



SEAPRODEX REFRIGERATION INDUSTRY CORPORATION

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

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SEAPRODEX REFRIGERATION INDUSTRY CORPORATION

CORPORATE INFORMATION

Business registration certificate joint stock company	No. 0301825452 dated 18 September 1999 was initially issued by the Department of Planning and Investment of Ho Chi Minh City and the 16 th amendment dated 27 July 2017.	
Board of Management	Mr. Nguyen Huu Thinh Mr. Le Tan Phuoc Mr. Nguyen Thanh Son Mr. Nguyen The Hung Mr. Yoshinobu Tamura Mr. Ryota Fukuda	Chairman Member Member Member Member Member
Board of Supervision	Mr. Bui Van Quyet Ms. Lam Hoang Vu Nguyen Mr. Do Trong Hiep	Chief Supervisor Member Member
Board of Directors	Mr. Le Tan Phuoc Mr. Nguyen Quoc Cuong Mr. Mai Chanh Thanh Mr. Huynh Khoi Binh	General Director Director of Searee Director of Searefico M&E Director of Arico
Legal representative	Mr. Le Tan Phuoc	General Director
Registered office	14th Floor, Centec Tower 72-74 Nguyen Thi Minh Khai Street, Ward 6, District 3 Ho Chi Minh City, Vietnam	
Auditor	PwC (Vietnam) Limited	

SEAPRODEX REFRIGERATION INDUSTRY CORPORATION

STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS OF THE COMPANY IN RESPECT OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors of Seaprodex Refrigeration Industry Corporation (“the Company”) is responsible for preparing interim consolidated financial statements of the Company and its subsidiary (“the Group”) which give a true and fair view of the financial position of the Group as at 30 June 2017, and the results of its operations and its cash flows for the six-month period then ended. In preparing these financial statements, the Board of Directors is required to:

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

The 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 Group and which enable interim consolidated financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the interim consolidated financial statements. The Board of Directors is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying interim consolidated financial statements as set out on pages 5 to 38 which give a true and fair view of the financial position of the Group as at 30 June 2017, and of the results of its operations and its cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of interim consolidated financial statements.

On behalf of the Board of Directors



Le Tan Phuoc
General Director

Ho Chi Minh City, SR Vietnam
21 August 2017



REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION TO THE SHAREHOLDERS AND BOARD OF MANAGEMENT OF SEAPRODEX REFRIGERATION INDUSTRY CORPORATION

We have reviewed the accompanying interim consolidated financial statements of Seaprodex Refrigeration Industry Corporation ("the Company") and its subsidiary ("the Group") which were prepared on 30 June 2017 and approved by the Board of Directors on 21 August 2017. The interim consolidated financial statements comprise the consolidated balance sheet as at 30 June 2017, the consolidated income statement and the consolidated cash flow statement for the six-month period then ended, and explanatory notes to the interim consolidated financial statements including significant accounting policies, as set out on pages 5 to 38.

The Board of Directors' Responsibility

The Board of Directors of the Group is responsible for the preparation and the true and fair presentation of these interim consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of interim consolidated financial statements and for such internal control which the Board of Directors determines is necessary to enable the preparation and fair presentation of interim consolidated 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 interim consolidated financial statements based on our review. We conducted our review in accordance with Vietnamese Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity."

A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Vietnamese Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of qualified conclusion

As presented in Note 17 to the interim consolidated financial statements, the Group was sub-granted with machinery and equipment amounting to VND29,899,921,570 and recorded a part of the sub-granted amount of VND2,989,992,157 into the consolidated income statement for the six-month period ended 30 June 2017. However, in accordance with the guidance under the Vietnamese Accounting Standard No. 14 – Revenue and other income and Circular No. 200/2014/TT-BTC of the Ministry of Finance, this full sub-granted amount should be recorded into the interim consolidated income statement. Accordingly, had the Group recorded this sub-granted amount in accordance with the above-mentioned regulations, net profits before tax and after tax for the six-month period ended 30 June 2017 and undistributed earnings as at 30 June 2017 would have been increased by the same amount of VND26,909,929,413.

Qualified conclusion

Based on our review, except the effect of the matter described in the “Basis of qualified conclusion”, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not presented fairly, in all material respects, the financial position of the Group as at 30 June 2017, its financial performance and cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of interim consolidated financial statements.

For and on behalf of PwC (Vietnam) Limited



Mai Viet Hung Tran
Audit Practising Licence No:
0048-2017-006-1
Authorised signatory

Report reference number: HCM6407
Ho Chi Minh City, 21 August 2017

As indicated in Note 2.1 to the interim consolidated financial statements, the accompanying interim separate 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.

