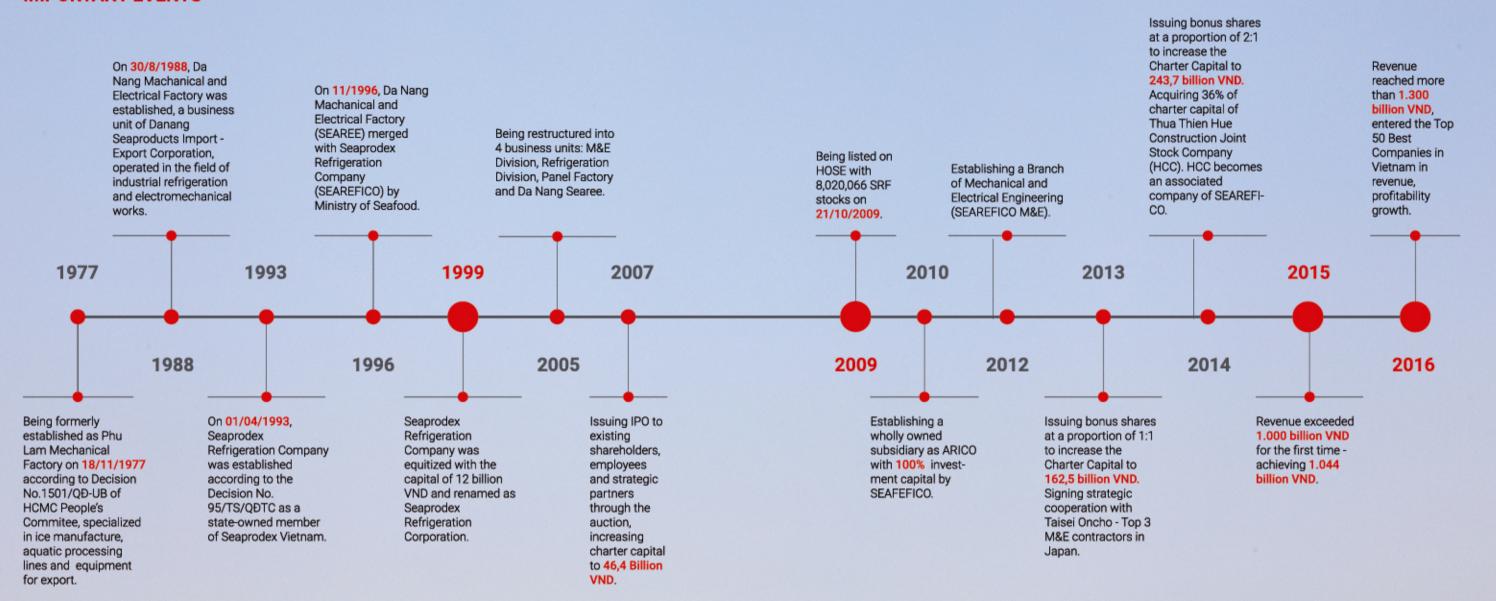
Fax: +84 8 3822 6001

Website: www.searefico.com

Stock code: SRF



#### **IMPORTANT EVENTS**







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# 1 2. Lines and locations of the business:

#### Lines of the business

The company specializes in the design, supply, construction and installation of M&E and industrial refrigeration systems. Searefico provides partners and customers with advanced and optimized products, services together with solutions.

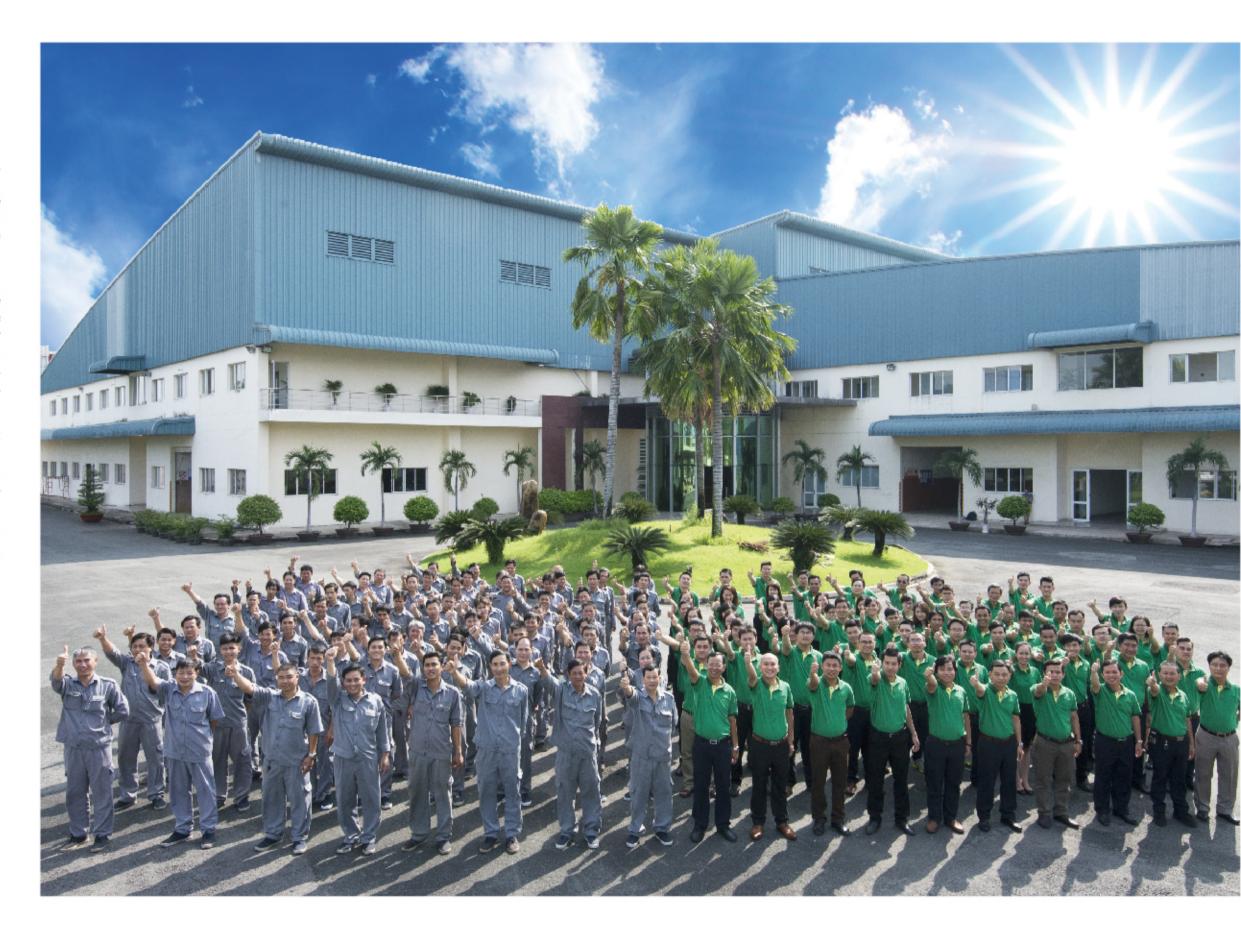
M&E services and solutions: air conditioning and ventilation systems, fire alarms, fire prevention and fighting systems, electric lighting, power train and control systems, water supply and drainage systems, communication systems, CCTV and security controls, intelligent building automation systems, elevators, escalators, etc.

The industrial refrigeration products such as: insulation panels, contact freezers, individual quick frozen freezers (IQF) Impingement Steel Belt IQF, Impingement Tunnel IQF, Tempura IQF, steamed cooling conveyors, breaded lines, etc.

In addition, Searefico can carry out civil and industrial construction works and provide a wide range of products and services.

#### Locations of the business:

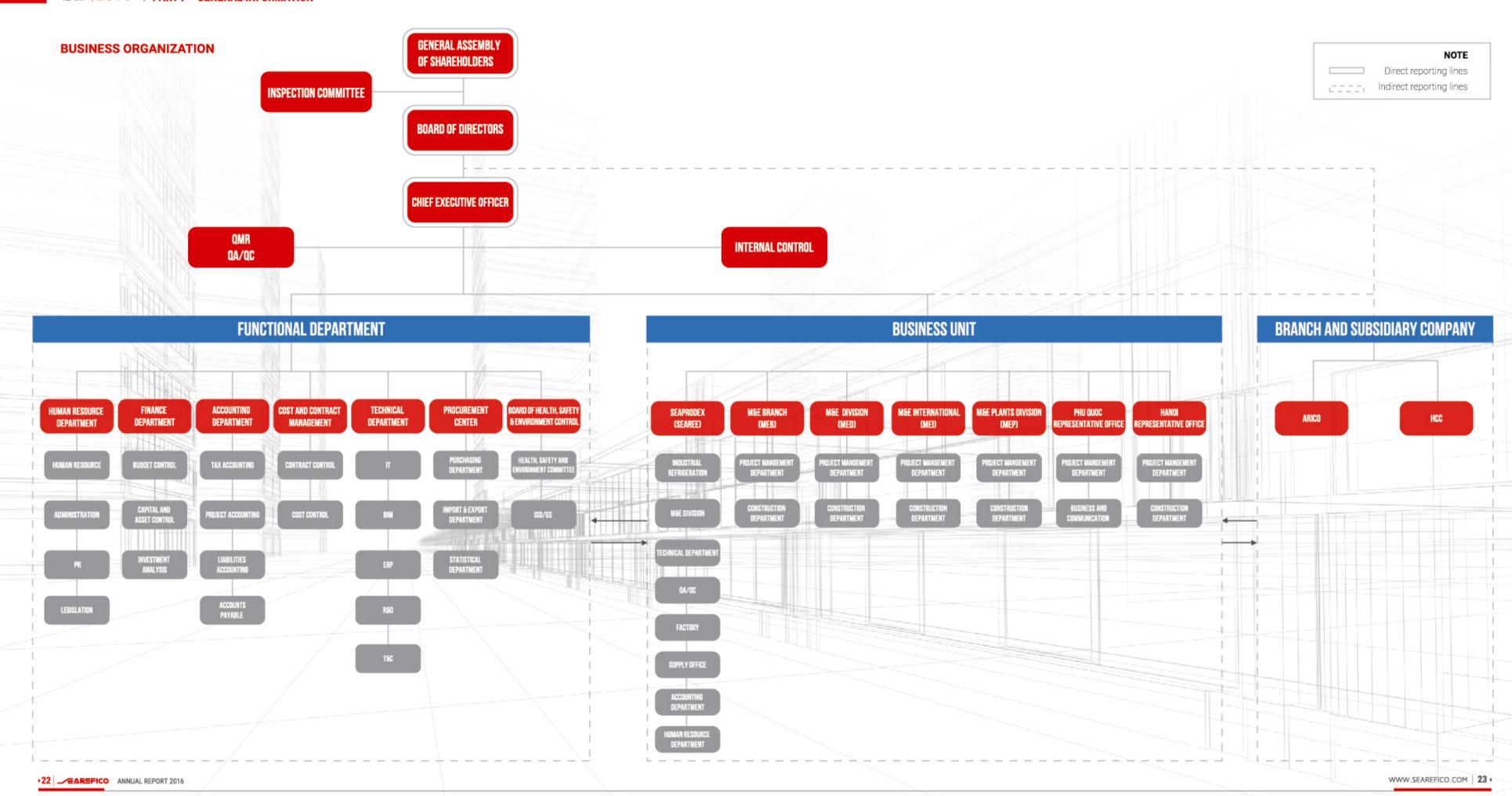
The company covers a nation wide market from the North to the South and the islands. Industrial refrigeration products were exported to the oversea markets such as Indonesia, Philippines, Cambodia and India.



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1 3. Information about the governance model and management structure





# 3.2. Management structure

Branches, subsidiary and associated companies

**BRANCHES** 



# BRANCH OF MECHANICAL AND ELECTRICAL ENGINEERING (SEAREFICO M&E)

Address: Floor 14, Centec Tower, 72 - 74 Nguyen Thi Minh Khai, Ward 6, Dist 3, HCMC

Tel +84 8 3822 7260

Fax: +84 8 3822 6001

Website: www.searefico.com

Email: info@searefico.com

#### Main lines of the business:

Specialized in designing and executing all-in electrical engineering works for hotels, luxury resorts, factories, hospitals, trade centers, office buildings (air conditioning system, fire alarm, fire prevention and fire fighting system, elevator and water supply system ...)

#### BRANCH OF SEA REFRIGERATION ELECTRICAL ENGINEERING (SEAREE)

**Address**: Street No. 10, Hoa Khanh Industrial Zone, Lien Chieu District, Da Nang City.

Tel: +84 511 373 6251 Fax: +84 511 373 6253 Website: www.searee.com

Email: info@searee.com

#### Main lines of the business:

Designing, executing and installing all-in electrical items for high-class projects (industrial refrigeration, air conditioning system, electrical system, fire alarm system, fire prevention and fire-fighting system, elevators, water supply and drainage, construction, interior and exterior decoration, civil and industrial projects in the country and overseas).

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**SUBSIDIARY** ASSOCIATED COMPANIES



## **ASIA REFRIGERATION INDUSTRY CO., LTD (ARICO)**

Address: Lot 25-27 Center Street, Tan Tao Industrial Zone, Tan Tao A Ward, Binh Tan District, Ho Chi Minh City, Viet

Tel: +84 8 3754 5678 Fax: +84 8 3754 5679

Website: www.arico.com.vn Email: info@arico.com.vn Joint capital rate of SRF: 100%

Main lines of the business: Installing industrial

refrigeration projects, manufacturing, exporting and processing machinery and equipment and accessories of refrigeration; Consulting, designing, supplying and installing construction equipment, maintaining and repairing systems, mechanical-thermal-civil and industrial refrigeration systems in the country and overseas.

(\*) Board of Directors have approved the plan to raise Arico's charter capital from 70 billion VND to 100 billion VND, and convert Arico into a joint stock company in 2017.

## **HUE CONSTRUCTION CORPORATON (HCC)**

Address: Lot 9 Pham Van Dong, Hue City

Tel: +84 5 4382 1510 Fax: +84 5 4382 5152

Website: www.xaylaphue.com.vn

Email: info@xaylaphue.com.vn

Charter capital: 152.460.000.000 VND

Joint capital rate of SRF: 36%

Main lines of the business: Consulting, surveying, designing and building civil and industrial works, transportation and irrigational works; investment and trading of infrastructure; water and electricity installation; interior decoration and site's foundation treatment.

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# 1 4. DEVELOPMENT STRATEGY



# 4.1. Main objectives

The objective of the Company is to develop in a healthy and sustainable way, to keep conscience with employees, trust with customers. Targeted by 2018, the company will strive to become one of Top 100 Best Places to Work in Vietnam to attract more talents and continue to promote the strengths of Searefico. From the year 2020 onwards, we will continue to follow the orientation of E&C, becoming one of the leading companies in the field of science and technology and a reliable partner for customers and investors.



#### 4.2. Development strategies in medium and long term

The company uninterruptedly creates the best products and services for customers, strives to become a leading group in science and technology. For short and long term plan, the company continues to focus on improving the efficiency of core activities, seeking investment opportunities, associating with foreign partners, expanding cooperation to many other fields (Priority is given to the development of spearhead industries such as clean energy, environmentally friendly products, value added technology equipment in the food industry and post-harvest processing).



With the business philosophy of "The quality of product is the core and the customer's benefit is key factor", the company is committed to providing products with the segment of good quality, reasonable prices, preeminent policies of customer care.

#### For workers:

The goal is to become the Top 100 Best Places to Work in Vietnam, showing the great enthusiasm of Searefico's leadership in creating a human-centered work environment that fosters sustainable development.

#### For shareholders:

Managing, employing, investing effectively the sources of capital to preserve and increase benefits of partners.

#### For the environment, society and community:

The company is committed to fulfilling its responsibilities and obligations to the community and society. For sustainable development, the company is constantly researching, investing in green, clean and environmentally friendly technology.

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# 1 5. RISK FACTORS

#### 5.1. Economic risks

#### Economic growth

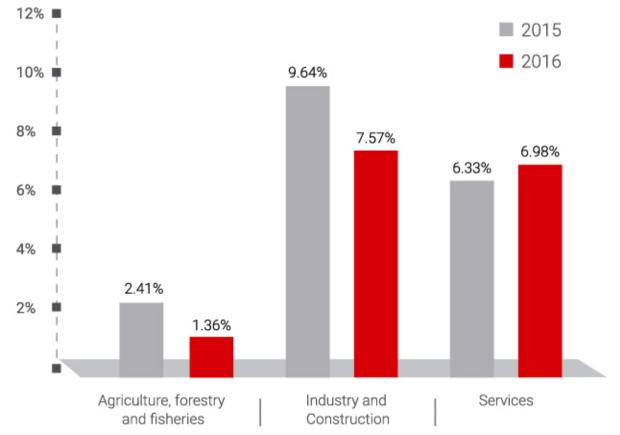
The Gross Domestic Product (GDP) in 2016 is estimated to increase by 6.21% as compared to 2015, lower than the increase of 6.68% in 2015 and not reaching target of 6.7% as set forth. However, in the context of slower global economic recovery than forecast, prices and the fact that global trade have been reduced, the domestic economy is facing many difficulties due to complicated weather and sea environment, the achieved growth rate of more than over 6% is still a success, demonstrating the Government's efforts in steadily stabilizing the economy, promoting reform, restructuring and reforming institution, and making good use of the

extensive integration process and improving business environment.

The major contribution to GDP growth in 2016 is the industry - construction (increased by 7.57%) and services (6.98%). Agriculture, forestry and fisheries contributed only 1.36%.

The growth of the construction industry in 2016 has put a positive impact on M&E - one of Searefico's key activities and the Company has taken full advantage of this opportunity to grow its revenue. However, in order to cope with the volatility of the economy, Searefico always takes prudent and certain steps to limit the potential risks.

#### Growth rate of GDP in 2016



Sources: General Statistics Office of Vietnam

#### Risks of interest rate

The interest rate in 2016 was acknowledged to be quite stable. By the end of 2016, due to high demand for credit, interest rate had an upwards tendency from 0.2% to 0.3%/year.

Besides the relatively stable interest rate, credit recovery has provided important support for economic growth in recent years.

As construction, M&E and industrial refrigeration contractor, we always have high capital needs in which loans play the vital role in the capital structure. Therefore, the fluctuation of interest rate will greatly affect our business results. Therefore, the Board of Management always notes to take timely management measures, avoids negative impacts on the operation of the Company.

#### Risks of inflation

With inflation at 4.74%, the government has succeeded in controlling inflation below the target set forth by the National Assembly by 5%. The increase of inflation was basically from January to December 2016 as compared to the same period of last year which had the ratio from 1.64% to 1.88%. This is a good result in the context that the economy has experienced consecutive stages of extreme shaking of the world economic situation, world politics along with the instability of the climate and environment in the country showing that monetary policy is being stabilized, helps stabilize the macroeconomics and control inflation.

# 1 5.2. Legal risks

As a joint stock company listed on Ho Chi Minh City Stock Exchange while operating in the construction, Searefico is governed by the following legal documents: The law on enterprises, the law on securities, the law on investment, Circulars and other relevant documents. At present, the legal system in Vietnam is in the process of finalization. Besides, the lack of agreement between the legal documents with unclear guidance is the biggest difficulty in applying the law into the operation of the company.

In order to limit legal risks, the Company has a dedicated Legal Advisory Unit which is responsible for monitoring changes in internal regulations and procedures at once ensuring compliance with the new policy of the State and ensuring the smooth operation of the Company in accordance with the law.

# 5.3. Environmental risks

With Searefico, environmental risks arise during construction of projects such as: unsafe working conditions, health, safety and community security. Failure to anticipate risks from the social environment leads to bankruptcy. Being deeply aware of the importance of environmental risk management, Searefico has always focused on forecasting, mitigating risks and negatively affecting the health and safety of local communities around the projects deployed by Searefico.



# 5.4. Other risks

In addition to the risks as mentioned above, some other risks can occur in force majeure events such as natural calamities, storms, floods, fire. Although it is less likely to happen and difficult to anticipate, it often causes great damage to the company when occurring. In order to minimize the serious impact of these risks on situation of production and business operations, Searefico actively purchases insurance for the employees and assets of the company.





# 1. 1. SITUATION OF PRODUCTION AND BUSINESS OPERATIONS

By the end of 2016, Searefico's operating results are as follows:

Unit: Billion VND

No.	Target	2015	2016	2016 compared to 2015
1	Net revenue	1,044.28	1,316.36	126.05%
2	Cost of goods sold	909.77	1,176.54	129.32%
3	Financial income	14.72	21.29	144.63%
4	Financial expenses, selling expenses and administration expenses	106.91	104.17	97.44%
5	Operating Profit	59.93	73.24	122.20%
6	Other Profit	19.37	41.42	213.81%
7	EBT	79.31	114.66	144.58%
8	EAT	65.34	96.23	147.27%
9	EPS (VND)	2,416	3,375	139.69%

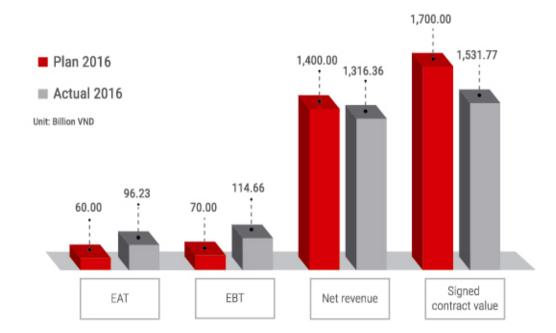
Our net revenue in 2016 reached 1,316 billion VND, increased by 26.05% as compared to 2015. In the past year, the company has succeeded in winning large tender packages of projects such as Vinhomes Central Park, Gateway Thao Dien Luxury Apartment, Hoa Lam International Hospital, West Bay Sky Residences -Ecopark. In particular, a great contribution to the revenue growth is due to innovations in management and expanding operation scale by focusing on resource development, establishing new Business Units (BU), giving autonomy to the BU to increase the direct interaction, timely response to customer requirements.