SEAPRODEX REFRIGERATION INDUSTRY CORPORATION

Form B 01a – DN/HN

INTERIM CONSOLIDATED BALANCE SHEET

Code	ASSETS	Note	As at	
			30.6.2017 VND	31.12.2016 VND
100	CURRENT ASSETS		1,020,162,484,457	1,079,493,694,605
110	Cash and cash equivalents	3	100,419,664,960	107,605,078,564
111	Cash		43,769,664,960	29,460,430,564
112	Cash equivalents		56,650,000,000	78,144,648,000
120	Short-term investment		220,001,437,800	230,500,000,000
123	Investments held to maturity	4(a)	220,001,437,800	230,500,000,000
130	Short-term receivables		450,759,838,400	542,980,373,346
131	Short-term trade accounts receivable	5	414,907,055,900	524,512,242,737
132	Short-term prepayments to suppliers	6	22,101,288,934	11,672,553,804
136	Other short-term receivables	7(a)	31,473,828,196	20,324,665,415
137	Provision for short-term doubtful debts	8	(17,722,334,630)	(13,529,088,610)
140	Inventories		215,931,058,080	185,564,251,620
141	Inventories	9	219,591,381,657	189,675,927,274
149	Provision for decline in value of inventories	9	(3,660,323,577)	(4,111,675,654)
150	Other current assets		33,050,485,217	12,843,991,075
151	Short-term prepaid expenses	10(a)	13,075,913,568	1,980,370,974
152	Value Added Tax to be reclaimed		19,974,571,649	10,863,620,101
200	LONG-TERM ASSETS		268,355,943,276	255,652,935,140
210	Long-term receivable		1,374,501,840	1,374,501,840
216	Other long-term receivables	7(b)	1,374,501,840	1,374,501,840
220	Fixed assets		108,164,504,250	75,387,785,650
221	Tangible fixed assets	11(a)	107,241,067,610	74,331,282,606
222	Cost		180,054,440,017	149,851,667,028
223	Accumulated depreciation		(72,813,372,407)	(75,520,384,422)
227	Intangible fixed assets	11(b)	923,436,640	1,056,503,044
228	Cost		2,264,776,660	2,189,176,660
229	Accumulated amortisation		(1,341,340,020)	(1,132,673,616)
240	Long-term asset in progress		3,115,314,148	22,301,050,396
242	Construction in progress	12	3,115,314,148	22,301,050,396
250	Long-term investments		116,981,362,426	118,118,713,598
252	Investments in associate	4(b)	97,981,362,426	99,118,713,598
253	Investments in other entity	4(c)	19,000,000,000	19,000,000,000
260	Other long-term assets		38,720,260,612	38,470,883,656
261	Long-term prepaid expenses	10(b)	35,364,912,740	35,505,915,567
262	Deferred income tax assets	22	3,355,347,872	2,964,968,089
270	TOTAL ASSETS		1,288,518,427,733	1,335,146,629,745

The notes on pages 9 to 38 are an integral part of these interim consolidated financial statements.

SEAPRODEX REFRIGERATION INDUSTRY CORPORATION

Form B 01a – DN/HN

INTERIM CONSOLIDATED BALANCE SHEET
(continued)

Code	RESOURCES	Note	As at	
			30.6.2017 VND	31.12.2016 VND
300	LIABILITIES		857,182,713,522	887,328,463,987
310	Short-term liabilities		837,738,274,688	868,061,017,737
311	Short-term trade accounts payable	13	134,546,981,611	169,145,263,183
312	Short-term advances from customers	14	86,251,782,147	73,135,301,271
313	Tax and other payables to the State Budget	15	4,370,409,145	27,096,227,275
314	Payable to employees		20,965,641,305	33,135,473,845
315	Short-term accrued expenses	16	38,289,085,841	98,116,703,433
319	Other short-term payables	17	49,782,023,514	20,512,218,162
320	Short-term borrowings	18(a)	489,235,438,186	441,869,120,922
321	Provision for short-term liabilities	19	3,119,409,339	3,614,374,681
322	Bonus and welfare fund	20	11,177,503,600	1,436,334,965
330	Long-term liabilities		19,444,438,834	19,267,446,250
337	Other long-term payables		72,200,000	142,000,000
338	Long-term borrowings	18(b)	12,485,088,000	12,485,088,000
342	Provision for long-term liabilities	21	6,887,150,834	6,640,358,250
400	OWNERS' EQUITY		431,335,714,211	447,818,165,758
410	Capital and reserves		431,335,714,211	447,818,165,758
411	Capital and reserves	23, 24	324,953,970,000	243,749,160,000
411a	- Ordinary shares with voting rights		324,953,970,000	243,749,160,000
412	Share premium	24	284,019,059	42,217,165,031
415	Treasury shares	24	(284,019,059)	(284,019,059)
418	Investment and development fund	24	9,573,389,835	47,021,973,131
421	Undistributed earnings	24	96,808,354,376	115,113,886,655
421a	- Undistributed earnings of the previous years		69,188,855,088	38,378,231,834
421b	- Undistributed earnings of current period/year		27,619,499,288	76,735,654,821
440	TOTAL RESOURCES		1,288,518,427,733	1,335,146,629,745