Cost of goods sold in 2016 increased by 29.32% while financial expenses, selling expenses and administration expenses decreased by 2.57%, as compared to 2015. The reason why there was the opposite change of cost items that in 2016 the Company made adjustments in the cost allocation, whereby the cost of the departments involved in the management and support of the project execution was allocated directly in cost of goods sold (in 2015 it is included in administration expenses). In 2016, the total cost items increased by 25.97% as compared to 2015, mainly due to increased revenue. In terms of ratio of cost on revenue, in 2016 was 97.29%, slightly down as compared to 97.36% in 2015.

Implementation of planned targets in 2016:

	lion	

ltems	Actual 2016	Plan 2016	Actual compared to plan
Signed contract value	1,531.77	1,700.00	90.11%
Net revenue	1,316.36	1,400.00	94.03%
EBT	114.66	70.00	163.80%
EAT	96.23	60.00	160.38%



Despite the signed contract value, net revenue in the past year has not reached the target set forth by the AGM; both EBT and EAT exceeded the plan. Specifically, EBT and EAT from main business activities reached 73.49 billion VND and 63.28 billion VND respectively, accounted for 105% and 105.5%, respectively. Including income from transfer of assets on land, EBT reached 163.8% and EAT reached 160.38% of the plan.

The result achieved in 2016 shows efforts of the Board of

Management in carrying out a variety of measures to drive revenue growth, minimize costs, and increase productivity throughout the Company.

The achievement of production and business operations - undeniably stem from the contribution of workers, and it was the result of the consensus and efforts of all employees of the company who always strive to become more professional in their expertise, management and customer services.

# **1** 2. ORGANIZATION AND HUMAN RESOURCES

#### 2.1. List of the Board of Directors

Name	Position	Number of holding shares	Ownership proportion/ Charter capital
Le Tan Phuoc	Member of BODs cum CEO	644.181	2.64%
Nguyen Thi Thanh Huong	Chief Financial Officer	19.818	0.08%
Nong Vuong Phi	Human Resources Director	-	-
Pham Ngoc Son	Procurement Center Director	10.000	0.04%
Mai Thi Kim Dung	Chief Accountant	3.174	0.01%
Mai Chanh Thanh	Director of M&E Branch	46.479	0.19%
Nguyen Quoc Cuong	Director of SEAREE	39.408	0.16%
Huynh Khoi Binh	Director of ARICO	19.464	0.08%
Tran Dinh Muoi	Director of M&E Division	22.521	0.09%
Nguyen Truong Hai	Director of M&E International Division	-	-
Nguyen Vu Hai Dang	Director of M&E Plants Division	19.251	0.08%

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# MS. NGUYEN THI THANH HUONG

Position: Chief Financial Officer

Nationality: Vietnamese

Major: Master of Economics - majored in Finance and

Accounting

Number of holding shares (individual): 19,818 shares,

0.08% of charter capital.

Positions at other organizations:

- Member of Board of Members of ARICO (Subsidiary)
- Head of Inspection Committee of HCC
- Member of Inspection Committee of INWATEK



MS. NONG VUONG PHI

Position: Human Resources Director

Nationality: Vietnamese

Major: Master of Human Resource Management

Number of holding shares (individual): 0 share, 0% of

charter capital

Positions at other organizations: No



MR. PHAM NGOC SON

Position: Director of Procurement Center

Nationality: Vietnamese

Major: Engineer of Thermal and Electrical Technology

Number of holding shares (individual): 10,000 shares,

0.04% of charter capital

Positions at other organizations: No



MS. MAI THI KIM DUNG

Position: Chief Accountant

Nationality: Vietnamese

Major: Bachelor of Accounting & Finance

Number of holding shares (individual): 3,174 shares,

0.01% of charter capital

Positions at other organizations: No



MR. MAI CHANH THANH

Position: Director of M&E Branch

Nationality: Vietnamese

Major: Thermal Engineer

Number of holding shares (individual): 46,479 shares,

0.19% of charter capital

Positions at other organizations: No



MR. NGUYEN QUOC CUONG

Position: Director of SEAREE

Nationality: Vietnamese

Major: Mechanical Engineer

Number of holding shares (individual): 39,408 shares,

0.16% of charter capital

Positions at other organizations: No

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MR. HUYNH KHOI BINH

Position: Director of ARICO Nationality: Vietnamese

Major: Engineer of Mechanical and Energy Engineering

-Master of Business Administration

Number of holding shares (individual): 19,464 shares,

0.08% of charter capital

Positions at other organizations: No



MR. TRAN DINH MUOI

Position: Director of M&E Division

Nationality: Vietnamese

Major: Thermal and Air-conditioning Engineer

Number of holding shares (individual): 22,521 shares,

0.09% of charter capital

Positions at other organizations: No.



MR. NGUYEN TRUONG HAI

Position: Director of M&E International Division

Nationality: Vietnamese

Major: Mechanical Engineer

Number of holding shares (individual): 0 share, 0% of

charter capital

Positions at other organizations: No



MR. NGUYEN VU HAI ĐANG

Position: Director of M&E Plants Division

Nationality: Vietnamese

Major: Engineer of Gasification and Power Supply

Number of holding shares (individual): 19,251 shares,

0.08% of charter capital

Positions at other organizations: No

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# 2.2. Changes in the Board of Directors

Ms. Nong Vuong Phi was appointed as Human Resources Director as of 04th April, 2016 under the Decision No. 024/QD/HDQT/16.

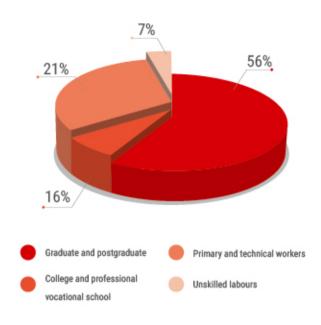
Mr. Nguyen Vu Hai Dang was appointed as

Director of M&E Plants Division as of 20 December, 2016 under the Decision No. 040/QD/HDQT/16.

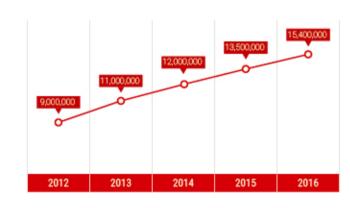
# 2.3. Number of employees. Summary of policies and changes toward employees

As of 31/12/2016, the total number of employees of the Company is 772 with the following structure:

No.	Item	Number of persons	Percentage (%)
1	Educational background	772	100.00%
1	University/Post-graduate	433	56.09%
2	College and professional vocational school	126	16.32%
3	Primary and technical workers	158	20.47%
4	Unskilled labours	55	7.12%
П	Type of labour contracts	772	100.00%
1	Full-time	772	100.00%
2	Part time	0	0.00%
Ш	Gender	772	100.00%
1	Male	680	88.08%
2	Female	92	11.92%



The average salary of employee (VND/ person)



#### Working environment

Searefico is one of the companies with good policies and is confident to aim at becoming Top 100 Best Places to Work in Vietnam. The management of the company has taken care of the material and spiritual life of employees, creating an open, civilized and healthy working environment.

#### Recruitment policies

Our recruitment policy is always in line with the company objectives, strategies and development orientations. All candidates have equal chances. The selected person must be the most suitable one. The talents we are looking for are those who are passionate, enthusiastic, kind, actionable and responsible.

#### Training and development policies

We pay great attention to training and development. Training activities focus not only on the expertise but also on the working skills to help employees improve, increase productivity and develop themselves on the desired career path.

In addition to the usual skills training courses, the Company focused on the following programs:

- Training key persons as per succession plan on the Career Path and Work Development Plan.
- Intensive Training for Project Personnel (SS Site Supervisor, SM Site Manager, PM Project Manager)

#### Working regimes

The company always complies with the State regulations on working regulations, ensuring labor benefits and even making them better than laws, bringing a shelter to employees.

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#### **Promotion policies**

Potential employees are given the opportunity to prove their competences and characteristics in order to rise higher in their career ladder, becoming key leaders of the company. The policy of developing internal successors has always been the motivation for employees to strive and improve their professional skills and management skills.

#### Performance evaluation

The employee performance evaluation is conducted periodically and under three criteria: performance results, skills and attitudes based on specific evaluation criteria and measurement. Thus, managers can easily identify potential employees for succession and training plan. This is also the basis for building work development plan.

#### **Reward policies**

Searefico has developed a rich incentive policy to motivate, encourage and reward employees for their contributions.

- > Performance bonus (productivity allowance) by individual and unit achievements.
- Rewarding good teams, typical individuals.
- ▶ Rewarding "hot" bonus for excellent achievements and/or bringing significant benefits for the company.

#### Salary policy

The company is applying 3Ps scheme to ensure fairness and competition in the market:

- Position
- Person
- Performance

Salary is reviewed on an annual basis. When there are outstanding achievements or additional responsibilities/work, salary shall be flexibly increased. The rate will depend on the score of individual assessment and the business results of the Company.

#### Welfare policies

Searefico takes care of employees through a variety of comprehensive welfare policies and always strives to do better day by day so that employees could feel being cared, such as annual vacation (inbound or outbound), bonuses for holidays, birthdays, weddings, irregular means-tested benefits, especially a variety of sports and cultural activities (sports clubs, break dance, music in breaks, dance classes, gym membership cards at California Fitness & Yoga Center, etc.).

In addition, there are many other thoughtful benefits and policies given to our



# 3. Investment activities, project implementation

#### 3.1. Major investments

#### Investment of ERP system

Purpose: Creating a system to manage the entire operation of the company on the computer, to improve the efficiency of production and business activities; Meeting management requirements of the BOD and replacing discrete tools, processes and data of old management systems.

Status: The project consists of 2 stages.

Stage 1: Deploying management modules such as Human Resources, Materials, Assets, Projects, Accounting.

Stage 2: Including Production Management and Management Accounting modules - being expected to be completed by the end of 2017.

Investment details: Procuring a new and modern server system and ordering web-based software, 24/7 online data system.

Foam conversion project for the production of insulation Polyurethane foam from HCFC-141b to Cyclopentane

Purpose: In the present fairly dynamic market, the demand of customers is increasing, not only the products of the best quality produced on the line of high and new technology machinery and equipment, but also the ones being environmentally friendly. To meet this requirement of the customers as well as implement the Montreal Protocol on removal of ozone depleting substances that Vietnam has signed, the company has implemented a project to convert foaming substances in the production of insulation Polyurethane foam by HCFC-141b to Cyclopentane.

Status: The project has been implemented since 2015 and major stages have been completed in 2016. At present, the final procedures are gradually being finalized so that the new production line will be put into operation at the end of the quarter I, 2017.

Investment details: In order to carry out this project,

Searee and Arico imported high-pressure foam sprayer and 9m x 1.2m (2x2) foam ejecting press with complete systems, ancillary equipment such as ventilation, fire protection, 30kW back-up generator etc..., all are fully automatic operated, ensuring good quality products evenly and on request of customers.

The project of upgrading metal processing machinery and equipment under high technology

Purpose: Thanks to the new machining technology system, Searefico/Arico is confident to bring more value to the community in general and to investors in particular as follows:

Manufacturing products and equipment that are both high technology and aesthetics, helping relocate products at a higher level and increase competitiveness with imported products.

In terms of governance, this new system helps enhance the automation of the production line, optimize production, and reduce costs.

The new machining system requires fewer workers but higher quality of workmanship in order to motivate workers to improve their skills and expertise.

Total hazardous substances (gas, slag, dust, arc, etc...) discharged during processing significantly reduced as compared to traditional processing methods and system of protecting workers away from wastes, which creates health protection and community contribution in terms of environment conservation.

Status: The project has been completed and put into operation from the middle of Quarter 4, 2016.

Investment details: This project was approved by People's Committee of Ho Chi Minh City for investor incentives and supported 100% of interest rate. In order to carry out this project, Arico has imported state-of-the-art CNC machining equipment (F/be cutting machine, NC pressbrake machine).



# 3.2. Subsidiary, associated companies

#### **SUBSIDIARY**

Asia Refrigeration Industry Co., Ltd (ARICO)

Item	Unit	2015	2016	2016 compared to 2015
Total asset	Billion VND	243.27	263.69	108.39%
Total revenue	Billion VND	216.45	282.37	130.45%
EAT	Billion VND	4.34	12.44	286.51%
Net Profit Margin	%	2.01%	4.41%	219.63%

# Arico Business performance



#### ASSOCIATED COMPANY

Thua Thien Hue Construction Joint Stock Corporation (HCC)

Chỉ tiêu	Unit	2015	2016	2016 compared to 2015
Total asset	Billion VND	650.04	725.24	111.57%
Total revenue	Billion VND	402.00	402.81	100.20%
EAT	Billion VND	54.18	48.85	90.16%
In which: EAT of shareholders of the parent company	Billion VND	50.77	47.63	93.82%
Net Profit Margin	%	13.48%	12.13%	89.98%

# **HCC Business performance**



# 1 4. Financial situation

# 4.1. Financial situation

Item	2015	2016	2016 compared to 2015
Total asset	1,098.90	1,335.15	121.50%
Net revenue	1,044.28	1,316.36	126.05%
Operating Profit	59.93	73.24	122.20%
Other Profit	19.37	41.42	213.81%
EBT	79.31	114.66	144.58%
EAT	65.34	96.23	147.27%
Dividend ratio (%)	20%	20%	

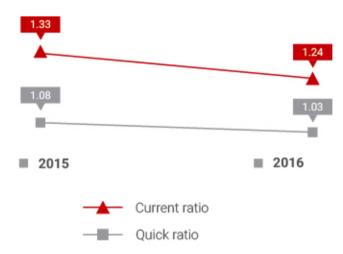
# 4.2. Main financial targets

4)		1/8//	1/1
Item	Unit	2015	2016
Solvency ratio			
Current ratio	Times	1.33	1.24
Quick ratio	Times	1.08	1.03
Capital structure ratio	,		
Liabilities/Total assets	%	62.32%	66.46%
Debt/Owners' equity	%	165.37%	198.14%
Operation capability Ratio			
nventory turnover	Round	5.00	6.53
Asset turnover	Round	1.03	1.08
Operation Effectiveness			
EAT/Net revenue	%	6.26%	7.31%
EAT/Owner's equity (Average)	%	16.32%	22.33%
EAT/Total assets (Average)	%	6.45%	7.91%
Operating Profit/Net revenue	%	5.74%	5.56%

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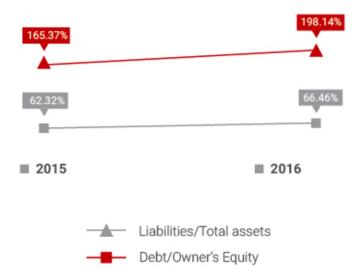
#### On short-term solvency

With the growth rate of current liabilities higher than the growth rate of current assets, the payment ratios in 2016 had a slight downwards tendency as compared to 2015 but still higher than 1; therefore, it remained at a safe level. The Company always maintained a reasonable amount of cash to ensure its ability to pay due debts.



#### Capital structure

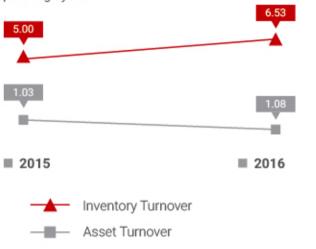
While the liabilities/total assets ratio has not changed much over the years, the liabilities/total capital ratio tended to increase sharply in 2016 as compared to the same period last year with an increase of 165, 4% to 198.1%. In fact, the Company is using short-term liabilities to finance short-term assets rather than owners' equity. However, the level of financial leverage is appropriate and safe





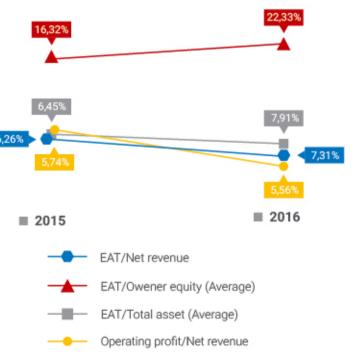
#### Operation capability Ratio

Compared to the results achieved in 2015, the targets reflected the operation capability of Searefico in 2016 have improved, especially the inventory turnover with an increase of more than 30% (From 5 rounds to 6.53 rounds). This was the result of improved management of operations, reduction of inventory time in the Company's operating cycle.



#### **Operation Effectiveness**

Positive operating results in 2016 expressed through the improvement trend of targets on profitability of Searefico. All targets on profitability in 2016 were higher than last year, if it was only calculated on profit from main business activities. If it was also calculated on uncommon profit, EAT/Net revenue ratio, ROE and ROA respectively 7.31%, 22.33%, 7.91%.



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# 5. Shareholders structure and changes in the owner's equity

#### **Shares**

Number of shares

24,374,916 shares 10,000 VND

Par value

Number of preferred shares

Number of common shares

24,374,916 shares 24,361,876 shares

Number of outstanding shares

#### Shareholders structure

Shareholders structure according to percentages of ownership

ltem	Domestic shareholders		Foreign shareholders		Total	
	Quantity of shares	% of charter capital	Quantity of shares	% of charter capital	Quantity of shares	% of charter capital
Shareholders hold more than 5%	9,009,021	36.96%	6,074,630	24.92%	15,083,651	61.88%
Shareholders hold from 1% to 5%	3,944,592	16.18%	350,000	1.44%	4,184,196	17.62%
Shareholders hold under 1%	4,723,788	19.38%	272,885	1.12%	5,107,069	20.50%
Total	17,677,401	72.52%	6,697,515	27.48%	24,374,916	100%

# Shareholders structure according to ownership title

Shareholders	Number of shares	Rate/Charter capital
Domestic shareholder	14,667,401	72.52%
Individual	7,590,211	31.14%
Organization	10,087,190	41.38%
Foreign shareholders	6,697,515	27.48%
Individual	76,285	0.32%
Organization	6,621,230	27.16%
Total	24,374,916	100%

# List of large shareholders

Name of organization/ individual	ID/Passport/ Certificate of Business Registraiton No.	Address	Number of shares	Rate/ Charter capital
Taisei Oncho Co.,Ltd	CA6347	1-47-1 Oi, Shinagawa-ku, Tokyo	6,074,630	24.92%
Sao Phuong Nam JSC	0302578647	72-74 Nguyen Thi Minh Khai, Ward 6, District 3, Hochiminh City	5,895,021	24.18%
Vietnam National Seaproducts Corporation	0310745210	2-4-6 Dong Khoi, Ben Nghe Ward, District 1, Hochiminh City	3,114,000	12.78%
	TOTAL		15,083,651	61.88%

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#### I - REPORT OF THE BOARD OF MANAGEMENT

# 1. EVALUATION OF OPERATING RESULTS

#### 1.1. 2016 Business environment

For the real estate market in general, 2016 was an important hinge year which marked the market's strong transformation. After 2 years of the Housing Law and Law on Real Estate Business's coming into effect, as well as good control of the credit flow, the market has made some positive improvements but not really steady yet.

For the field of M&E: welcoming the common advantages of the construction and real estate industry, 2016 was a remarkable year for Searefico ever since equitization. Overcoming barriers such as the dependence on the financial health of contractors and investors, increasing competition on price, quality and construction progress within the construction industry, M&E has not been placed in the major position in construction projects, Searefico has become one of the three biggest contractors in the country which was capable of undertaking packages from the stage of technical design, equipment supply, construction, installation and maintenance of large-scale

works in accordance with technical standards and international management practices.

For the industrial refrigeration sector: contrary to the real estate and construction field's developments, 2016 was a really difficult year for the fisheries sector with disadvantages due to climate change, marine environment accident. Seafood companies limited investment in expanding, narrowed down the market, thus, the company's activities in the field of industrial refrigeration was also significantly affected. In addition, the company also met more challenges when small-scale companies which tended to use low-cost machinery appeared the industrial refrigeration market. In this condition, the Company has invested in modern machinery and producing chain to improve the quality, increased the product's aesthetics and developed the export market to countries in the region and Indian market.

## 1.2. Operational performance under plan in 2016 and operating results in 2016

#### a. Operational performance

Unit: Billion VND

Item	2015	2016		2016	Compared
	Actual	Plan	Actual	compared to 2015	to Plan
Signed contract value	1,116.4	1,700.0	1,531.8	137.21%	90.11%
Net revenue	1,044.3	1,400.0	1,316.4	126.05%	94.03%
ЕВТ	79.3	70.0	114.7	144.58%	163.80%
EAT	65.3	60.0	96.2	147.27%	160.38%

Contract sales in 2016 reached 1,532 billion VND, reaching 90.11% of the plan, equivalent to 137.21% over last year. Revenue in 2016 reached 1,316 billions VND, reaching 94.03% of the plan, equivalent to 126% over last year. 2016 was a year to mark great growth in contract sales and realized revenue which created momentum for the implementation of the five-year plan.

Although, the revenue has not reached the target, both

EBT and EAT exceeded the plan and had visible growth as compared to last year. Accordingly, EBT and EAT of main business operations reached 73.5 billion VND and 63.3 billion VND, reaching 105% and 105.5% of the plan, equivalent to 23% and 26.4% over last year. In 2016, due to the contribution of income from the on-land transfer of assets, the EBT and the EAT reached 114.7 billion VND and 96.2 billion VND, far exceeded the plan set forth by the AGM.



		UNIVERSIMON AND
Actual 2015	Actual 2016	2016 compared to 2015
1,044.28	1,316.36	126.05%
909.77	1,176.54	129.32%
134.52	139.82	103.95%
14.72	21.29	144.62%
16.01	20.52	128.15%
0.04	0.02	61.47%
90.86	83.63	92.04%
17.60	16.29	92.52%
59.93	73.24	122.20%
19.38	41.42	213.80%
79.31	114.66	144.58%
65.34	96.23	147.27%
	1,044.28 909.77 134.52 14.72 16.01 0.04 90.86 17.60 59.93 19.38 79.31	1,044.28       1,316.36         909.77       1,176.54         134.52       139.82         14.72       21.29         16.01       20.52         0.04       0.02         90.86       83.63         17.60       16.29         59.93       73.24         19.38       41.42         79.31       114.66

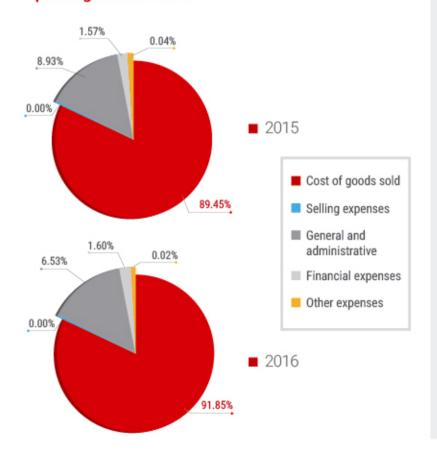
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ltem	2015	5	2016		
	Value	Percentage	Value	Percentage	
Revenue from construction and installation	1,039.80	99.57%	1,311.48	99.63%	
Rental revenue	2.76	0.26%	2.79	0.21%	
Sales revenue	1.72	0.16%	2.09	0.16%	
Total	1,044.28	100.00%	1,316.36	100.00%	

The revenue from construction and installation projects always accounts a majority of more than 99% the total net revenue structure. Revenue's growth over the years has shown higher rate each year than the last. This achievement has confirmed that it is right direction for the Board of Directors to focus on training and team development, improving the construction quality, expanding scale,

establishing new business units to strengthen direct interaction with customers. As a result, Searefico has won hundreds of billion worth contracts. More importantly, the reputation and brand of Searefico have been enhanced in the eyes of partners, investors, subcontractors as well as suppliers. This was a crucial factor in Searefico's last-year success.

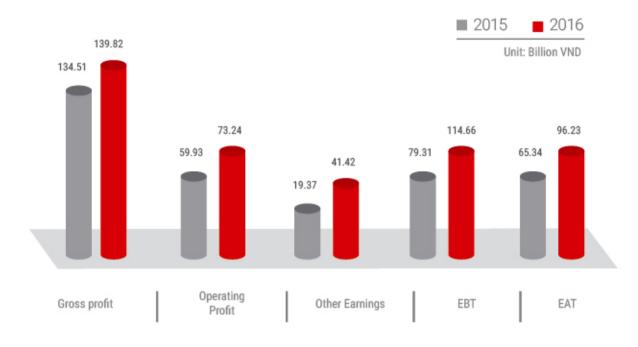
#### Operating cost structure



In the company's operating cost structure, the cost of goods sold is still the highest proportion over the years which is about 89-92%. In 2016, the Company reorganized the management method, whereby the costs of departments involving in management works and project constructions were allocated directly to the cost of goods sold (In 2015, it was recorded in the administration expenses).

This has risen the cost of goods sold in 2016 compared to 2015 but lowered the administration expenses. Overall, the ratio of operating expenses to revenue in 2016 was lower than in 2015, which were 97.3% in 2016 and 97.4% in 2015. Despite its negligible decline, it has shown effort in Searefico's operating management.

#### Targets of profit:



Thanks to the advatages in the construction and real estate industry, brand identity as well as solid competitiveness and especially the efforts in production & construction management, the targets of profit in 2016 were all growing as compared to 2015.

## 1.3. Advances achieved by the company during the year

In general, it can be said that 2016 was the best year in the history of our establishment and development - the year clearly demonstrated the increased efforts of all units, divisions and business operation's sector of the company.

- ▶ Business operations: Achieved the most impressive results so far, with the revenue reached 1,316 billion VND,+ 26% compared to 2015, after-tax profit of 96 billion VND,+ 47.27% compared to 2015 (including Profit from asset transfer on land).
- Management policies: Synchronization of management tools such as MOS, BIM, ERP, Internal Control/Costs & Contracts Management has improved work efficiency and helped with cost savings.
- ▶ Branding activities: Intensified branding activities and achieved great prizes: Top 50 Best Enterprises (Vietnam Report), 121 ranks moved up in the list of 500 largest enterprises in Vietnam (VNR500), Top 5 Technology Companies of the Year (Ashui Awards).

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# 1 2. FINANCIAL SITUATION

#### 2.1. Financial situation

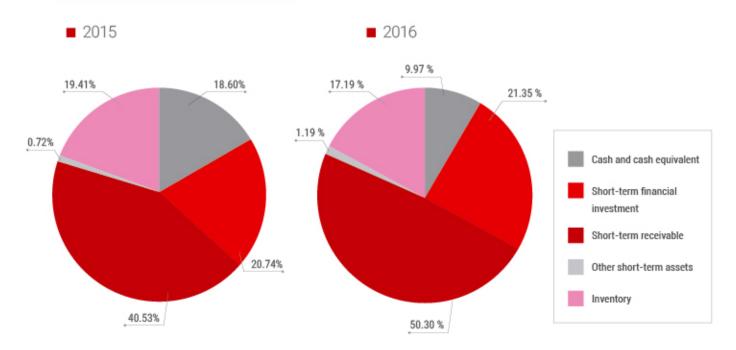
ltem	2015	2016	Compared to the same period
Short-term asset	901.67	1,079.49	119.72%
Long-term asset	197.23	255.65	129.62%
Total asset	1,098.90	1,335.15	121.50%

As of 31/12/2016, total asset value reached 1,335.15 billion VND, 21.5% higher as compared to 2015; the structure of short-term and long-term assets remained at 80.85% and 19.15%. This structure remained much more stable and unchanged as compared to last year.

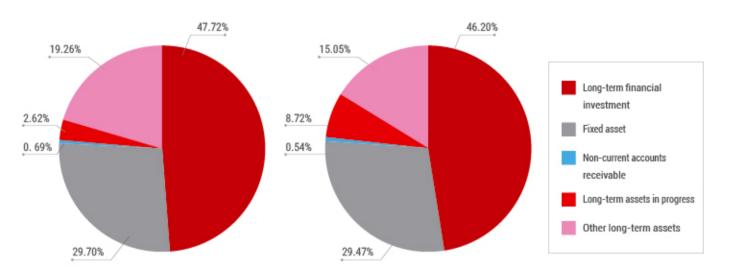
In short-term assets, the company's short-term receivables accounted the largest proportion of 50.30%, followed by short-term financial investments, inventories and cash, these items accounted for 21.35%, 17.19% and 9.97%. Receivables increased due to the arising debts at the end of the year which were undue under the terms of contracts.

For long-term assets, long-term financial investments accounted the highest proportion of 46.2%, followed by fixed assets with the proportion of 29.5%, the remaining was other items. Long-term financial investments included investments in associated companies (HCC) and capital contributions to INWATEC with a total value of 118 billion VND, an increase of 24 billion as compared to last year. In 2016, the Fixed asset and construction in progress value increased by 34 billion VND as compared to 2015 because the company invested in new machinery, production chain and in building the ERP system to increase production and management capacity.

#### Structure of short-term assets



## Structure of long-term assets



#### 2.2. Liabilities

Item	2015	2016	2016 compared to 2015
Short term debt	675.61	868.06	128.49%
Long term debt	9.18	19.27	209.79%
Total debt	684.79	887.33	129.58%
Owners' equity	414.11	447.82	108.14%
Total capital resources	1,098.90	1,335.15	121.50%

As of 31/12/2016, total liabilities were 887.33 billion VND, accounting 66.46% of the company's total capital, slightly increased as compared to the number of 62.32% in 2015. In the debt structure, short-term debt was mainly

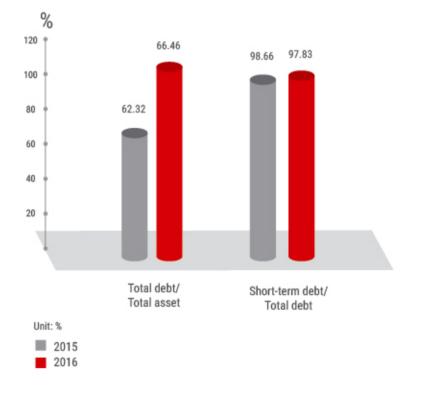
accounted for 97.83%, slightly decreased as compared to the number of 98.66% in 2015. In short-term debt, about 51% was bank loans to serve the company's business operations.

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# Structure of debt and capital

In fact, the Company always attached much importance to risk management in general and to solvency risk in particular. The Board of Directors always monitored risk management activities by regular supervising on current and expected payment requirements in order to maintain adequate amounts of cash and loans, closely monitored actual cash flows with the intention to minimize the effect of fluctuations in the company's cash flow.





# 3. IMPROVEMENTS IN ORGANIZATIONAL STRUCTURE, POLICIES, MANAGEMENT

The year 2016 has marked many advances of Searefico in organizational structure and management schemes as follows:

- (1) Organizational structure: Searefico strengthened its organizational structure with a number of significant changes, including:
- SEAREE: restructured, set up the Northern section, set up the industrial refrigeration divisions, M&E division alongside the support departments.
- ARICO: restructured the whole company with a new organizational structure, clearly demonstrating decentralization, creating direct interaction opportunities between executives and customers, suppliers, subcontractors.
- PARENT COMPANY: additionally established M&E Plants Division which oriented to the rising market of hi-tech plants.
- (2) Operation policies: Modern management tools have brought high productivity, strict management of the stages and improved the efficiency of business operations.

MOS (Methods of Statement): In order to ensure the construction quality to meet standards and homogeny, Searefico has developed MOS closely to the international construction standards. In which, each stage of construction from electrical system, fire fighting and fire alarm to plumbing and drainage, air conditioning were all instructed in details, from the beginning to the last stage, accompanied by real illustrations. The MOS has helped the PMU carry out their work effectively with good control of the process and the quality of construction.

BIM 4D, 5D: Building Information Modeling (BIM) technology\_a virtual execution on screen before actual construction, has been applied effectively by Searefico for a long time and now elevated to a new height which could not only help increase effectiveness in reality but also manage the cost. Thanks to BIM, the parties could foresee every detail, then avoid the risk of construction, save time and money, easily control the project performance and progress.

**ERP:** An advanced strategic management tool that the Board of Directors set a "go live" goal to put into use at the beginning of 2017. The initial success in implementing ERP has helped the company to execute more scientifically with better data links to maximize resources. The second phase of the ERP project will be completed in 2017.

**Internal Control/Cost&Contract Management system**: Is gradually growing, helping the company to control risks, monitor and control purchase prices, subcontract pricing and contract management more effectively.

**Procurement:** The procurement was gathered as one point, the competitive position of buyer in negotiation was enhanced which facilitated lower cost in goods purchasing.



## 1 4. PLAN FOR FUTURE DEVELOPMENT

#### ▶ World economic highlights in 2017

The year 2017 is expected to be a volatile year, as a series of economic, trade and security challenges are awaiting.

The global trade has been flat due to the fact that the world economic has just escaped the financial crisis started nearly 10 years ago, now is expected to continue to decline.

The U.S. dollar becomes stronger against other currencies. which would also affect the emerging markets' way of inflation rate management, as well as causes business belief to decline.

Emerging economies are judged to be unstable and most Asian economies will not develop to their full potential. This is the main reason that global economic growth in 2017 is forecast to fall to 3.2%. Economists predicted that China's economy which has slightly recovered this year, would grow slowlier next year. India's economy which is currently the fastest growing in the world, is facing the effects of currency manipulation. The Eurozone economy has recently risen, however there would be a lot of potential instabilities ahead from German, French and Dutch elections and the Brexit event.

## Domestic economic highlights in 2017 in general and private real estate in particular

For Vietnam, 2017 would be a stage for adjustment and renovation in economy through the process of economic restructuring, institutional reforming, improvement of the business investing environment, growth model's innovating. This is to forecast that macroeconomic environment continues to be stable. However, state budget deficit and public debt continue to be a barrier to growth. Although foreign capital is declining, the disbursement of developing investment capital would be accelerated, FDI would be more stable and realistic.

For the real estate sector, the rise of 2016 has created momentum for excitement and growth in 2017, especially for the hospitality segment. This positive sign promises to open up many opportunities for sales growth on contract for Searefico in 2017.

## Objectives – Searefico's business orientations in 2017

Searefico's objective is to become a company with the best products and services. Searefico is on the right track for sustainable development, for attaching the name of Searefico with great constructions, for bringing benefits to society and the community and becoming one of the best working environments in Vietnam.

Business orientation: In 2017, the company's operations may focus on five areas, in particular these are insulation panel production, industrial refrigeration equipment and food technology, construction contracting, M&E, financial investment and joint venture to add value and expand operating network, connect and support each other within fields with common content and organic relationship. Expanding but not spreading which focuses on areas which the company has strong expertise, experience and relationship networking.

#### ▶ Targets and plans of Searefico in 2017

Item	Plan 2017
Revenue from contracts	2,200 Billion VND
Revenue	1,700 Billion VND
EBT	90 Billion VND
EAT	77 Billion VND
EPS	20%/ par value of outstanding share (on the charter capital of 243,749,160,000 VND)

## 5. EXPLANATION OF THE BOARD OF MANAGEMENT FOR AUDIT OPINIONS



#### II - REPORT OF THE BOARD OF DIRECTORS

## 1. EVALUATION OF THE BOARD OF DIRECTORS ON THE COMPANY'S OPERATION

#### Searefico's business environment in 2016 (SWOT analysis)

SWOT	M&E	Industrial refrigeration
Strengths	<ul> <li>Prestige and reputation have been confirmed.</li> <li>Being one of the three largest contractors in the country with outstanding construction capabilities, qualified standards and international management practices.</li> <li>Project management ability and ability to ensure construction progress through experience and effective use of resources.</li> </ul>	<ul> <li>Leading the industrial refrigeration sector, dominating the market.</li> <li>Application of advanced technology solutions in production.</li> <li>High quality products that can compete with imported products from Korea, Japan and a few EU countries.</li> </ul>
Weaknesses	<ul> <li>Even subcontractors system which requires further training.</li> <li>Outstanding liabilities, customers occupy a lot of capital.</li> </ul>	<ul> <li>Even subcontractors system which requires further training.</li> <li>Outstanding liabilities, customers occupy a lot of capital.</li> </ul>
Opportunities	<ul> <li>Strategic market segment (5 to 6 star hotels and resorts, class A office buildings) is still on a growth path.</li> <li>Orientating to become a building contractor (E&amp;C) which opens up new opportunities.</li> </ul>	<ul> <li>There is still developing space for industrial refrigeration.</li> <li>Potential export markets (typically India)</li> </ul>
Threats	<ul> <li>The real estate and construction market develops periodically. In the next two years, it is forecast unfavorably.</li> <li>Unstable exchange rate affects the input prices of projects.</li> <li>The growth rate is fast, therefore, the maintenance and development of strategic human resource is ultimately important.</li> </ul>	<ul> <li>The fisheries sector faces a saturated market challenge and barriers to exports.</li> <li>High quality human resource is needed to meet the growing market's demand.</li> </ul>

#### ▶ Evaluation of the Board of Directors on the Company's operation

After 1 year of performing the task, the company's activities have the following highlights:

#### Consolidated operating results in 2016

Unit: Billion VND

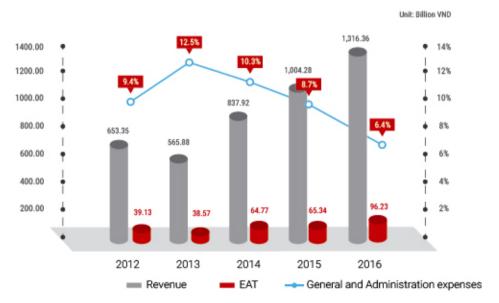
Item	Plan 2016	Actual 2016	Compared to Plan
Net revenue	1,400.00	1,316.36	94.03%
EBT	70.00	114.66	163.80%
EAT	60.00	96.23	160.38%

2016 performance results showed that despite the revenue target only reached 94.03% of the plan, thanks to strict cost management, many improvements in making policies, management methods and efficiency of right financial investment, the profit quota exceeded the plan. Whereby, EBT and

EAT from business activities were 73.49 billion VND and 63.28 billion VND in turn, accounting 105% and 105.5%. If including income from on land asset transfer, EBT would had reached 163.8% and EAT would had reached 160.38% of the plan.

#### Financial capacity over the years

Some financial benchmarks of SRF in the period 2012 - 2016



Searefico's common revenue and profit quotas trend in recent years is the growth of next year to be higher than the last. Specifically, revenue growth at an average rate of over 28.4%, EAT reached 37.8%. This is a remarkable achievement in the effort to consolidate,

streamline the operating apparatus and organizational structure of Searefico in the past years. In addition, the application of advanced technology (BIM 4D, 5D), investment in ERP system has also given significant effects.

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#### ANNUAL | 2016 | PART III - REPORT OF THE BOARD OF DIRECTORS

#### Investment activities

#### In the field of M&E:

- The company was also a pioneer in effective application of BIM technology in design and construction management which has built a good reputation and positively influenced the marketing and bidding works, was officially recognized and inquired by many investors, consultants and main contractors.
- With the strategic orientation of becoming one construction contractor (E&C), the company has established the Construction Division to participate in design and build projects.
- Also in 2016, the M&E Plants Division has been established which orientates the potential high-tech factory market.
- ▶ The company is also perfecting the ERP system which is applied in production management, promising to contribute to Searefico's operation capability.

#### In the field of industrial refrigeration:

- An investment project transforms into the Panel production line using Cyclopentane (replacing HCFC-141b) with the aim of minimizing the impact on environment, this project is funded by the World Bank and the company's counterpart funds which are used to renovate the factory, machinery and equipment used for this new panel production line. As planned, the project has been implemented since 2015, major stages have been completed in 2016. Now, the final procedures are being finalized so that the new production line would be finally put into operation in the first quarter of 2017.
- ▶ The investment project in upgrading high-tech metal handling machinery and equipment for ARICO's electromechanical plant (subsidiary) has been completed and put into operation from the fourth quarter of 2016. This promises to help improving the quality of products as well as its aesthetics, thereby meeting the needs and tastes of customers and especially shortening the processing time; in the long term it may save materials and reduce production costs. In addition, the company is looking to research and develop new products, as well as market development to other fields such as brewery, beverage, food, etc...

## Mh

## 2. EVALUATION OF THE BOARD OF DIRECTORS ON OPERATION OF THE COMPANY'S CEO

#### Remarkable points

- ▶ The company's CEO always follows the targets set by the Board of Directors (revenue by 2018 reaches 2,000 billion VND, EAT reaches 100 billion VND). Specifically, in 2016, the company's CEO has lead to an achievement of reaching the highest revenue and profit ever and a sales growth of 26% as compared to the same period.
- ▶ The operating results in 2016 have brought Searefico many achievements: Top 50 most outstanding enterprises in Vietnam (Vietnam Report), raising 121 ranks in the list of 500 largest enterprises in Vietnam (VNR500), Top 5 Technical Companies of the Year (Ashui Awards). The Board of Management has paid more attention to Searefico's communicating and branding activities.
- ▶ The Board of Management has been closely monitoring the progress of ERP implementation to ensure that the project is on schedule and maximize the advantages of the system in improving the company's management capacity and strength in competing; Thereby, boosting revenue and profit gowth in line with the company's development strategy until 2018.

- Completing the task of restructuring the subsidiary company\_Arico and Searee Branch, to ensure the operating apparatus' streamlining and to improve its management production - business efficiency.
- Actively supporting the bidding work, enhancing the ability to win bids and increasing service quality. In 2016, Searefico has won many valuable contracts, making a significant contribution to the company's image and brand to a new height.
- ▶ Together with internal and audit control, evaluating the procurement's process, raw materials and subcontract pricing to assure quality and transparency in selecting suppliers and subcontractors, to assure that the best purchase price and to build a strong subcontractor network which meets the company's growth target.

#### Weak points which need improvement, correction

- Debt control has not met the requirements assigned by the Board of Directors when many items were lengthened for years. The Board of Directors should be more drastic and have a deeper understanding of the issue to make the right correction next year.
- ▶ The international M&E sector needs to accelerate and make a breakthrough in terms of strategic. direction, staffing, managing method in order to complete assigned plans.
- ▶ To Searefico, the quality and progress of projects products - services are the key factors which make the company's reputation. Therefore, despite the good work done, the Board of Directors still has the need of managing tools investment, regular maintenance, control and enhance its efficiency.

#### Plans, orientations of the Board of Directors

#### Short term plans:

- A revenue growth of 2,000 billion VND and EAT reaches 100 billion VND by 2018.
- Transforming Arico Subsidiary's operating model into a Joint Stock Company.

#### Long term orientations:

 Becoming the number 1 contractor in the field of M&E and industrial refrigeration in Vietnam.

- Expanding and diversifying the production of insulation materials.
- Under the strategic support of the Japanese partner, Searefico is aiming to reach out to the South East Asia's market, focusing on India's and Middle East's market.

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#### III. REPORT OF THE INSPECTION COMMITTEE

### 1. MEMBERS AND STRUCTURE OF THE INSPECTION COMMITTEE



Position: Head of The Inspection Committee Number of holding shares: -

Rate: -

**BUI VAN QUYET** 



Position: Member of The Inspection Committee

Number of holding shares: 600

Rate: 0.002%

LAM HOANG VU NGUYEN



Position: Member of The Inspection Committee Number of holding shares: -

Rate: -

DO TRONG HIEP

### 1 2. SUMMARY OF THE INSPECTION COMMITTEE'S ACTIVITIES

In 2016, the Inspection Committee held four meetings with full members of the Inspection Committee with the following details:

No.	Date	Content	Result
st 1 time	15/3/2016	Checking the Financial Statement of 2015; Evaluating the performance of the Inspection Committee, the Board of Directors, the Board of Management in 2015 and approving the documents submitted to the AGM.	Members of the Inspection Commit- tee agreed on the financial statements of 2015 and documents submitted to the AGM.
nd 2 time	26/5/2016	Checking the Financial Statement of Quarter I/2016; Evaluating the implementation of the contents and targets approved by the AGM.	Members of the Inspection Committee agreed on the Financial Statements of Quarter I/ 2016 (Parent and consolidated financial statements).
3 <sup>rd</sup> time	9/8/2016	Committee, Board of Directors, Board of Management in the first 6 months of 2016; Evaluating the implementation of the contents and targets approved by the AGM.	Members of the Inspection Committee agreed on the Financial Statements of Quarter II/ 2016 (Parent and consolidated financial statements).
4 <sup>th</sup> time	15/11/2016	Checking the Financial Statement Quarter III/2016; Evaluating the activities of the Inspection Committee, Board of Directors, Board of Management in the first 9 months of 2016	Members of the Inspection Committee agreed on the Financial Statements of Quarter III/ 2016 (Parent and consolidated financial statements).

The Inspection Committee's operation program in 2016 was to hold a meeting to set up the work plan for the Inspection Committee during the year, including the assigned tasks of each Inspection Committee's member as follows:

- The Inspection Committee fully participated in meetings of the Board of Directors, discussed and contributed opinions to the issues presented and approved during the meetings.
- The Inspection Committee promptly informed the results of the Inspection Committee's activities and the necessary recommendations to the Board of Directors and the Board of Management in accordance with regulations. The reports of the Inspection Committee were approved by the Board of Directors before submitting to the AGM.
- The Inspection Committee has coordinated with the independent Audit and the Company's Internal Audit in effectiveness control, report on controling transparency and truthfulness and making recommendations for the Board of Directors, Board of Management to manage effectively, minimize risks, and comply with the law and the company's charter.
- > During the year, the Inspection Committee coordinated with the Company's Internal Control Board to conduct quality control at sites, such as: Gate Way Thao Dien, Vista Verde District 2, Vinhomes Landmark 1, Capella Center, Viettel, Garden Gate...

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## 3. EVALUATION OF THE INSPECTION COMMITTEE ON THE COMPANY'S OPERATING RESULT AND THE IMPLEMENTATION OF THE AGM'S RESOLUTIONS IN 2016

#### Main criteria

No.	Item	Unit	2015	2016	2016 compared to 2015
1	Total asset	Billion VND	1,099	1,335	121.50%
2	Owners' equity	Billion VND	414	448	108.14%
3	Net revenue	Billion VND	1,044	1,316	126.05%
4	ЕВТ	Billion VND	79	115	144.58%
5	EAT	Billion VND	65	96	147.27%

#### Evaluation of the Inspection Committeered

#### Revenue, profit

In 2016, net revenue of goods and services reached 1,316 billion VND, increased by 26% compared to 2015 and fulfilled more than 94% of the AGM's set target. EBT reached 115 billion VND. EAT reached 96 billion VND (including income from on land assets transfer), increased by 44% and 47% respectively over the same period and exceeded 64% and 60% the plan, respectively. If excluded the income from the on land assets transfer and related expenses, the profit target was still exceeded the AGM's approved target.

Other financial targets: The solvency, profitability and operational performance targets have remained well and stable over the years.

#### Dividend payment

In April 2016, the Company paid the second dividend of 15% its par value in accordance with the resolution of the AGM for the fiscal year of 2015, raising the total dividend for the fiscal year 2015 to 20% on the face value of outstanding shares.

In November, the company advanced the first dividend of 8% on par value for the fiscal year 2016.

Remuneration for Board of Directors and Inspection Committee in 2016: Remuneration for Board of Directors in 2016 was 750 millions VND, Inspection Committee was 216 millions VND. Therefore, the total remuneration of the Board of Directors and Inspection Committee in 2016 was 966 millions VND, not exceeding 1 billion VND as proposed by the AGM from the beginning of the year.

### 4. SUPERVISORY RESULTS FOR THE BOARD OF DIRECTORS. THE BOARD OF MANAGEMENT AND MANAGERS

- ▶ The Board of Directors, Board of Management held meetings, promptly promulgated resolutions and decisions on the company's business activities, fully complied with the provisions of the law on management. The members of the Board of Directors and the Board of Management have well performed their assigned functions and tasks in accordance with the Charter and resolutions passed by the AGM;
- ▶ The internal control system operated effectively, report on ensuring transparency and honesty, made recommendations to help the Board of Directors and the Board of Management manage effectively, minimize risks, complied with the provisions of law and the company's Charter;
- ▶ The Board of Directors and the Board of Management have strictly provided full information in time, truthfully and objective on the basis of the examined documents or the company's approved formal reporting system;
- > CEO has fully and seriously implemented the Board of Directors' resolutions, strictly abide by the State's policies and regulations in production management.

- ▶ CEO has had the capacity to manage and operate the company, however, there were objective impacts such as: changes in microeconomics' policies, interest rates, inflation, rising prices ... building challenges for CEO's management and operation.
- The financial statements of the Company complied with the Vietnamese accounting system and standards. Full and in time organizing, recording, keeping accounting books, financial reports in accordance with regulations. Information on financial situation was disclosed transparently and publicly to meet the relevant authorities and investors' requirements. The Inspection Committee agreed on the audited financial statements of PWC.
- The company has well implemented the law, the government's policies and regimes such as the enterprises law, the labor law, employees policies and regimes and duty to pay taxes to the government.





# 5. EVALUATION OF THE COORDINATION BETWEEN THE INSPECTION COMMITTEE, BOD AND BOM DURING THE YEAR

- The Board of Directors and Board of Management provided sufficient information and documents related to the Company's operations and facilities to serve inspection and audit work under the Inspection Committee's request;
- Meeting invitation of the Board of Directors and enclosed documents were fully sent to the Inspection Committee in time and in accordance with regulations. The Inspection Committee attended all meetings of the Board of Directors, discussed and commented on issues presented and passed during the meeting;
- ▶ The Inspection Committee promptly informed the results of the Inspection Committee's activities and the necessary recommendations to the Board of Directors and the Board of Management in accordance with regulations. The reports of the Inspection Committee were approved by the Board of Directors before submitting to the AGM.

# 6. THE INSPECTION COMMITTEE'S RECOMMENDATIONS AND OPERATING ORIENTATIONS IN 2017

In the fiscal year 2016, the company has successfully implemented the AGM's approved resolutions and the financial situation was healthy. The Inspection Committee, the Board of Directors and the Board of Management of Searefico have performed their functions and duties in accordance with the Law on Enterprises and the company's Charter.

In order to develop and implement the AGM's resolution for the fiscal year 2017, the Inspection Committee sets out the direction for operating in 2017 as follows:

- Continuing to maintain good function of checking and monitoring quotas and economic plan contents which were approved by the AGM, ensuring efficiency, transparency and publicity for benefit of shareholders and the company;
- Approaching and participating in internal control activities to collect information for advising the Board of Directors and the Board of Management on reducing costs and administration expenses;
- Researching and advising the Board of Directors, the Board of Management on the appropriate and effective restructuring of financial investment.

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### 1. Board of Directors

Members and structure of the Board of Directors

No.	Full name	Position	Number of holding shares	Percentage/ Charter capital
1	Nguyen Huu Thinh	Chairman of BOD	816,878	3,35%
2	Le Tan Phuoc	Member of BOD	644,181	2,64%
3	Nguyen Thanh Son	Member of BOD	-	
4	Nguyen The Hung	Member of BOD	-	
5	Yoshinobu Tamura	Member of BOD	-	
6	Ryota Fukuda	Member of BOD	-	

#### Committees of the Board of Directors

Currently, the Board of Directors has not yet set up committees under the Board of Directors, but there is always a specific job assignment

for each member and specific sections on issues as personnel, salary and bonus as follows:



MR. NGUYEN HUU THINH - CHAIRMAN OF BOD

Taking overall responsibility and being responsible for the Board of Directors' activities in accordance with the functions, duties and powers of Board of Directors' Chairman as stipulated in the Charter and the Law on Enterprises.

Assigning duties to the members of the Board of Directors to perform the duties and powers of the Board of Directors; Building programs, operational plans of the Board of Directors; Assigning preparation for meeting material content; Convening and hosting meetings of the Board of Directors.

Organizing the implementation of the AGM's resolutions, the Board of Directors' resolutions and decisions.

Upfront directing, supporting and supervising the Board of Directors' activities:

- Developing the company's strategies, business plans.
- Restructuring, reorganizing, renovating and developing the company.
- Finance, budget.
- Supporting business development, expanding Industrial Refrigeration Market and Panel.

Signing resolutions, decisions and other documents under the authorization of the Board of Directors and on their behalf.



MR. LE TAN PHUOC - MEMBER OF BOD CUM CEO

Developing the company's strategies, business plans, innovation and R&D; proposing salary and bonus policies for the Company's managing officers.

Developing and proposing human resource developing strategies to the Board of Directors which meets the company's strategic development and strategic orientations.

Supporting development of M&E market in Southern and Central Vietnam.

In charge of investment and development of new products at Arico.

In charge of managing capital investments in other enterprises.



MR. NGUYEN THANH SON - MEMBER OF BOD

Participating in corporate governance, the company's business development.

In charge of ERP projects and supporting IT development.

Supporting business development and expanding the market in Central and Northern Vietnam.

Studying and proposing construction plans and modes of managing, exploiting the office building projects.

Supporting internal control, controlling input purchase price to help increase the performance of the whole group.

Researching and evaluating the effectiveness of potential investment projects, seeking new investment opportunities for the Company.



MR. NGUYEN THE HUNG - MEMBER OF BOD

Participating in corporate governance, the company's development strategies. In charge of law consultancy.

Assisting CEO in finding foreign strategic partners, new technologies cooperating with Arico and Searee to develop new business line, new products, bringing Arico products to the international market.

Reviewing CEO's recommendations on the salary and bonus payment mechanism for managing officers under the authority of the Board of Directors to submit to the Board of Directors for consideration and approval.

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MR. YOSHINOBU TAMURA - MEMBER OF BOD

Participating in corporate governance, the company's development strategies.

In charge of developing new business markets, international markets, especially projects with Japanese investors.

Assisting the Company in engineer and manager training project in accordance with international standards so that they could conduct Japanese projects and projects according to international standards.

Assisting CEO to seek strategic partners for Arico and Searee.

Assisting CEO to control the construction quality.

Researching, introducing new technologies in management, construction and production



#### MR. RYOTA FUKUDA - MEMBER OF BOD

Participating in corporate governance, the company's development strategies.

Managing investment capital in foreign enterprises

Evaluating, reviewing the company's financial statements.

Researching and evaluating the feasibility of "foreign elements" projects, seeking investment opportunities for the company.

Assisting CEO to seek strategic partners for Arico and Searee.



therefore, the supervision of the Board of Directors towards issued 32 resolutions/decisions.

CEO in compliance with the AGM's and the Board of Directors' In 2016, the Board held 8 meetings as follows:

Member of BOD	Position	Number of meetings participated by DOB	Rate	Reason of absence
Nguyen Huu Thinh	Chairman	8	100%	
Le Tan Phuoc	Member	8	100%	
Nguyen Thanh Son	Member	8	100%	
Nguyen The Hung	Dependent member	8	100%	
Yoshinobu Tamura	Member	8	100%	
Ryota Fukuda	Member	5	87.5%	Appointed on 25/03/2016 and authorized Mr. Yoshinobu Tamura to participated in 2 meetings

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And issued 32 resolutions/decisions as follows:

No.	RESOLUTION	DATE	CONTENT
1	001A/NQ/HĐQT/16	25/03/2016	Passed the remuneration in 2016 of members of BOD and Inspection Committee
2	001/NQ/HĐQT/16	29/03/2016	Paying final dividend in 2015
3	002/NQ/HĐQT/16	01/04/2016	Advancing dividend for the last stage of 2015 (replacing NQ 001/NQ/HĐQT/16)
4	003/NQ/HĐQT/16	27/05/2016	Selecting independent auditors
5	004/NQ/HĐQT/16	27/09/2016	Advancing dividend of stage 1 in 2016
6	001/QĐ/HĐQT/16	01/01/2016	Establishing a Purchase Center under Searefico
7	001A/QÐ/HÐQT/16	01/01/2016	Appointing Mr. Nguyen Chau Tran to hold the position of supervisor of Arico
8	002/QĐ/HĐQT/16	26/01/2016	Renaming the investment and supervisors department into Finance Department
9	003-021/QĐ/HĐQT/16	02/02/2016	Reward decisions
10	022/QÐ/HÐQT/16	24/02/2016	Issuing regulations on the organization and operation of the International Business Division
11	022A/QĐ/HĐQT/16	31/03/2016	Transferring profits from Searee to the parent company
12	022B/QĐ/HĐQT/16	31/03/2016	Transferring profits from MEB to the parent company
13	022C/QĐ/HĐQT/16	31/03/2016	Assigning business plans of 2016
14	023/QĐ/HĐQT/16	01/04/2016	Issuing regulations on the organization and operation of M&E Division
15	024/QÐ/HÐQT/16	04/04/2016	Appointing Ms. Nong Vuong Phi to hold the position of Personnel Director
16	025/QÐ/HÐQT/16	25/05/2016	Decision on the seal of the Rep.Office

STT	RESOLUTION	DATE	CONTENT
17	026/QÐ/HÐQT/16	31/12/2016	Terminating the labor contract with Vien Quang Mui
18	027/QÐ/HÐQT/16	25/05/2016	Establishing the Rep. Office in Phu Quoc
19	028/QÐ/HÐQT/16	02/06/2016	Issuing regulations on organization and operation of M&E Branch (MEB)
20	029/QÐ/HÐQT/16	02/06/2016	Issuing regulations on organization and operation of Searee
21	030/QĐ/HĐQT/16	02/06/2016	Authorizing representative of the shareholding portion of Searefico at HCC
22	030A/QÐ/HÐQT/16	11/07/2016	Appointing officers to go Poland on business trip
23	031/QÐ/HÐQT/16	15/07/2016	Grateful bonus to Mr. Vien Quang Mui
24	032/QĐ/HĐQT/16	27/07/2016	Appointing officers to go Hanoi on business trip
25	033/QÐ/HÐQT/16	08/09/2016	Rewarding managing officers in the business trip and tour in Japan
26	034/QÐ/HÐQT/16	27/09/2016	Appointing managing officers to go abroad on business trip
27	035/QĐ/HĐQT/16	11/10/2016	Relating to the implementation of the transactions of the Company, Branches and Subsidiaries at the bank
28	036/QĐ/HĐQT/16	26/10/2016	Appointing managing officers to go abroad on business trip
29	037/QĐ/HĐQT/16	28/10/2016	Transferring 70% profit of the first 6 months in 2016 of MEB to the parent company
30	038/QĐ/HĐQT/16	28/10/2016	Transferring 70% profit of the first 6 months in 2016 of Searee to the parent company
31	039/QĐ/HĐQT/16	20/12/2016	Establishing Industry Division under Searefico
32	040/QĐ/HĐQT/16	20/12/2016	Appointing Mr. Nguyen Vu Hai Dang to hold the position as Director of Industrial Division of Searefico Searefico

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### Activities of independent members of the Board of Directors

Non-executive independent members of Board of Directors participated in Board of Directors' activities through Board of Directors' meetings or vote through email.

List of members of the Board of Directors possessing certificates on corporate governance and members of the Board of Directors participating in corporate governance training programs in the year

- Some members of Board of Directors and Inspection Committee graduated from MBA
- In addition, members regularly research and update corporate governance knowledge by updating corporate governance documents.

## 2. Transactions, remunerations and benefits of the Board of Directors and the Inspection Committee

Salaries, bonuses, remunerations and benefits

No.	Full name	2016 (VND/year)
- 1	Board of Directors	750,000,000
1	Nguyen Huu Thinh	180,000,000
2	Le Tan Phuoc	120,000,000
3	Nguyen Thanh Son	120,000,000
4	Nguyen The Hung	120,000,000
5	Ryota Fukuda	90,000,000
6	Yoshinobu Tamura	120,000,000
II	Inspection Committee	216,000,000
1	Bui Van Quyet	96,000,000
2	Lam Hoang Vu Nguyen	60,000,000
3	Do Trong Hiep	60,000,000
	Total	966,000,000

#### Transactions of internal shareholders

No. Transacted by		Relationship to internal	Number of holding share at the beginning of the period		Number of holding share at the end of the period		Reason of
		shareholders	Quantity	Rate	Quantity	Rate	increase, decrease
1	Nguyen Hoang Thien Truc	Husband of Mrs. Lam Hoang Vu Nguyen	12,000	0.049%	-	_	Sold
2	Lam Hoang Loc	Father of Mrs. Lam Hoang Vu Nguyen	1,084,080	4.45%	4,080	0.017%	Sold

#### Contracts or transactions with relevant parties:

Name of organization/ Individual	Relationship to the company	Address/ Head Office	Method of transaction
Sao Phuong Nam JSC	Large shareholder	72-74 Nguyen Thi Minh Khai, Ward 6, District 3, HCMC	Office rental
Diplomat International JSC	Relevant party	76-78 Nguyen Thi Minh Khai, Ward 6, District 3, HCMC	Provided with building services
Sao Phuong Nam Investment JSC	Relevant party	36A Nguyen Duc Canh, Phuoc Long,Nha Trang City, Khanh Hoa Province	Provided with building services
Thua Thien Hue Construciton Joint Stock Company	Associated company	Lot 9 Pham Van Dong St., Hue City, Thua Thien Hue Province	Received dividend Provided with building services

#### Implementation of regulations on corporate governance

Joining the stock market in 2009, the company has always kept up to date the regulations promulgated by the State Securities Commission and seriously applied it to the company's internal management.

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## 1. GENERAL

#### Contents of report

The year 2016 was fruitful with pleasing results, making a milestone for Searefico. With the business philosophy of "living kindly, working properly" in line with core values, Searefico has a solid platform for development.

For us, building the future of sustainability is the mission that has been sown for years and will continue to be nurtured in the long run ahead. This is also the core of this Sustainable Development Report.

#### Scopes of report

The Report is an integral part of the Annual Report 2016, including the information and data collected from the main activities of Head Office, subsidiaries and member business units.

#### Methods of content orientation

The content of the Report is linked to the company long-term development goals in the harmony with the interests of stakeholders, the contribution to society as well as the protection of the environment.

#### Contact information

Searefico always strives for information transparency, sharing values to the community and society. Thus, we appreciate your sincere comments.

For further information, please kindly contact:

Head Office:

#### **SEAREFICO**

Floor 14 Centec Tower, 72 - 74 Nguyen Thi Minh Khai Str., Ward 6, District 3, HCMC

## 1 2. CONTENTS OF REPORT



#### 2.1.1. People as the core

It is a paradox that "Business strategy is not the matter of revenue but people." But for Searefico, it is. "People industry" is the centre. We considers human the key to build a strong corporate from the inside out. Therefore, our policies of recruitment, training, salary, bonus, welfare and performance assessment always aim at "nurturing" for the sustainable and long – term development.

- Environment: A good environment is where people are happy enough to be attached engaged for a long time. Searefico desires to be a part in each employee's life so that they could feel like home here.
- Culture: Corporate culture is built on the basis of mutual respect, consensus, support, cooperation and development among the whole team aiming at the same vision and mission. Bearing in mind 09 core values as code of conducts, each member brings a color that creates a kind, proper and connected Searefico culture.
- Recruitment: A potential candidate will stand out for his/her character rather than expertise. We believe that attitude and passion will determine motivation and engagement with the organization. Intensive training courses and practical experiences on sites will sharpen employees into bright pearls.
- ▶ Training and Development: With annual budget up to 1 2% of profit, training and development are considered an investment for long-term development. Each employee has a Career Path and Work Development Plan. Searefico will go along with them on that journey with the customized courses aiming at high application. Especially, we are strong at internal training for project personnel. Trainers are those who are experienced, good at technology, willing to share. Their knowledge is an invaluable asset, hard to find anywhere else. Besides, Searefico tends to develop senior managers internally, which gives great opportunities for potential employees for higher ladder in their Career Path.
- Compensation & Benefits scheme: In order to attract and retain people, it is not right way to enter the salary race in the market. Searefico has changed all old and monotonous policies to better ones for laborers and their families instead. Opposite to the early days when the policy was only around salary and bonus, Searefico has paid more attention to the needs of "being honored, cared, helped, entertained, learned, developed", becoming a home for nearly 800 people here.

Number of employees 7772 persons

Average salary

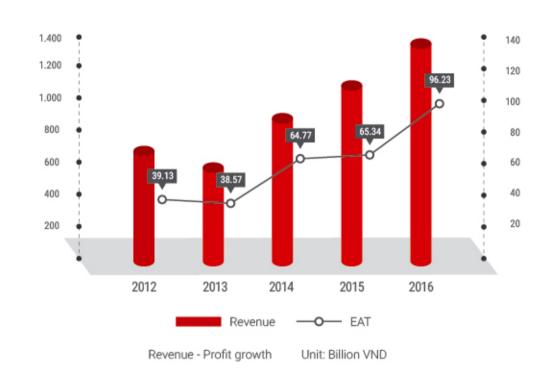
15,4
million VND/p/m

Training hours

15,24
hours/person

#### 2.1.2. Healthy finance, rapid growth

Searefico business has been growing and proven by the outstanding figures over the years:



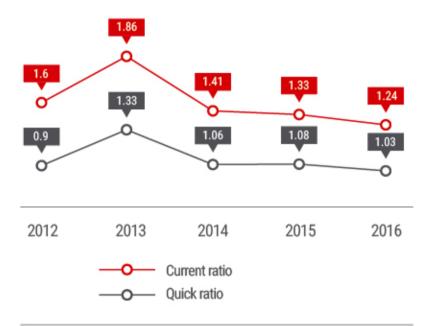
#### Capability and performance criteria for the last 5 years:

Item	Unit	2012	2013	2014	2015	2016
Total assets	Billion VND	704	729	927	1,099	1,335
Total liabilities	Billion VND	405	365	540	685	887
Total owner's equity	Billion VND	299	365	387	414	447
Chartered capital	Billion VND	81	163	244	244	244
Book value	VND/share	36,753	22,425	15,859	16,989	18,372
EPS	VND/share	2,717	1,707	2,308	2,416	3,375

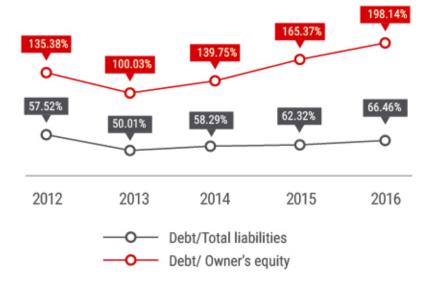
Within 05 years since 2012, Searefico's total asset has doubled and reached 1.335 billion VND. The company chartered capital has also tripled to meet the demand for business and investment, currently at 244 billion VND and is expected to continue to grow in 2017.

Production and business activities are effective and gradually increasing, so the EPS is gradually increasing over the years and in 2016 up to 3,375 VND.

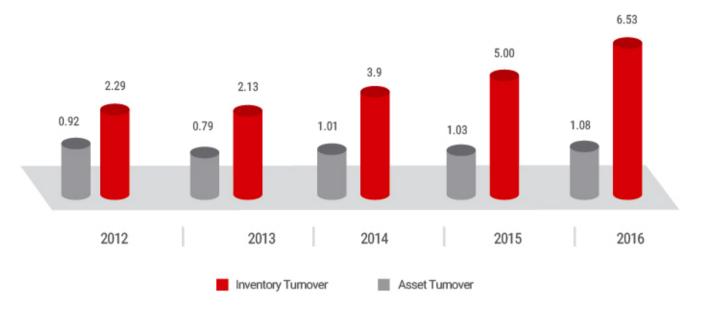
#### Solvency ratio



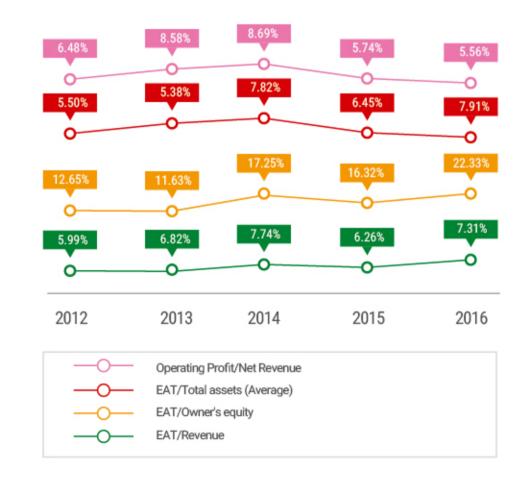
#### Capital Structure



### **Operation Capital**



#### Performance capability

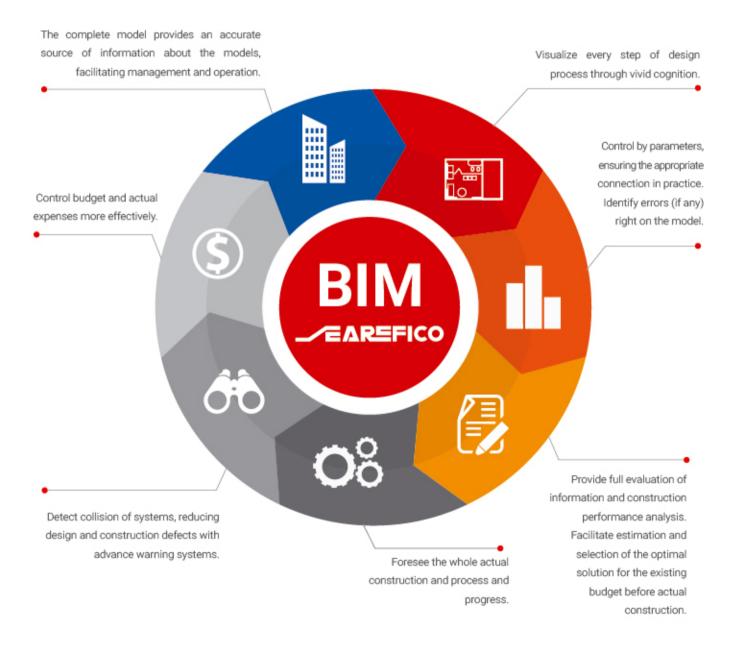


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#### 2.1.3. BIM - PIONEERING TECHNOLOGY

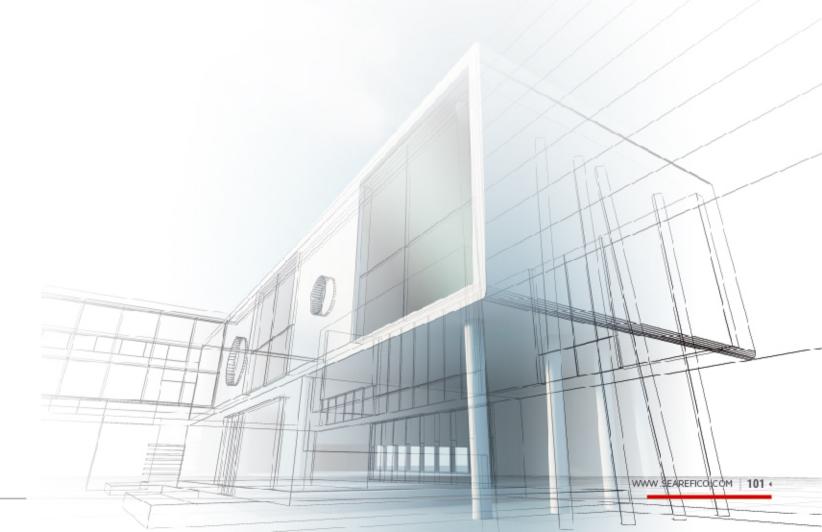
As a pioneer to apply BIM (Building Information Modeling) when BIM was still totally new in Vietnam, Searefico has now become a leading company in M&E design and construction, building hundreds of high quality constructions, bringing trust to investors, partners, and customers.

Under the pressure of ensuring the progress, quality and cost management, BIM is the best solution when combining design and construction with a variety of benefits:



#### Comparison of methods

Comparison of methods	Old method	New method
Tools	CAD Tools (AutoCad)	BIM Tools (Revit, Naviswork)
Procedures	Traditional Design Process (Volume of work focuses on the stage of Construction Documents)	Integrated Design Progress (Volume of work focuses on the stage of Schematic Design and Design Development)
Products	2D Projection	Intelligent 3D models contain materials, geometric and non-geometric information in each component of the work to be exploited.



#### Proven results

Benefits	Investors	Design & Management consultants	Contractors
Facilitate the document preparation and approval.		<b>⊘</b>	<b>Ø</b>
2. Minimize design errors.		<b>⊘</b>	
Optimize the design and construction by effective cooperation among stakeholders.		<b>⊘</b>	<b>Ø</b>
Avoid waste of materials and labor cost by repairing.		<b>Ø</b>	<b>Ø</b>
Understand clearly design options by visibility.	<b>Ø</b>		
Minimize risks in construction by well controlled design and procurement process.	<b>Ø</b>		
7. Facilitate design review and approval process.	<b>Ø</b>	•	
8. Track and evaluate project progress.	<b>Ø</b>	•	
9. Track and evaluate volumes, expenses and payments visually		<b>Ø</b>	
10. Provide complete documentation, operations manuals and digital maintenance.	<b>Ø</b>		

#### 2.1.4. ERP - Leading Management System



In order to catch up with rapid growth, Searefico has developed advance management technologies such as Enterprise Resource Planning (ERP) to control and improve performance and overall management.

ERP has "gone live" (put into practice) by the beginning of 2017. For Searefico, ERP is the solution in line with the management strategies, improving competitiveness and helping Searefico approach nearer with international standards as well.

#### Expected benefits of ERP in Searefico:

- Reliable access to management information system: Keep the Board of Directors updated with full information to make right decisions in time.
- Accurate accounting: Help to control process compliance, minimizing common errors in manual implementation, and improving internal audit.
- Effective inventory management: Allow accurate inventory tracking and determine optimum inventory levels.
- Efficient production: Help to identify and eliminate inefficient elements in the production, installation, and construction process.

- Effective Human Resource Management: Help to arrange human resource management procedures properly, reducing administration expenses and improving work efficiency.
- Clearly defined procedures: Building logical procedures is a must in ERP, which enables clear work assignments and interactions.

So far, Searefico has been implementing the first stage with key management modules such as HR, Procurement, Assets, Projects, and Accounting. Stage 2 includes the Production Management and Management Accounting modules, which is expected to be completed by the end of 2017.

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### 2.1.5. OHSAS 18001: 2007 A steady preparation for comprehensive development

OHSAS 18001: 2007 (Occupational Health and Safety Assessment Series) is an Occupational Health and Safety Management Series approved by the Board of Directors and certified the compliance in 2017 to perform four main functions in the goal of sustainable development at Searefico:

- (1) Protecting workers
- (2) Increasing business interests
- (3) Enhancing compliance with the law
- (4) trengthening the management capacity of the current management system.

Investors, customers, stakeholders, employees in enterprises, governmental organizations tend to pay more attention to health and safety of laborers. Therefore, strict legal regulations, economic policies, human resources management and other methods are implemented more and more professionally to promote health risk prevention and control. That is also the core purpose of applying OHSAS 18001 in Searefico.

Accordingly, the company plans to enhance its resources to implement the OHSAS 18001-2007 management system, which will be a platform for the transition to ISO 45001 in the next three years. OHSAS 18001 will help us approach international integration, increasing competitiveness, and meeting the standards of international projects.

OHSAS 18001 in conjunction with other management tools (ISO 9001, BSC, KPI) will aim at a comprehensive Quality Management System for the next five years.



#### 2.2 COMMITMENTS FOR SUSTAINABILITY

#### 2.2.1. High quality towards investors:

Reputation is the motivation for us in every single activity. We always strive to create added values for investors and customers on the basis of sustainable development and mutual cooperation. Our commitments of quality and progress in all projects have become a pledge of solid credibility.

#### High interests for shareholders and investors:

Our management scheme always strives to achieve high interests for shareholders.

- For existing shareholders: Searefico has applied bonus shares policy for all recent charter capital increases and is planning to issue more than 8 million bonus shares in 2017. In addition, the company always maintains high cash dividends (average at 20%/par value).
- For strategic shareholders: Strategic shareholders are those who meet specific criteria, vitally contributing to company growth. With the strategic partnership with Taisei Oncho, the company has achieved breakthrough growth.

Over 18 years as from equitization and 8 years as from IPO, we always maintained transparent information policy by publishing all information properly via the State Securities Commission, Ho Chi Minh Stock Exchange, website and mass media to ensure information is conveyed quickly and accurately to shareholders and investors.





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#### Our communication channels:

#### Direct and indirect exchanges and contacts

The company communicates with shareholders, investors through the company website, the State Securities Commission, Ho Chi Minh Stock Exchange. In addition, the company regularly meets with investors who concern and seek for cooperation opportunities for investment.

#### Searefico official PR channels

The information is regularly updated on company website and facebook and widely published to the market through the State Securities Commission, Ho Chi Minh City Stock Exchange. For important information, the Company publishes in the nationwide newspapers or sends directly to shareholders.

#### 2.2.2. Searefico shares values with subcontractors. suppliers and construction teams

On our journey of building the future, subcontractors, suppliers as well as construction teams play the role of companions. Together on the same boat, everyone is a rower to steer the boat towards the same destination, helping us achieve the expected values, commitments as well as goals.

We commit ourselves to cooperate with partners on the "Win-Win"

- Fast and convenient payment process.
- Support training courses for sub-contractors and construction teams.
- Build a cooperation roadmap, sharing opportunities.
- Cooperate on the basis of support, respect, mutual understanding for the common goal.
- Share the technology to ensure quality.

To honor subcontractors, suppliers, and construction teams; Searefico has held Thank You Party for the first time in 2016 with more than 200 guests. There, the honorable names were called. The title of "Excellent Contractor" was awarded to THT Electrical Engineering & Service Company, Thien Dan Electric Engineering Co., Ltd., East Electricity -Electrical Refrigeration Co., Ltd, MET Electrical Engineering Co. Ltd., Quang Minh Electrical Mechanical Co. Ltd., Phuoc An Refrigeration Co., Ltd. for high compliance, schedule and quality commitment on each project. The "Excellent Supplier" was awarded to Mayekawa Company, Guntner Asia Pacific Company, Sunlight Switchgear Company, Lin Kim Hai Electrical Company, Vinh Binh Steel Co., Ltd. for good quality products, fast delivery, and thoughtful services.

These activities have partly reflected the efforts of Searefico's Board of Directors to enhance mutually beneficial cooperation for the common vision, mission and goals.



























#### 2.2.3. Searefico is committed to compliance with laws and regulations

During our business activities, Searefico always strives to comply well with the laws, fulfilling our obligations to the Government and has made significant contributions to the industrialization and modernization of the country.

As a company in the field of construction, Searefico strictly complies with regulations and standards of Health, Safety, and Environment (HSE) heading to the best standards.

#### 2.2.4. Searefico is committed to CSR activities

Sharing values to the community is what we do always. We spend a part of profit to voluntary activities, joining hands to support difficult circumstances in both spiritual and material aspects, facilitating them with orientation and soft skills training courses for better integration.

- ▶ 12/2016: Searefico participated in the "Night Winter Dream" concert to raise funds for cancer children. Apart from ticket donation, Searefico won the charity auction with 02 lotus pottery pots of nearly 40 million VND. The donation will be spent on hospital bills, chemo and radiation therapies, giving the children a chance to prolong life.
- ▶ 12/2016: Searefico joined Southeast Asia Healthcare Partners (SEAHP) to visit and donate 35 million VND scholarships to students at Sunflower Home of orphans and handicapped students. Go along with the Home, Searefico was committed to provide the students with soft skills training, affording internship and job opportunities for them in the
- 11/2016: With the spirit of giving, Searefico joined the Terry Fox Run. 2016 to raise funds for cancer research. It has been the 20th anniversary of the Terry Fox Run in Vietnam. Although Searefico has joined it for the first time, we hope that our donation could partly give cancer patients more opportunities of treatment.
- ▶ 10/2016: Job Fair is an annual program at HCMC University of Technology, which Searefico has taken part in for years. We always desire to express CSR towards young students by giving them a chance to professional interviews and internships at the company.
- 04/2016: "Trial interview, real success" is also an annual program that we have joined as the main donator. Searefico Human Resources Director has also become the speaker of the program for years. Our talks have attracted hundreds of students, giving them more knowledge and experiences on the journey of finding jobs after graduation.

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## 2.2.5. Protecting the environment is our mission

Aiming at sustainable development, we understand that environment is important not only for us today but for the next generations. We hope to build the heritage and our descendants will be beneficial from it. Therefore, we consider environmental protection our mission in line with our business goals.

This mission is carried out in all our business activities. In every single product and service, we strive to ensure environmental safety criteria and green design to minimize the impact on the environment and the ozone layer by drastically applying eco-friendly technologies.

With the proper vision of the Board of Directors, Searefico is proud to be assessed as:

- Comply well with the laws on environmental protection.
- Fully implement the environmental protection methods in the registered environmental forms.
- Regularly communicate the importance of environmental protection internally.
- Comply well with the report scheme on the environment impact by laws.
- Execute the regime of environmental inspection and supervision.
- Comply well with taxation obligations.









Thanks to those efforts, the year 2016 also marked many achievements of Searefico in environmental protection for sustainable development:

- Searefico has become Gold Member of VGBC (Vietnam Green Building Council) and committed to comply well with Lotus green building standards.
- It was a milestone in 2016 when our products were exported to countries such as India, the Philippines, Indonesia, Cambodia, which strictly adhered to international standards for the protection of the ozone layer and environmental protection.
- Searefico has also invested in modern technology lines that can not only optimize the specifications, manufacturing high quality products but also remain environmentally friendly.
- Searefico has entered the Top 5 Technology Companiess of the Year in the Ashui Awards for its hi-tech and eco-friendly solutions.

Specifically, we have put great efforts in minimize the negative impacts on the environment such as:

#### Effective management of raw materials production:

We strive to apply reasonable and efficient raw materials solutions that not only ensure the quality of the works but also minimize the loss rate in the production and construction process. In addition, the application of advanced technology (BIM 3D, 4D, 5D) and ERP system will help to control raw materials volumes and costs more effectively.

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Converting and upgrading production technologies of eco-friendly solutions:

- Convert the panel production technology using HCFC-141b into cyclopentane-based technology (helping to eliminate HCFCs that affect the ozone layer, minimizing environmental impact). This is an investment project by SEAREE and ARICO. The new technology can help to reduce the loss rate of raw materials cost of operation and maintenance and making assembly process simple.
- Consult and provide customers with large refrigeration systems using NH3 refrigerants to replace HCFC refrigerant (R22) which is harmful to the ozone layer under UN conventions.
- Apply MES (Minimum Energy System) technology for large-capacity refrigerant design but optimizing the amount of refrigerant used, ensuring to reduce investment costs and adhering to the regulations on the minimum use of allowed refrigerant.
- In addition, the project of upgrading hi-tech machinery and equipment for metal processing machine also contributes to significantly reduce the total amount of toxic waste (gas, slag, dust, arc, etc...) discharged in the process as compared to traditional processing methods, while helping to save raw materials in the production process.



Consulting, manufacturing, installing energy saving equipment for customers and maintaining reasonable energy consumption right at the company.

Provide customers with energy-saving solutions by applying advanced design technologies:

- Design refrigeration system on model of Booster replacing old type of Compound refrigeration systems for high-capacity refrigeration system leading to power savings up to 20% when operating.
- Inverter technology is applied for controlling power of piston/screw refrigerant compressor to save energy and increase the COP (cooling load/electrical power) and for belt conveyors & air fans of cooler of IQF to freeze products at different sizes, saving equipment investment costs and operating power.
- Research and improve the technologies, increasing the
- For example: the application of fluidized technology, impingement technology in the manufacture of Individual Quick Freezer (IQF) for vegetables and seafood processing industries, reduced 50% loss ratio, reduced freezing time and freezing capacity, increased more product quality than frozen by air-blast freezer tunnel and other normal freezers; integrated optimum temperature and gas control devices to steamed cooling equipment to ensure the process of steaming/boiling products (shrimp) with the lowest loss ratio compared to the products of domestic and foreign providers.
- Factory Management System (SCADA/FMS) provided users with Evaluation and Analysis, Tools (Process Analyst) for operation of devices in order to provide the most optimum operating solutions/schedules in respect of power operating costs and minimizing the problem.

In addition, Searefico has a number of R&D activities to carry out "green" designs of M&E systems for high buildings, making recommendations for energy saving equipments, proposing alternatives to optimize the system, improve the efficiency of use, reduce the cost of power consumption during the operation.

With our great efforts, we hope that our descendants could enjoy beautiful, civilized and modern living environment from a variety of conveniences built today but safe, green and sustainable for tomorrow.

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# SEAPRODEX REFRIGERATION INDUSTRY CORPORATION CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

# SEAPRODEX REFRIGERATION INDUSTRY CORPORATION CONSOLIDATED FINANCIAL STATMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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Consolidated cash flow statement (Form B 03 - DN/HN)

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#### **CORPORATE INFORMATION**

Enterprise registration certificate

No 0301825452 date 18 September 1999 was initially

issed by the Department of Planning and Investment of Ho Chi Minh City and 15th

amendement dated 18 September 2014

**Board of Management** Mr Nguyen Huu Thinh Chairmant

Mr Le Tan Phuoc Member
Mr Nguyen Thanh Son Member
Mr Nguyen The Hung Member
Mr Yoshinobu Tamura Member
Mr Ryota Fukuda Member

(appointed from 25 March 2016)

**Board of Supervision** Mr Bui Van Quyet Chief Supervision

Ms Lam Hoang Vu Nguyen Member
Mr Do Trong Hiep Member

**Board of Directors** Mr Le Tan Phuoc General Director

Mr Nguyen Quoc Cuong Director of Searee

Mr Mai Chanh Thanh Director of Searefico M&E

Mr Huynh Khoi Binh Director of Arico

**Legal representative** Mr Le Tan Phuoc General Director

Registered office 14th Floor, Centec Tower, Quận 3, Thành phố Hồ Chí Minh, Việt Nam

72-74 Nguyen Thi Minh Khai Street, Ward 6, District 3,

Ho Chi Minh City, Vietnam

**Auditor** PricewaterhouseCoopers (Vietnam) Limited

## STATEMENT OF THE RESPONSIBILITY OF MANAGEMENT OF THE COMPANY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Director of Seaprodex Rigeration Industry Corporation ("the Company") is responsible for preparing the consolidated financial statements which give a true and fair view of the financial position of the Company and its subsidiaries (together, "the Group") as at 31 December 2016 and of the results of its operations and cash flows for the year then ended. In preparing these consolidated financial statements, the management is required to:

- · Select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

Board of Directors is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and which enable consolidated financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the consolidated financial statements. Board of Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements as set out on pages 5 to 42 which give a true and fair view of the financial position of the Group as at 31 December 2016 and of the results of its operations and cash flows for the year then ended, in accordance with Vietnamese Accounting Standards, the Vietnamese CorporateAccounting System and applicable regulations on preparation and presentation of consolidated financial statements

On behalf of the Board of Directors

CÔNG TY
CỔ PHẨN
KỸ NGHỆ LẠNH
(SEAREFICO)

Le Tan Phuoc General Director

Ho Chi Minh City, Vietnam 6 March 2017

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#### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS AND BOARD OF MANAGEMENT OFSEAPRODEX REFRIGERATION INDUSTRY CORPORATION

We have reviewed the accompanying consolidated financial statements of Seaprodex Refrigeration Industry Corporation ("the Company") which were prepared on 31 December 2016 and approved by the Board of Directors on 6 March 2017. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2016, the consolidated income statement, the consolidated cash flow statement for the twelve-month period then ended, and explanatory notes to the consolidated financial statements including significant accounting policies, as set out on pages 5 to 42.

#### Board of Directors' Responsibility

Board of Directors of the Company is responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements and for such internal control which Board of Directors determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standard on Auditing. Those standards require that we comply with ethical standards and requirements, plan and perform the audit in order to obtain reasonable assurance as to 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 auditor's judgment, including an assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and true and fair presentation of the consoldated financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Chairman, as well as evaluating the overall presentation of the financial statements.

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



#### **Auditor's Opinion**

In our opinion, the financial statements give true and fair view of, in all material respects, the financial position of the Company as at 31 December 2016, its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements.

#### Other Matter

The financial statements of the Company for the financial year ended 31 December 2015 were audited by another auditor whose audit report dated on 3 March 2016 expressed an unqualified opinion.

For and on behalf of PricewaterhouseCoopers (Vietnam) Ltd.



Richard Peters Audit Practising Licence No. 0561-2013-006-1 Authorised signatory

Report reference number: HCM5709 Ho Chi Minh City, 6 March 2017



Dad Quang Huy Audit Practising Licence No. 0561-2013-006-1 1895-2016-006-1

As indicated in Note 2.1 to the consolidated financial statements, the accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam, and furthermore their utilisation is not designed for those who are not informed about SR Vietnam's accounting principles, procedures and practices.

PricewaterhouseCoopers (Vietnam) Ltd. 8th Floor, Saigon Tower, 29 Le Duan Street, District 1, Ho Chi Minh City, Vietnam T: +84 (8)38230796, www.pwc.com/vn

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Form B 01 - DN/HN

Form B 01 - DN/HN

## CONSOLIDATED BALANCE SHEET

			As	As at		
Code	ASSETS	Note	31.12.2016 VND	31.12.2015 VND		
100	CURRENT ASSETS		1,079,493,694,605	901,674,472,407		
<b>110</b> 111 112	Cash and cash equivalents Cash Cash equivalents	3	<b>107,605,078,564</b> 29,460,430,564 78,144,648,000	<b>167,726,410,910</b> 50,426,410,910 117,300,000,000		
120 121 122 123	Short-term investments Trading securities Provision for diminution in value oftrading securities Investments held to maturity	4(a) 4(a) 4(b)	<b>230,500,000,000</b> 230,500,000,000	186,972,796,646 1,007,003,913 (34,207,267) 186,000,000,000		
130 131 132 136 137	Short-term receivables Short-term trade accounts receivable Short-term prepayments to suppliers Other short-term receivables Provision for doubtful debts – short term	5 6 7(a) 8	<b>542,980,373,346</b> 524,512,242,737 11,672,553,804 20,324,665,415 (13,529,088,610)	<b>365,480,633,357</b> 338,698,866,640 16,641,287,455 13,064,251,547 (2,923,772,285)		
<b>140</b> 141 149	Inventories Inventories Provision for decline in value of inventories	9	<b>185,564,251,620</b> 189,675,927,274 (4,111,675,654)	<b>175,000,536,784</b> 177,867,115,984 (2,866,579,200)		
<b>150</b> 151 152	Other current assets Short-term prepaid expenses Value Added Tax to be reclaimed	10(a)	<b>12,843,991,075</b> 1,980,370,974 10,863,620,101	<b>6,494,094,710</b> 1,435,508,063 5,058,586,647		
200	LONG-TERM ASSETS		255,652,935,140	197,227,698,116		
<b>210</b> 216	<b>Long-term receivables</b> Other long-term receivables	7(b)	<b>1,374,501,840</b> 1,374,501,840	1,359,501,840 1,359,501,840		
<b>220</b> 221 222 223	Fixed assets Tangible fixed assets Cost Accumulated depreciation	11(a)	<b>75,387,785,650</b> 74,331,282,606 149,851,667,028 (75,520,384,422)	<b>58,578,718,601</b> 58,014,372,453 131,647,661,399 (73,633,288,946)		
<b>227</b> 228 229	Intangible fixed assets Cost Accumulated amortisation	11(b)	<b>1,056,503,044</b> 2,189,176,660 (1,132,673,616)	<b>564,346,148</b> 1,487,307,153 (922,961,005)		
<b>240</b> 242	Long-term assets in progress Construction in progress	12	22,301,050,396 22,301,050,396	5,174,726,745 5,174,726,745		
<b>250</b> 252 253	Long-term investments Investments in associates Investments in other entities	4(c) 4(d)	<b>118,118,713,598</b> 99,118,713,598 19,000,000,000	<b>94,121,159,714</b> 87,821,159,714 6,300,000,000		
<b>260</b> 261 262	Other long-term assets Long-term prepaid expenses Deferred income tax assets	10(b) 22	<b>38,470,883,656</b> 35,505,915,567 2,964,968,089	<b>37,993,591,216</b> 36,203,641,052 1,789,950,164		
270	TOTAL ASSETS		1,335,146,629,745	1,098,902,170,523		

## CONSOLIDATED BALANCE SHEET (continued)

	PERCUPATA	Ness	As at		
Code RESOURCES		Note	31.12.2016 VND	31.12.2015 VND	
300	LIABILITIES		887,328,463,987	684,793,341,202	
310 311 312 313 314 315 319 320 321 322	Short-term liabilities Short-term trade accounts payable Short-term advances from customers Tax and other payables to the State Budget Payable to employees Short-term accrued expenses Other short-term payables Short-term borrowings Provision for short-term liabilities Bonus and welfare funds	13 14 15 16 17 18(a) 19 20	868,061,017,737 169,145,263,183 73,135,301,271 27,096,227,275 33,135,473,845 98,116,703,433 20,512,218,162 441,869,120,922 3,614,374,681 1,436,334,965	675,609,126,360 111,941,361,506 95,198,722,871 23,698,264,510 25,592,148,058 48,633,252,439 8,125,038,640 354,230,693,926 3,519,755,991 4,669,888,419	
<b>330</b> 337 338 342	Long-term liabilities Other long-term payables Long-term borrowings Provision for long-term liabilities	18(b) 21	19,267,446,250 142,000,000 12,485,088,000 6,640,358,250	9,184,214,842 142,000,000 2,638,261,392 6,403,953,450	
400	OWNERS' EQUITY		447,818,165,758	414,108,829,321	
410 411 411a 412 415 418 421 421a	Owners' capital Capital and reserves - Ordinary shares with voting rights Share premium Treasury shares Investment and development funds Undistributed earnings - Undistributed post-tax profits of the previous years - Undistributed post-tax profitsof the current year	23, 24 24 24 24 24	447,818,165,758 243,749,160,000 243,749,160,000 42,217,165,031 (284,019,059) 47,021,973,131 115,113,886,655 38,378,231,834 76,735,654,821	414,108,829,321 243,749,160,000 243,749,160,000 42,217,165,031 (284,019,059) 46,249,834,636 82,176,688,713 29,018,133,109 53,158,555,604	
440	TOTAL RESOURCES		1,335,146,629,745	1,098,902,170,523	

Pham Thanh Binh Preparer Mai Thi Kim Dung

Mai Thi Kim Dung Le Ta Chief Accountant Gene

Le Tan Phuoc General Director

6 March 2017

CỘNG TY CỔ PHẨN KỸ NGHỆ LẠNH

The notes on pages 9 to 42 are an integral part of these consolidated financial statements.

The notes on pages 9 to 42 are an integral part of these consolidated financial statements.

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Form B 02 - DN/HN

## CONSOLIDATED INCOME STATEMENT

0.1.		N	Year ended 3	1 December
Code		Note	2016 VND	2015 VND
01	Sales		1,316,477,341,794	1,044,789,427,248
02	Less deductions		(114,947,335)	(506,107,674)
10	Net salest	28 29	1,316,362,394,459	1,044,283,319,574
11	Cost of sales		(1,176,538,716,773)	(909,768,621,150)
20	Gross profits		139,823,677,686	134,514,698,424
21 22 23 24 25 26	Financial income Financial expenses - Including: Interest expense Profit from investment in associate Selling expenses General and administration expenses	30 31 32	21,292,994,816 (20,518,006,661) (19,546,960,895) 16,287,153,884 (22,743,663) (83,625,578,300)	14,722,859,075 (16,011,066,921) (14,256,611,871) 17,603,253,946 (36,726,650) (90,861,359,948)
30	Net operating profit		73,237,497,762	59,931,657,926
31 32 <b>40</b>	Other income Other expenses Net other income	33	41,684,911,511 (260,952,219) <b>41,423,959,292</b>	19,755,637,898 (381,122,672) <b>19,374,515,226</b>
50	Net accounting profit before tax		114,661,457,054	79,306,173,152
51 52	Business income tax – current Business income tax – deferred	34 22	(19,611,319,358) 1,175,017,925	(14,312,938,920) 346,259,372
60	Net profit after tax		96,225,155,621	65,339,493,604
70 71	Basic earnings per share Diluted earnings per share	26 26	3,375 3,375	2,416 2,416

Pham Thanh Binh Mai Thi Kim Dung Preparer Chief Accountant

**CÔNG TY** Cổ PHẨN KŸ NGHỆ LẠNH

> Le Tan Phuoc General Director 6 March 2017

The notes on pages 9 to 42 are an integral part of these consolidated financial statements.

## CONSOLIDATED CASH FLOW STATEMENT (Indirect method)

Form B 03 - DN/HN

	`		<u> </u>	
Code		Note	Year ended 3	31 December
Code		Note	2016 VND	2015 VND
	CASH FLOWS FROM OPERATING ACTIVITIES			
01	<b>Net accounting profit before tax</b> Adjustments for:		114,661,457,054	79,306,173,152
02 03 04 05 06	Depreciation and amortisation Provisions Unrealised foreign exchange (gains)/losses Profits from investing activities Interest expense		5,934,304,052 12,509,760,669 (292,043,540) (77,386,912,975) 19,546,960,895	7,170,077,546 (7,789,573,054) 97,366,252 (49,680,902,251) 14,256,611,871
08 09 10 11 12 13 14 15 17 20	Operating profit before changes in working capital Decrease in receivables (Increase)/decrease in inventories Increase in payables Increase in prepaid expenses Decrease in trading securities Interest paid Business income tax paid Other receipts on operating activities Other payments on operating activities Net cash outflows from operating activities		74,973,526,155 (188,525,139,293) (13,348,200,413) 103,291,680,022 (303,927,361) 1,007,003,913 (19,230,022,771) (16,599,174,277) - (10,079,589,505) (68,813,843,530)	43,359,753,516 (35,994,663,803) 24,121,442,877 39,597,850,972 (348,631,654) 4,650,122,657 (14,093,992,917) (9,064,973,141) - (10,641,674,246) 41,585,234,261
21 22 23 24 25 27 <b>30</b>	CASH FLOWS FROM INVESTING ACTIVITIES Purchases of fixed assets and other long-term assets Proceeds from disposals of fixed assets Term deposits Collection of term deposits Investments in other entities Dividends and interest received Net cash outflows from investing activities		(37,920,701,350) 39,861,300,908 (215,500,000,000) 171,000,000,000 (12,700,000,000) 22,473,369,232 (32,786,031,210)	(5,863,966,863) 17,000,000,000 (186,000,000,000) 11,000,000,000 (6,300,000,000) 10,362,893,114 (159,801,073,749)
33 34 36 <b>40</b>	CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from borrowings Repayments of borrowings Dividends paid Net cash (outflows)/inflows from financing activities		1,003,153,318,608 (905,668,065,004) (56,041,599,026) <b>41,443,654,578</b>	739,725,360,351 (638,936,616,273) (29,186,803,774) <b>71,601,940,304</b>
50	Net decrease in cash and cash equivalents		(60,156,220,162)	(46,613,899,184)
<b>60</b> 61	Cash and cash equivalents at beginning of year Effect of foreign exchange differences	3	167,726,410,910 34,887,816	<b>214,212,484,776</b> 127,825,318
70	Cash and cash equivalents at end of year    March   Ma		107,695,678,564 CÔNG TY CỔ PHẨM KỸ NGHỆ LANH (SEAREFILU)	167,726,410,910
	Pham Thanh Binh Mai Thi Kim Du Preparer Chief Accounta		Le Tan Phuoc General Directo 6 March 2017	or

The notes on pages 9 to 42 are an integral part of these consolidated financial statements.

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6 March 2017

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016



#### 1. GENERAL INFORMATION

Seaprodex Refrigeration Industry Corporation ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate ("BRC") No. 063592 dated 18 September 1999 was initially issued by the Department of Planning and Investment of Ho Chi Minh City, as amended.

The Company's shares were listed on the Ho Chi Minh City Stock Exchange with the symbol SRF in accordance with License No. 117/QD-SGDHCM dated 29 September 2009, and the first trading date of the Company's shares was on 21 October 2009.

The Company and its subsidiary's registered activities are to consult, survey, design, supply materials, equipment and provide installation services in relation to industrial refrigeration projects; air conditioning system, electricity system, fire prevention and fighting system, lift, water drainage system, mechanics for industrial and household projects; produce and process, fabricate refrigeration machinery, equipment and materials; execute construction and interior decoration projects for civil works and industrial projects; provide maintenance and repair services of refrigeration equipment and transportation vehicles; trade materials and goods, machinery and equipment and execute construction of road and rail transportation infrastructures, public projects and houses.

The normal business cycle of the Group is 12 (twelve) months.

The Company has two branches as follows:

- Da Nang Refrigeration Industry Corporation Seaprodex Refrigeration Industry Corporation ("Searee") incorporated under the Law on Enterprise of Vietnam pursuant to the BRC No. 3213000275 issued by the Department of Planning and Investment of Da Nang City on 17 January 2000 and the 8th amendment BRC No. 0301825452-001 on 5 January 2015. Searee's office is located at Road 10, Hoa Khanh Industrial Zone, Lien Chieu District, Da Nang City.
- Branch of Mechanical and Electrical Engineering Seaprodex Refrigeration Industry Corporation ("Searefico M&E") incorporated under the Law on Enterprise of Vietnam pursuant to the BRC No. 0301825452-003 issued by the Department of Planning and Investment of Ho Chi Minh City on 27 January 2014 and the first amendment dated 29 September 2014. M&E's office is located at 72-74 Nguyen Thi Minh Khai Street, Ward 6, Districh 3, Ho Chi Minh City.

As at 31 December 2016, the Company has a wholly owned subsidiary, Asia Refrigeration Industry Company Limited ("Arico"). Arico is a one-member limited liability company incorporated in accordance with the BRC No. 4104002210 issued by the Department of Planning and Investment of Ho Chi Minh City on 22 October 2007 and the fifth admendment No. 0305429178 on 31 March 2015. Arico's office is located at Lot 25-27 Central Road, Tan Tao Industrial Park, Tan Tao A Ward, Binh Tan District, Ho Chi Minh City, Vietnam.

As at 31 December 2016, the Group had 772 employees (As at 31 December 2015: 721 employees).



#### 1 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1. Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements. The consolidated financial statements have been prepared under the historical cost convention except for investments in associates as indicated in Note 2.8.

The accompanying consolidated financial statements 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 and jurisdictions other than Vietnam. The accounting principles and practices utilised in Vietnam may differ from those generally accepted in countries and jurisdictions other than Vietnam.

#### 2.2. Fiscal year

The Group's fiscal year is from 1 January to 31 December.

#### 2.3. Currency

The consolidated financial statements are measured and presented in Vietnamese Dong ("VND").

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in the income statement.

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Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are respectively translated at the buying and selling exchange rates at the balance sheet date of the commercial bank where the Group regularly trades. Foreign currencies deposited in bank at the balance sheet date are translated at the buying exchange rate of the commercial bank where the Group regularly trades. The Group ensures that the disparity of the buying exchange rate of the commercial bank where the Group regularly trades does not exceed +/- 1% compared with the buying exchange rate of the commercial bank where the Group opens the foreign currency accounts. Foreign exchange differences arising from these translations are recognised in the income statement.

#### 2.4. Consolidation

The Group prepares consolidated financial statements in accordance with 202/2014/TT-BTC - Guidance on the preparation and presentation of consolidated financial statements.

#### Subsidiary

Subsidiary is entity over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiary is fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

#### Subsidiary (continued)

The acquisition method of accounting is used to account for the acquisition of subsidiary by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the non-controlling difference is recognised directly in the consolidated income statement.

Inter-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### **Associate**

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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#### 2.5. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit, demand deposits and other short-term investments with an original maturity of three months or less.

#### 2.6. Trade receivables

Trade receivables are carried at the original invoice amount less an estimate made for doubtful receivables based on accounting standards, current regulations and a review by Board of Directors of all outstanding amounts trade receivable at the balance sheet date.

#### 2.7. Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost for each type of inventories is determined as follows:

Raw materials, tools and supplies

for specific projects.

- cost of purchase on a weighted average basis.
- Finished goods and work-in process
- cost of direct materials and labour plus attributable manufacturing overheads

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

Provision for decline in value of inventories

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

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

#### 2.8. Investments

#### (a) Trading securities

Trading securities are securities, which are held for trading purpose to earn profit.

Trading securities are initially recorded at cost of acquisition. They are subsequently measured at cost less provision. The provision for diminution in value of trading securities is made when the cost is higher than its fair value.

Profit or loss from liquidation or disposal of trading securities is recorded in the income statement. The costs of trading securities disposed are determined by using the moving weighted average method.

#### (b) Investments held-to-maturity

Investments held to maturity are investments which the Group's Board of Directors has positive intention and ability to hold until maturity.

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Investments held-to-maturity include term deposits, treasury bills, bonds, callable preference shares which should be repurchased by issuer at certain time in the future, loans held-to-maturity for interest earning and other held-to-maturity investments. Those investments are accounted for at cost less provision.

Provision for diminution in value of investments held to maturity is made when there is evidence that part or the whole of the investment is uncollectible.

#### (c) Investments in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

#### (d) Investments in equity of other entities

Investments in equity of other entities are investments in equity instruments of other entities without controlling rights or co-controlling rights, or without significant influence over the investee. These investments are initially recorded at cost. Provision for diminution in value of these investments is made when the entities make losses, except when the loss was anticipated in their business plan before the date of investment.

#### 2.9. Fixed assets

Tangible and intangible fixed assets

Fixed assets are stated at historical cost less accumulated depreciation/amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets.

Depreciation and amortisation

Fixed assets are depreciated and amortised using the straight-line method so as to write off the cost of the assets over their estimated useful lives as follows:

Buildings and structures 5 - 25 years Machinery and equipment 5 - 20 years Motor vehicles 6 - 10 years Office equipment 3 - 8 years Computer software 3 years Other assets 5 - 20 years

#### Disposals

Gains or losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are recognised as income or expense in the income statement

#### Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost. Cost includes construction costs, machinery, equipment and professional fees. For qualifying assets, borrowing costs dealt with in accordance with the Group's accounting policy.

Construction in progress only transfers to fixed assets and depreciation of these assets, on the same basis as other fixed assets, commences when the assets are ready for their intended use.

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#### 2.10. Prepaid expenses

Prepaid expenses include short-term and long-term prepayments on the balance sheet, mainly comprise of land rental, office rental, tools and supplies put in use. Prepaid expenses are recorded at historical cost and allocated using the straight line method over estimated useful lives or the period which economic benefits are generated in relation to these expenses.

#### 2.11. Payables

Classifications of payables are based on their nature as follows:

- Trade accounts payable are trade payables arising from purchase of goods and services.
- Other payables are non-trade payables and not relating to purchase of goods and services.

Payables are classified into long-term and short-term payables on the balance sheet based on remaining period from the balance sheet date to the maturity date.

#### 2.12. Borrowing costs

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the income statement when incurred.

#### 2.13. Accrued expenses

Accrued expenses include liabilities for goods and services received in the period but not yet paid for due to pending invoice or insufficient records and documents. Accrued expenses are recorded as expenses in the reporting period.

#### 2.14. Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provision is not recognised for future operating losses.

#### 2.15. Provision for severance allowances

In accordance with Vietnamese labour laws, employees of the Group who have worked regularly for full 12 months or longer, are entitled to a severance allowance. The working period used for the calculation of severance allowance is the period during which the employee actually works for the Group less the period during which the employee participates in the unemployment insurance scheme in accordance with the labour regulations and the working period for which the employee has received severance allowance from the Group.

The severance allowance is accrued at the end of the reporting period on the basis that each employee is entitled half of an average monthly salary for each working year. The average monthly salary used for calculating the severance allowance is the employee's average salary for the six-month period prior to the balance sheet date.

This allowance will be paid as a lump sum when the employees terminate their labour contracts in according with current regulations.

Form B 09 - DN/HN 2.16. Share capital

Contributed capital of the shareholders is recorded according to actual amount contributed. Contributions from owners are recorded according to par value of the share.

Share premium is the difference between the par value and the issue price of shares and the difference between the repurchase price and re-issuing price of treasury shares.

Treasury shares are shares issued by the Group and bought-back by itself, but these are not cancelled and shall be re-issued in the period in accordance with the Law on securities.

Other capital shall be recorded in owners' other capital at the reporting date.

Undistributed earnings record the Group's results (profit, loss) after business income tax and and profit sharing situation at the reporting date.

#### 2.17. Appropriation of net profit

Net profit after income tax could be distributed to shareholders after approval at annual General Meeting, and after appropriation to other funds in accordance with the Group's charter and Vietnamese regulations.

The Group maintains the following reserves which are appropriated from the Group's net profit as proposed by Board of Directors and subject to approval by Shareholders at annual General Meeting:

(a) Development and investment fund

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

(b) Bonus and welfare fund

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

#### 2.18. Revenue recognition

#### (a) Sales of goods

Revenue from the sale of goods is recognised in the income statement when all five (5) following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### (b) Revenue from construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose of use.

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the amount of work completed and certified by customers at the balance sheet date. Claimable receivable and other receivable are included in revenue to the extent that they have been agreed with customers, verified by the customers.

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Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that it is probable that contract costs incurred will be recoverable. Contract costs are only recognised when incurred during the period.

#### (c) Interest income

Interest income is recognised on an earned basis.

#### (d) Dividends and appropriation of profits

Income from dividend and profit sharing is recognised when the Group's entitlement as an investor to receive the dividend or profit is established.

#### 2.19. Deductions from revenue

Deductions from revenue include trade discounts, sales returns and allowances. Deductions from revenue incurred in the same period of the related sales of products, goods and services are recorded as deduction of revenue of that period.

Deductions from revenue for products, goods or services which are sold in the period but are incurred after the balance sheet date but before the issuance of the financial statements are recorded as deduction from revenue of the period.

#### 2.20. Cost of sales

Cost of sales are recognised based on amount of work completed of construction projects at the balance sheet date and the estimated gross profit of the projects, and recorded on the basis of matching with revenue and on prudent concept. Board of Directors and Director of the company Divisons has the responsibility to follow up, update and adjust the gross profit periodically.

Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

#### 2.21. Financial expenses

Finance expenses are expenses incurred in the period for financial activities including expenses or losses relating to financial investment activity, expenses of lending and borrowing, costs of capital contributed to joint ventures, associates, losses from short-term securities trading, losses from securities selling transactions; provision for diminution in value of trading securities, provision for diminution in value of investments in other entities, losses incurred when selling foreign currencies and losses from foreign exchange differences.

#### 2.22. General and administration expenses

General and administration expenses represent expenses for administrative purposes which mainly include salary expenses of administrative staffs (salaries, wages, allowances,...); social insurance, medical insurance, labour union fees, unemployment insurance of administrative staff, expenses of office materials, tools and supplies, depreciation of fixed assets used for administration, land rental, licence tax, provision for bad debts, outside services and other cash expenses.

#### 2.23. Current and deferred income tax

Income taxes include all income taxes which are based on taxable profits including profits generated from production and trading activities in other countries with which the Socialist Republic of Vietnam has not signed any double taxation agreement. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profits at the current year tax rates. Current and deferred tax should be recognised as an income or an expense and included in the profit or loss of the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or

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a different period, directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### 2.24. Dividend distribution

Dividend of the Group is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's annual General Meeting of shareholders.

#### 2.25. Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors of the Group and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering the related party relationship, the Group considers the substance of the relationship not merely the legal form.

#### 2.26. Segmental reporting

A segment is a component which can be separated by the Group engaged in providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment). Each segment is subject to risks and returns that are different from those of other segments.

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3. CASH AND CASH EQUIVALENTS

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	2016 VND	2015 VND
Cash on hand	176,174,887	627,606,925
Cash at bank	29,284,255,677	49,798,803,985
Cash equivalents (*)	78,144,648,000	117,300,000,000
Total	107,605,078,564	167,726,410,910

<sup>(\*)</sup> Cash equivalents include term deposits with the original maturity within three months.



#### 4. INVESTMENTS

#### (a) Trading securities

	2016		2015			
	Cost VND	Fair value VND	Provision VND	Cost VND	Fair value VND	Provision VND
LILAMA 18 Joint Stock Company			·	590,860,451	590,860,451	(E)
Nam Can Seaproducts Import Export Joint Stock Company Petroleum Mechanical	~	-	-	221,006,195	221,006,195	막
Joint Stock Company	<u>=</u>			195,137,267	195,137,267	(34,207,267)
Total	-	-	-	1,007,003,913	1,007,003,913	(34,207,267)

#### (b) Investments held to maturity

	Book value VND	Fair value VND	Book value VND	Fair value VND
Short-term investments				
Bank term deposits between			3 <u></u>	
3 months and 12 months	230,500,000,000	230,500,000,000	186,000,000,000	186,000,000,000

#### c. Investment in an associate

	2016	2016		
Thua Thien Hue Construction Joint Stock Corporation ("HCC")	Cost of investment VND	% of ownership	Cost of investment VND	% of ownership
	99,118,713,598	36	87,821,159,714	36

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#### Movements in investment in an associate are presented as follows:

	2016 VND	2015 VND
Opening balance	87,821,159,714	72,485,905,768
Share of profit of associate	16,287,153,884	17,603.253,946
Dividend distributed	(4,989,600,000)	(2,268,000,000)
Closing balance	99,118,713,598	87,821,159,714

HCC is a joint stock company incorporated under the Law on Enterprise of Vietnam pursuant to the BRC No. 3300101156 issued by the Department of Planning and Investment of Thua Thien Hue Province on 5 January 2011 and the fifth amendment dated 28 October 2015.

HCC's office is located at 9 Pham Van Dong Street, Hue City, Thua Thien Hue Province, Vietnam.

The current principal activities of HCC are to construct civil, industrial, public, sport, traffic, irrigation and infrastructure projects; to provide services of consulting and supervision for the civil, industrial, traffic and irrigation projects; to engage in real estate trading, infrastructure of industrial zones and residential areas; to produce construction materials, and trade and exploit stones, sands and gravel; and to produce other wooden products.

#### (d) Investment in other entity

	2016		2015	
	Cost of investment VND	% of ownership	Cost of investment VND	% of ownership
International Investment and				
Water Technology Joint Stock Company	19,000,000,000	19	6,300,000,000	19

International Investment and Water Technology Joint Stock Company ("INWATEK") is a joint stock company incorporated under the Law on Enterprise of Vietnam pursuant to the BRC No. 0313029247 issued by the Department of Planning and Investment of Ho Chi Minh City on 26 November 2014 and the first amendment on 23 December 2015.

INWATEK's office is located at 72-74 Nguyen Thi Minh Khai Street, Ward 6, District 3, Ho Chi Minh City, Vietnam.

The current principal activities of INWATEK are trading machinery and equipment to be used for water production, installing water processing, exploiting systems and investing consultation service.

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5. SHORT-TERM TRADE ACCOUNTS RECEIVABLE

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8. DOUBTFUL DEBTS
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	2016 VND	2015 VND
Third parties	486,031,837,139	308,816,230,042
Viettel Real Estate Company	65,913,818,909	Company time was temperature reason with
Others	420,118,018,230	308,816,230,042
Related parties (Note 35(b))	38,480,405,598	29,882,636,598
Total	524,512,242,737	338,698,866,640
6 . SHORT-TERM PREPAYMENT TO SUPPLIERS		
11111111 6. SHORT-TERM PREPAYMENT TO SUPPLIERS		

	2016 VND	2015 VND
Third parties	11,672,553,804	16,641,287,455
Dohome Vietnam Construction Trading Joint Stock Company	1,332,485,338	MANY AT M
YQ-VINA Joint Stock Company	1,577,560,941	
Others	8,762,507,525	16,641,287,455
Total	11,672,553,804	16,641,287,455

M	7. OTHER RECEIVABLES
	7. OTHER RECEIVABLES

#### (a) Other short-term receivables

2016 VND	2015 VND
10,342,372,222	7,867,452,777
4,235,050,347	2,955,878,011
3,079,918,511	888,329,720
1,256,658,754	310,626,634
445,421,557	216,621,709
965,244,024	825,342,696
20,324,665,415	13,064,251,547
	10,342,372,222 4,235,050,347 3,079,918,511 1,256,658,754 445,421,557 965,244,024

#### (b) Other long-term receivables

Other long-term receivables mainly represent long-term deposit for office rental.

	2016			2015
	Book value VND	Provision VND	Book value VND	Provision VND
Receivables that are past due	29,158,262,850	13,529,088,610	3,061,594,785	2,923,772,285
Movements in provision for doubtful	debt during the perio	d were as follows:		
			2016 VND	2015 VND
Opening balance Increase during the period/year Reversal during the period/year Write-off during the periof/year		2	2,923,772,285 10,615,316,325 (10,000,000)	28,658,047,887 - (228,930,470) (25,505,345,132)
Closing balance		8	13,529,088,610	2,923,772,285

## 9. INVENTORIES

	2016		2015	
	Cost VND	Provision VND	Cost VND	Provision VND
Work in process Raw materials Goods in transit	152,134,135,644 28,293,974,023 8,322,392,060	(2,246,889,135) (1,732,214,430)	135,024,721,069 27,715,601,823 11,624,895,353	(1,263,728,689) (1,470,278,422)
Finished goods	925,425,547	(132,572,089)	3,501,897,739	(132,572,089)
Total	189,675,927,274	(4,111,675,654)	177,867,115,984	(2,866,579,200)

Movements in the provision for decline in value of inventories during the period were as follows:

	2016 VND	2015 VND
Opening balance	2,866,579,200	3,084,956,435
Increase during the year	1,319,012,350	465,792,019
Reversal during the year	(73,915,896)	(684,169,254)
Closing balance	4,111,675,654	2,866,579,200

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	10. PREPAID	EXPENSES
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(a) Short-term prepaid expenses	2016 VND	2015 VND
Tools, supplies	 68,022,511	269,151,794
Others	1,912,348,463	1,166,356,269
Total	1,980,370,974	1,435,508,063
(b) Long-term prepaid expenses	2016 VND	2015 VND
Land rental	32,390,284,083	33,352,371,723
Tools, supplies	1,880,736,963	1,222,052,650
Others	1,234,894,521	1,629,216,679
Total	35,505,915,567	36,203,641,052

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Tangible fixed assets	Buildings and structures VND	Machinery and equipment	Motor vehicles VND	Office equipment VND	Others VND	Total VND
<b>Historical cost</b> As at 1 January 2016	75,077,572,157	38,339,848,382	12,935,359,963	3,940,657,038	1,354,223,859	131,647,661,399
New purchases	τ	142,436,000	369,050,000	32,199,000	372,900,000	916,585,000
(Note 12)	961,548,169	19,058,785,325	32,500,000	Ç	S	20,052,833,494
Disposals	(2,765,412,865)	<i>j</i>	5	9	2	(2,765,412,865)
Reclassification	646,216,855	(601,558,943)	77 35	(44,657,912)	1	
As at 31 December 2016	73,919,924,316	56,939,510,764	13,336,909,963	3,928,198,126	1,727,123,859	149,851,667,028
Accumulated depreciation						
As at 1 January 2016	27,979,610,758	33,409,454,262	7,705,284,342	3,290,038,696	1,248,900,888	73,633,288,946
Charge for the year	2,111,868,336	929,723,553	1,200,905,587	286,493,252	123,517,613	4,652,508,341
Disposals	(2,765,412,865)	Į.		Ţį	il i	(2,765,412,865)
Reclasification	269,257,021	(224,599,109)	3	(44,657,912)	ji	ī
As at 31 December 2016	27,595,323,250	34,114,578,706	8,906,189,929	3,531,874,036	1,372,418,501	75,520,384,422

Cost of fully depreciated tangible fixed assets but still in use as at 31 December 2016 was VND16.7 billion (as at 31 December 2015; VND18.1 billion).

58,014,372,453

105,322,971

650,618,342

5,230,075,621

4,930,394,120

47,097,961,399

74,331,282,606

354,705,358

396,324,090

4,430,720,034

22,824,932,058

46,324,601,066

As at 31 December 2016

As at 1 January 2016

Net book value

(a) Tangible fixed assets

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#### Form B 09 - DN/HN (b) Fixed Assets

	Computer software VND	Others VND	Total VND
Historical cost		)/	
As at 1 January 2016	1,375,919,400	111,387,753	1,487,307,153
New purchases	813,257,260	322	813,257,260
Disposals		(111,387,753)	(111,387,753)
As at 31 December 2016	2,189,176,660		2,189,176,660
Accumulated depreciation As at 1 January 2016 Charge for the year Disposals	817,142,589 315,531,027	105,818,416 4,177,044 (109,995,460)	922,961,005 319,708,071 (109,995,460)
As at 31 December 2016	1,132,673,616		1,132,673,616
Net book value As at 1 January 2016	558,776,811	5,569,337	564,346,148
As at 1 January 2010		3,309,337	
As at 31 December 2016	1,056,503,044	(a)	1,056,503,044

Cost of fully amortised intangible fixed assets but still in use as at 30 June 2016 was VND503 million (as at 31 December 2015: VND503 million).

## 12. CONSTRUCTION IN PROGRESSE

	2016 VND	2015 VND
Warehouse and machinery upgrading	17,849,533,688	3,884,686,084
ERP system	1,487,547,245	=
Purchasing fixed assets	2,900,969,463	856,041,120
Others	63,000,000	433,999,541
Total	22,301,050,396	5,174,726,745

Movements in the construction in progress during the period were as follows:

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	2016 VND	2015 VND
Opening balance	5,174,726,745	458,576,336
Increase during the year	37,684,454,850	4,990,089,538
Transfers to tangible fixed assets		
(Note 11(a))	(20,052,833,494)	(64,988,000)
Transfers to prepaid expenses	(505,297,705)	(208,951,129)
Closing balance	22,301,050,396	5,174,726,745
13. SHORT-TERM TRADE ACCOUNTS PAYABLE	2016	2015
	VND	VND
Third parties	166,826,061,183	111,941,361,506
Related parties (Note 35 (b) (iii))	2,319,202,000	2
Total	169,145,263,183	111,941,361,506

As at 31 December 2016 and 31 December 2015, there was no single payables balance that were past due.

## 14. SHORT-TERM ADVANCES FROM CUSTOMERS

	2016 VND	2015 VND
Third parties	73,135,301,271	95,198,722,871
Construction Joint Stock Company No.1	12,784,006,024	w
Viet Hung Urban Development and Investment		
Joint Stock Company	16,753,200,000	w.
Coteccons Construction Joint Stock Company	7,559,090,000	×
VietinBank Leasing Company	10,004,775,000	©
Others	26,034,230,247	95,198,722,871
Total	73,135,301,271	95,198,722,871
15. TAX AND OTHER PAYABLES TO THE STATE BUDGET		
	2016	2015
	VND	VND
Value added tax	14,244,341,801	13,117,642,219
Land rental	₹	1,469,720,400
Business income tax	11,016,731,124	8,004,586,043

1,835,154,350

27,096,227,275

1,106,315,848

23,698,264,510

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Personal income tax

Total

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Movements in taxes and taxes payables to the State Budget during the period are as follows:

	As at 1.1.2016 VND	Incurred VND	Payment VND	As at 31.12.2016 VND
Avelse ended to:	And the second s	00154677166	(07.007.077.50.4)	TO Section 2
Value added tax	13,117,642,219	28,154,677,166	(27,027,977,584)	14,244,341,801
VAT for imported goods	15	14,311,556,790	(14,311,556,790)	50
Land rental	1,469,720,400	7,597,255,473	(9,066,975,873)	Ey.
Import duties	100	2,363,786,770	(2,363,786,770)	-50
Business income tax	8,004,586,043	19,611,319,358	(16,599,174,277)	11,016,731,124
Personal income tax	1,106,315,848	10,230,023,826	(9,501,185,324)	1,835,154,350
Excise tax	<b>20</b>	8,000,000	(8,000,000	(EV)
Total	23,698,264,510	82,276,619,383	(78,878,656,618)	27,096,227,275

## 16. SHORT-TERM ACCRUED EXPENSES

	2016 VND	2015 VND
Accrued project costs	91,197,299,153	46,671,985,552
Interest expense	316,938,124	221,888,114
Others	6,602,466,156	1,739,378,773
Total		
	98,116,703,433	48,633,252,439
		·

## 17. OTHER SHORT-TERM PAYABLES

THIRT IT. OTTER SHORT-TERM FATABLES	2016 VND	2015 VND
Other payables to employees	304,042,591	2,780,076,391
Other service expense payables	50 ST	2,740,912,084
Dividends payable (Note 25)	579,550,900	588,835,126
Social insurance, health insurance and trade union fees	1,378,004,605	716,517,516
Others	18,250,620,066	1,298,697,523
Total	20,512,218,162	8,125,038,640
		(C)

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## 18. BORROWINGS

#### (a) Short-term borrowings

	As at 1.1.2016 VND	Increase during the year VND	Current portion VND	Decrease during the year VND	As at 31.12.2016 VND
Bank loans	354,230,693,926	990,668,230,608		(903,029,803,612)	441,869,120,922
(b) Long-term borrow					
Bank loans	2,638,261,392	12,485,088,000	=======================================	(2,638,261,392)	12,485,088,000
	Commercial Bank for cial Bank for Foreign cial Bank for Foreign n) Limited	Trade of Vietnam – HCl Trade of Vietnam – Da		2016 VND 263,428,854,072 124,953,306,360 25,087,414,340 19,193,569,935 9,205,976,215	2015 VND 173,878,679,861 139,043,047,013 10,286,413,272 6,498,991,389
Vietnam Internationa		vietriam		9,205,976,215	17,094,344,116
Citibank Vietnam Total			-	441,869,120,922	7,429,218,275 ————————————————————————————————————
(b) Long-term borrow	vings (**)			2016 VND	2015 VND
Vietnam Joint Stock Joint Stock Commer	Commercial Bank Fo cial Bank for Foreign	the American and Company of the Assessment Manual Assessment	7=	12,485,088,000	2,638,261,392
Total				12,485,088,000	2,638,261,392

<sup>(\*)</sup> These loans are unsecured and bear floating interest rates in accordance with each draw-down. The purpose of these borrowings is to support the working capital of the Group.

<sup>(\*\*)</sup> This loan is secured by assets formed from loan. The purpose of this borrowing is to investment costs of machineries upgrading and conversion of production technology at Arico.

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Provision for short-term liabilities represents warranty for projects that have been completed

Opening balance

Closing balance

Provision during the year

Use and reversal during the year

#### 19. PROVISION FOR SHORT-TERM LIABILITIES

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10,701,889,318

(11,310,158,981)

4,128,025,654

3,519,755,991

2015 VND

2016

VND

3,519,755,991

3,543,691,199

(3,449,072,509)

3,614,374,681

The movement in the deferred income tax, taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	2016 VND	2015 VND
Opening balance Income statement credit	1,789,950,164 1,175,017,925	1,443,690,792 346,259.372
Closing balance	2,964,968,089	1,789,950,164

Deferred income tax asset mainly arises from deductible temporary differences in relation to accrual expense and provisions.

Tax rate used for determining deferred tax assets in year 2016 of the Company is 20%, Arico is 7.5% (2015: the Company 20%, Arico 7.5%).

## 20. BONUS AND WELFARE FUND

and handed over at the balance sheet date.

	2016 VND	2015 VND
Opening balance	4,669,888,419	6,805,676,475
Increase during the year (Note 24)	6,483,504,384	8,555,672,142
Utilisation during the year	(9,717,057,838)	(10,691,460,198)
Closing balance	1,436,334,965	4,669,888,419

#### 21. PROVISION FOR LONG-TERM LIABILITIES

Provision for long-term liabilities represents provision for severance allowance.



## 22. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The offset amounts are as follows:

	2016 VND	2015 VND
Deferred tax assets:  Deferred tax assets to be recovered after more than 12 months	1,328,071,650	1,280,790,690
Deferred tax assets to be recovered within 12 months	1,636,896,439	509,159,474
Total	2,964,968,089	1,789,950,164

## 23. OWNERS' CAPITAL

#### (a) Number of shares

	2016	2015
Number of shares registered	24,374,916	24,374,916
Number of shares issued Number of shares repurchased	24,374,916 (13,040)	24,374,916 (13,040)
Number of existing shares in circulation	24,361,876	24,361,876

#### (b) Details of owners' shareholding

	2016		201	5
	Ordinary shares	%	Ordinary	%
			shares	,
Shareholding owned by the State	3,114,000	12,78	3,114,000	12,78
Shareholding owned by other owners	21,247,876	87,17	21,247,876	87,17
Treasury shares	13,040	0,05	13,040	0,05
Total	24,374,916	100	24,374,916	100

Par value per share: VND10,000. Each ordinary share represents the voting right at the Annual General Meeting of the Group. The shareholders receives dividend at any time the Group noticed. All the ordinary shares have the same priority with the remaining asset of the Group.

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	Owners' capital VND	Share premium VND	Treasury shares VND	Investment and Development fund VND	Undistributed earnings VND	Total VND
As at 1 January 2015 Profit for the vear	43,749,160,000	42,217,165,031	(284,019,059)	43,378,645,427	57,498,307,660	386,559,259,059
Profit appropriation to funds Dividends declared	r - r	i. i.		2,871,189.209	(11,426,861,351)	(8,555,672,142) (29,234,251,200)
As at 31 December 2015 Profit for the year Profit appropriation to funds (*) Dividends declared (**)	243,749,160,000	42,217,165,031	(284,019,059)	46.249.834.636	82,176,688,713 96,225,155,621 (7,255,642,879) (56,032,314,800)	414,108,829,321 96,225,155,621 (6,483,504,384) (56,032,314,800)
As at 31 December 2016	243,749,160,000	42,217,165,031	(284,019,059)	47,021,973,131	115,113,886,655	447,818,165,758

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	2016 VND	2015 VND
Opening balance	 588,835,126	541,387,700
Dividends payable during the year	56,032,314,800	29,234,251,200
First dividend for 2016: VND 800 per share	19,489,500,800	
Final dividend for 2015: VND 1.500 per share	36,542,814,000	=
First dividend for 2015: VND 500 per share		12,180,938,000
Final dividend for 2014: VND 700 per share	-	17,053,313,200
Dividends paid in cash	(56,041,599,026)	(29,186,803,774)
Closing balance (Note 17)	579,550,900	588,835,126

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## 26. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders after deducting the bonus and welfare funds by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares repurchased by the Group and held as treasury shares:

		(*)
	2016	2015
Net profit attributable to shareholders (VND)	96,225,155,621	65,339,493,604
Less amount allocated to bonus and welfare funds (VND)	(14,000,218,375)	(6,483,504,384)
	82,224,937,246	58,855,989,220
Weighted average number of ordinary shares in issue (shares)	24,361,876	24,361,876
Basic earnings per share (VND)	3,375	2,416

The Group had no transactions relating to potential ordinary shares which can dilute earnings per share

27. OFF BALANCE SHEET ITEMS

	2016	2015
Bad debts write-off (VND) Foreign currencies	27,592,321,012	27,786,696,790
United States dollar (USD) Yen (JPY)	6,334,48 10,000,00	298,249,33 10.000,00
Great British Pound (GBP) Australia dollar (AUD)	7,16 0,67	7,16 0,67
Euro (EUR)	4,648,81	309,86

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## 1 28. REVENUE

	2016 VND	2015 VND
Revenue	·	
Revenue from construction contracts	1,311,591,155,459	1,040,306,421,721
Revenue from lease	2,793,432,727	2,764,800,000
Sales of goods	2,092,753,608	1,718,205,527
Total	1,316,477,341,794	1,044,789,427,248
Deductions from revenue  Deductions from construction contracts		
revenue	(114,947,335)	(506.107.674)
Net revenue	1,311,476,208,124	1,040,306,421,721
Net revenue from construction contracts	2,793,432,727	2,764,800,000
Net revenue from lease	2,092,753,608	1,718,205,527
Net sales of goods		1,710,200,027
=	1,316,362,394,459	1,044,789,427,248
Total		**************************************

## 1 29 COST OF SALES

11161 29. COST OF SALES	2016 VND	2015 VND
Cost of construction contracts	1,170,145,271,336	902,208,383,272
Cost of lease	4,423,212,359	5,511,717,600
Cost of goods sold	725,136,624	2,266,897,513
Provision for decline in value of inventories		
(Note 9)	1,245,096,454	(218,377,235)
Total	1,176,538,716,773	909,768,621,150
	<u>ā</u>	3.

In 2016, the company reorganized its management practices, whereby the cost of departments directly related to management and execution of projects will be allocated to the cost of the projects (as 2015: allocated to general & administration expenses).

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30. FINANCIAL INCOME

	2016 VND	2015 VND
Interest income from deposits and loans	19,901,670,451	12,292,753,837
Dividend income	24,002,000	364,951,499
Gain from disposal of trading securities	308,314,277	1,219,774,784
Realised foreign exchange gains	758,102,341	845,378,955
Unrealised foreign exchange gains	300,905,747	523
Total	21,292,994,816	14,722,859,075

## 31. FINANCIAL EXPENSES

	2016 VND	2015 VND
Interest expense	19,546,960,895	14,256,611,871
Loss on sale of trading securities	17,184,597	1,687,151,771
Realised foreign exchange losses	877,267,095	1,101,923,858
Unrealised foreign exchange losses	8,862,207	97,366,252
Reversal of provision for diminution in value of trading securities	(34,207,267)	(1,133,896,722)
Others	101,939,134	1,909,891
Total	20,518,006,661	16,011,066,921

## 32. GENERAL AND ADMINISTRATION EXPENSES

2016 VND	2015 VND
52,599,852,459	70,548,642,047
13,394,901,095	10,936,542,127
2,118,301,310	3.107.139.903
10,615,316,325	(196,771,719)
830,134,401	829,006,114
4,067,072,710	5,636,801,476
83,625,578,300	90,861,359,948
	52,599,852,459 13,394,901,095 2,118,301,310 10,615,316,325 830,134,401 4,067,072,710

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## 33. OTHER INCOME AND OTHER EXPENSES

2016 VND	2015 VND
41,174,086,640 510,824,871	19,566,701,811 188,936,087
41,684,911,511	19,755,637,898
260,952,219	19,566,701,811
260,952,219	188,936,087
41,423,959,292	19,755,637,898
	260,952,219

(\*) 2016: transfer of assets associated with the land at 127 An Duong Vuong Street, District 6, HCM City. 2015: transfer of land use rights at 31 Ngu Hanh Son, Da Nang City.



#### 34. BUSINESS INCOME TAX

#### The Company

Pursuant to Circular No. 96/2015/TT-BTC dated 22 June 2015 issued by the Ministry of Finance, the Company has the obligation to pay corporate income tax ("CIT") at the rate of 20% of taxable profit.

#### Arico

In accordance with the BRC No. 41040022103 issued by the Department of Planning and Investment of Ho Chi Minh City on 2 April 2008, tax inspection minute dated 23 September 2013 for the period from 2010 to 2012 and other current regulations, Board of Directors assessed that Arico is entitled to CIT incentives at tax rate of 15% for 12 years from the date of arising revenue, CIT exemption for 3 years from the date of arising taxable income and a 50% CIT reduction for 7 years thereafter from 2010.

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## 34. BUSINESS INCOME TAX (cont.)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2016 VND	2015 VND
Net accounting profit before tax	114,661,457,054	79.306.173.152
Tax calculated at a rate of 20% (2015: 22%) Effect of:	22,932,291,411	17.447.358.093
Income not subject to tax	(3,262,231,177)	(3,953,005,198)
Expenses not deductible for tax purposes	1,728,751,841	1,315,042,075
Over-provision in previous year	35,588,015	275,682,445
Tax exemption	(1,823,080,732)	(772,138,495)
Utilisation of unrecognised temporary differences	(1,175,017,925)	(346,259,372)
Business income tax charge (*)	18,436,301,433	13,966,679,548
Charged to income statement:		
Business income tax - current	19,611,319,358	14,312,938,920
Business income tax – deferred (Note 22)	(1,175,017,925)	(346,259,372)
Total	18,436,301,433	13,966,679,548
	<u>-</u>	

<sup>(\*)</sup> The business income tax charge for the year is based on estimated taxable income and is subject to review and possible adjustments by the tax authorities.

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## 35. RELATED PARTY DISCLOSURES

#### (a) Related party transactions

During the period, the following transactions were carried out with related parties:

Related party	Relationship	Nature of transaction	2016 VND	2015 VND
I. Sales of goods and services				
International Diplomat Corporation Sao Phuong Nam Investment Corporation Total	Related party Related party	Revenue from construction contracts  Revenue from construction	3,676,143,371 34,118,846,666 	26,184,320,407 1,964,525,932 28,148,846,339
II. Purchases of goods and services		contracts		
Sao Phuong Nam Corporation HCC	Shareholder Associate	Office rental Purchased of construction contracts	4,443,999,120 21,083,659,182	4,201,776,970
Total III. Compensation of key management		oor idadia	25,527,658,302	4,201,776,970
Salaries and benefits of the Board of Directors Allowance for the Boards of Directors and Supervision			9,490,456,918 966,000,000	7.398,021,619 861,000,000
Total			10,456,456,918	8,259,021,619
IV. Other related party transactions				3
HCC	Associate	Dividend declared	4,989,600,000	2,268,000,000

#### (b) Amounts due from related parties at the banlance sheet dates were as follows:

International Diplomat	Related party	Purchased of	2016 VND	2015 VND
I) Short-term trade receivables (Note 5)				
International Diplomat Corporation	Related party	Purchased of construction contracts	949,674,264	27,721,658,073
Sao Phuong Nam Investment Corporation	Major shareholder	Purchased of construction contracts	37,530,731,334	2,160,978,525
Total			38,480,405,598	29,882,636,598
II. Other long-term receivables				
Sao Phuong Nam Corporation	Major shareholder	Deposit	1,331,811,840	1,331,881,840
III. Short-term payables				
HCC	Associate	Purchased of construction contracts	2,319,202,000	



## 36. COMMITMENTS UNDER OPERATING LEASEST

The future minimum lease payments under non-cancellable operating leases are as follows:

2016 VND	2015 VND
4,449,213,693	7,601,043,893
4,393,218,374	17,570,575,574
26,099,691,614	21,904,523,623
34,942,123,681	47,076,143,090
	4,449,213,693 4,393,218,374 26,099,691,614



## 37. SEGMENT REPORT

Segment information is presented in respect of business activity or geography. The Group is not operating in more than one segment of business activity nor geographic area other than mainly operating in the only activity to consult, supply and provide installation services in relation to industrial refrigeration projects, and in Vietnam only. Therefore, the Group does not present segmental information.



## 38. COMPARATIVE FIGURES

The Group reclassified certain comparative figures as below:

#### Consolidated balance sheet

		2015		
Code		As previously reported VND	Reclassification VND	As reclassified VND
100 130 131 140 141 270 300 310 311 312 313 315 319 440	SHORT-TERM ASSETS Short-term receivables Short-term trace receivables Inventories Inventories Inventories TOTAL ASSETS LIABILITIES Short-term liabilities Short-term trade accounts payable Short-term advances from customers Tax and other payables to the State Budget Short-term accrued expenses Other short-term payables TOTAL RESOURCES	903,433,937,888 377,197,081,368 350,415,314,651 165,043,554,254 167,910,133,454 1,100,661,636,004 686,552,806,683 677,368,591,841 101,984,378,976 106,915,170,882 22,228,544,110 49,833,252,439 8,394,759,040 1,100,661,636,004	(1,759,465,481) (11,716,448,011) (11,716,448,011) 9,956,982,530 9,956,982,530 (1,759,465,481) (1,759,465,481) (1,759,465,481) 9,956,982,530 (11,716,448,011) 1,469,720,400 (1,200,000,000) (269,720,400) (1,759,465,481)	901,674,472,407 365,480,633,357 338,698,866,640 175,000,536,784 177,867,115,984 1,098,902,170,523 684,793,341,202 675,609,126,360 111,941,361,506 95,198,722,871 23,698,264,510 48,633,252,439 8,125,038,640 1,098,902,170,523

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#### Consolidated income statement

	ASSET	2015			
Code		As previously reporte VND	Reclassification VND	As reclassified VND	
11 <b>20</b> 26 70	Cost of sales (*)  Gross profit  General and administration expenses (*)  Earnings per share	(907,206,277,350) <b>137,077,042,224</b> (93,423,703,748) 2,423	(2,562,343,800) ( <b>2,562,343,800</b> ) 2,562,343,800 (7)	(909,768,621,150) <b>134,514,698,424</b> (90,861,359,948) 2,416	

(\*)The Group reclassified land rental cost of the period.

### 39. SIGNIFICANT EVENT

On 16 January 2014, the Group entered into a sub-grant agreement ("agreement") with the Vietnam HCFC (hydrochlorofluorocarbon, an ozone depleting substance) Elimination Project Management Unit Phase I, belonging to the Ministry of Natural Resources and Environment of Vietnam relating to the conversion of the Polyure Insulation Foam from HCFC-141B to cyclo-pentane foaming technology in an attempt to eliminate HCFC. The agreement is set out under the Montreal Protocol on Substances that Deplete the Ozone Layer, which Vietnam is a member, and to be funded by the Multilateral Fund (the "MLF") which was established pursuant to Article No. 10 of the Montreal Protocol in accordance with the decision made by all members joining in the Second Meeting in 1990.

In accordance with this agreement, the total project cost is USD1,216,420 of which the cost of machinery and equipment amounting to USD790,200. The MLF will fund a total amount of USD1,027,000, including cost of machinery and equipment. The remaining amount will be contributed by the Group. During the year, the Group received machinery and equipment amounting to USD608,696 provisionally funded by MLF.

Currently, the project is in process of cost finalisation. The final funded amount has not yet been finalised by the parties involved. Therefore, the Group does not recognise the said amount of machinery and equipment received in the consolidated financial statements for the year ended 31 December 2016.

The consolidated financial statements were approved by the Board of Directors on 6 March 2017.

**Pham Thanh Binh Preparer** 

Mai Thi Kim Dung **Chief Accountant** 

CỐ PHẨN KỸ NGHỆ LẠNH

Le Tan Phuoc () General Director 6 March 2017





# Gateway Thao Fuen

#### CLIENT

#### INTRODUCTION

## City, Vietnam

**CLIENT** SSG VAN THANH CORPORATION

#### INTRODUCTION

Pearl Plaza is a complex of high-end residential, office and commercial buildings with 32 storeys and 4 basements. Pearl Plaza is proud to become a green building, symbol of the modern and development of the City.











## Prémier Residences

Bal Khem, An Thol Town, Kien Gan

## CLIENT

#### INTRODUCTION

Premier Residences Phu Quod Imeraid Bay managed by Accor Hote's is a Five stars iresort avested by Sun Group, managed by Accor Hote's lone the Word's leading note loperators:

## Vinhomes Gentral Park Landmark 1

Tan Cang Street, Ward 22, Binn Thann District, HOM

#### CLIENT VINGROUP

## INTRODUCTION

Located within the Vinnomes Central Park's cambus, Landmark 1 tower fully inherits its conveniences, such as: access to the modern commercial center from its pasement, swimming bool, spacious bark. Vinmed hospital, schools, wide barking area, 24 hour is security, and front ideak is service. With a total area of 65,000m2, the tower has 47 stories and more than 500 apartments.





# PREMIER VILLAGE Phu Quoc Resort

Ong Doi Cabel, An Thoi Town, Kien Giang Province, Phu Quoc Island CLIENT SUN GROUP

#### INTRODUCTION

Premier Village Phul Quod Resort is a Five Stars Resort which is in a unique position in Asia with clear sea water, fine white sand, gigantic rock, peautiful in ill slope and dreamlike primeval forests.



## Viettel Office and Trade Center

285 Cach Mang Thang 8 Street, Dist.3, HOMC

#### CLIENT

VIETTEL REAL ESTATE CORPORATION VIETTEL GROUP

#### INTRODUCTION

The building is a complex of Viette Group's executing office in Southern Vietnam, retail shops and office for ease. Being located in the center of district 10 and on the main route connecting the Western districts and city center, the project includes 3 buildings with 20.30 stories and 3 basements with a total area of

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#### **CLIENT**

VINGROUP

#### INTRODUCTION

Being built within an area of nearly 14.000m2, Vinmec International Hospital has 7 stories, 3 basements and an equipage of 178 beds, 11 specialities, 11 functional rooms.





Mong Tay Cape, Cua Can Commune, Phu Quoc District, Kien Giang Province

#### CLIENT

PHU QUOC AB CORPORATION

#### INTRODUCTION

The resort has 63 premium suits, 38 luxury villas, 3 restaurants and other facilities, such as: conference room, marina, offshore bar...







Long An Province

#### CLIENT LIKSIN CO., LTD.

#### INTRODUCTION

The Factory has a total area of 5.400m2.



# Vincom Mega Mall Phao Dien

159 Ha Noi Highway, Thao Dien Ward,

## INTRODUCTION

CLIENT

This is a combination of shopping, entertaining and dining center with a total area of nearly 90.000m2. Being situated in the Masteri Thao Dien urban area's campus and on Hanoi highway which connects to station An Phu\_No.7 of the metro Route 1 (Ben Thanh - Suoi Tien), it includes 6 stories and 3 basements.

## CAPELLA Gallery Hall

No. 24, 3/2 Street, Ward 12, District 10, HCMC

#### **CLIENT**

CAPELLA CENTER CORP

#### INTRODUCTION

Being a modern and luxury conference and event center in Hochiminh city with 2 basements, 8 stories and 4 entresols, the building has 5 luxury halls with different interior design and a capacity of 2000 to 2200 guests.





## Hoa Lam International Hospital - BV5

532A Kinn Duong Vuong, 3 nn Tri Dong Bj 3 nn Tan District, III GV G

#### CLIENT

CALLAMINTERNATIONAL I OSPITALIOCI, LTD

#### INTRODUCTION

oa Lam Internationa il oscita is a specialized medical facility, focusing on 4 cardiology, orthopedic, neurological and endocrinological injuries, with 351 ceds and 11 operating rooms.

Scale: 10 floors
Total floor area: 36,003.23 m2

### CLIENT

ICIA PI U REAL ESTATE OCI, LTD.

#### INTRODUCTION

The Sun Avenue is an Complex Apartment Commercial Office out flohia total area of 4.77 hectares, has eight towers with 28 to 30 floors, stretching 500m along Val Chi Tho Boulevard, among of which is an office for rent and seven towers with 1.400 commerciments with area of 55 to 108 square meters.

# Avenue

28 Val Chi Tho Street, An Phu Ward, District 2 L GVC



## Novotel Danang Premier Han River

36 Bach Dang Street, Hai Chau District, Da Nang City

#### CLIENT

SUN CROUP

#### INTRODUCTION

Novote Dahang Premier an River with the neight of 155m has 2 pasements, 2 mezzan he and 37 upper floors. The total floor area is approximately 67,000m2.

Novote Dahang Premier I an River consists of note with 346 rooms, apartment with 90 rooms, multifunctional seminar and conference hals, shopping center, food and the other related supportive services.



## J-filton DANANG HOTEL

50 Bach Dang, Hai Chau District, Da Nang City

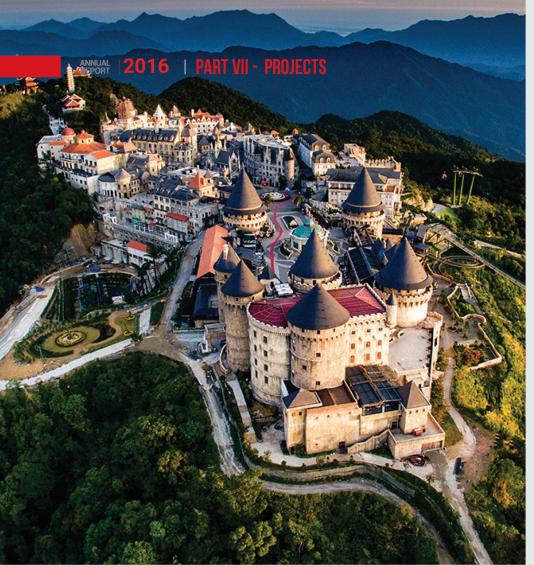
#### CLIENT

BAC BANC CTELOCVPLEXTRADING SERVICEUSC

#### INTRODUCTION

Ion Da Nang is under I fon World Wide Croup's management. The project has larea of nearly 7,000m2 including: 17 storey office tower with total area of 15,629m2; lote tower block ii 25 storey labar/lment, including 226 note rooms with an area of 70 m2 / room; The four storey codium with an area of 10,410m2 used to serve commercial centers.





## FRENCH VILLAGE Ba Na Hills Resort

An Son village, Hoa Ninh Commune, Hoa Vang District, Danang City

#### **CLIENT**

SUN GROUP

#### INTRODUCTION

Being built over a area of more than 6 hectares with total investment of 70 millions USD. Under consultancy of the world's largest corporations in architecture, hotels such as Falcon's Treehouse, Accor, Hostasia ... French Village will be the perfect choice for those who love exploring the ancient European architecture and high standard services.



# West Bay Sky Residences

Van Giang Commercial and Tourism Urban Area, Xuan Quan Commune, Van Giang District, Hung Yen Province

#### **CLIENT**

VIET HUNG URBAN DEVELOPMENT & INVESTMENT COMPANY

#### INTRODUCTION

West Bay Sky Residences is located in Van Giang Trade and Tourism Town which including a complex of 4 comfortable apartment towers with infrastructure and utility services synchronous and has the unique V-shaped building.



# OCEAN GIFT SEAFOOD Processing Factory

Lot P-3, Road No.7, Long Hau Industrial Park, Can Giuoc, Long An Province

#### **CLIENT**

OCEAN GIFT

#### INTRODUCTION

Refined seafood processing factory specializes in producing value added products for export to markets such as Japan, Europe

# Eco tourism Resort

An Bang Village, Cam An Ward, Hoi An City, Quang Nam Province

### **CLIENT**

TRI VIET - HOI AN JSC

#### INTRODUCTION

Hoi An Eco-tourism Resort with area of 91,000 m2 is located at An Bang Beach, Hoi An.





## Cu Chi Food Processing Factory

Tan Phu Trung Industrial Zone, Cu Chi, HCMC

#### **CLIENT**

C.P. VIETNAM CORPORATIONS

#### INTRODUCTION

Sausage processing factory is 100% invested by C.P. VietNam Corporations. Scale: 6.000 m2 Product: Sausage Phase 1 was completed. Phase 2 will be invested in the future.



# HDE Food Processing Factory

Tan Dong Hiep B Industrial Zone, Binh Duong Province

#### **CLIENT**

HIGHLAND DRAGON CO., LTD

#### INTRODUCTION

HDE Food Processing Factory specializes in the production of value-added food products mainly supplied to US





# LEOW FOOD Processing Factory

Long Giang Industrial Zone, Tan Phuoc District, Tien Giang Province

## **CLIENT**

#### **INTRODUCTION**

Factory producing and processing sausage casings in the form of production and processing with output of nearly 6 million tons of products per year.