Pham Thanh Binh
Preparer

Mai Thi Kim Dung
Chief Accountant

 Le Tan Phuoc
 General Director
 21 August 2017

The notes on pages 9 to 38 are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED INCOME STATEMENT

Code	Note	Six-month period ended 30 June	
		2017 VND	2016 VND
01	Revenue from sales of goods and rendering of services	489,356,899,434	467,659,471,247
02	Less deductions	(520,123,909)	(114,947,335)
10	Net revenue from sales of goods and rendering of services	488,836,775,525	467,544,523,912
11	Cost of goods sold and services rendered	(442,419,164,508)	(419,269,667,890)
20	Gross profit	46,417,611,017	48,274,856,022
21	Financial income	8,768,771,134	9,934,445,925
22	Financial expenses	(11,437,337,896)	(9,942,562,679)
23	- Including: Interest expense	(11,376,942,765)	(9,257,082,703)
24	Profit from investment in associate	7,095,488,828	7,775,828,000
25	Selling expenses	(63,207,223)	(19,356,057)
26	General and administration expenses	(22,285,202,289)	(24,545,517,893)
30	Net operating profit	28,496,123,571	31,477,693,318
31	Other income	3,412,071,188	178,335,945
32	Other expenses	(160,741,987)	(22,021,731)
40	Net other income	3,251,329,201	156,314,214
50	Net accounting profit before tax	31,747,452,772	31,634,007,532
51	Business income tax - current	(4,518,333,267)	(4,226,409,503)
52	Business income tax - deferred	390,379,783	(281,503,306)
60	Net profit after tax	27,619,499,288	27,126,094,723
70	Earnings per share	850	835
71	Diluted earnings per share	850	835



Pham Thanh Binh
Preparer



Mai Thi Kim Dung
Chief Accountant



Le Tan Phuoc
General Director
21 August 2017

The notes on pages 9 to 38 are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)

Code	Note	Six-month period ended 30 June	
		2017 VND	2016 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01		31,747,452,772	31,634,007,532
	Adjustments for:		
02	Depreciation and amortisation	3,573,450,307	2,714,016,293
03	Provisions	3,493,721,185	3,043,094,464
04	Unrealised foreign exchange gains	(46,441,467)	(70,174,715)
05	Profits from investing activities	(15,739,773,595)	(11,982,574,056)
06	Interest expense	11,376,942,765	9,257,082,703
08	Operating profit before changes in working capital	34,405,351,967	34,595,452,221
09	Decrease in receivables	65,038,192,171	58,661,379,422
10	Increase in inventories	(30,457,042,713)	(114,443,375,349)
11	(Decrease)/increase in payables	(93,422,853,312)	26,069,134,948
12	Increase in prepaid expenses	(10,954,539,767)	(10,426,708,686)
13	Decrease in trading securities	-	1,007,003,913
14	Interest paid	(12,104,972,243)	(9,327,766,299)
15	Business income tax paid	15 (12,033,552,695)	(8,611,517,794)
16	Other receipts on operating activities	-	1,000,000
17	Other payments on operating activities	20 (5,126,531,000)	(6,609,037,965)
20	Net cash outflows from operating activities	(64,655,947,592)	(29,084,435,589)
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases of fixed assets	(3,991,660,327)	(5,660,737,455)
22	Proceeds from disposals of fixed assets	1,000,000,000	-
23	Term deposits at banks	(105,501,437,800)	(104,061,000,000)
24	Collection of term deposits	116,000,000,000	101,000,000,000
25	Investments in other entities	-	(5,100,000,000)
27	Dividends and interest received	17,237,616,435	12,805,787,670
30	Net cash inflows/(outflows) from investing activities	24,744,518,308	(1,015,949,785)
CASH FLOWS FROM FINANCING ACTIVITIES			
31	Proceeds from capital contribution	17 14,560,000,000	-
33	Proceeds from borrowings	18 536,819,313,429	454,672,211,465
34	Repayments of borrowings	18 (489,452,996,165)	(434,733,379,866)
36	Dividends paid	25 (29,206,172,400)	(36,528,837,601)
40	Net cash inflows/(outflows) from financing activities	32,720,144,864	(16,590,006,002)
50	Net decrease in cash and cash equivalents	(7,191,284,420)	(46,690,391,376)
60	Cash and cash equivalents at beginning of period	3 107,605,078,564	167,726,410,910
61	Effect of foreign exchange differences	5,870,816	(12,257,170)
70	Cash and cash equivalents at end of period	100,419,664,960	121,023,762,364



Pham Thanh Binh
Preparer



Mai Thi Kim Dung
Chief Accountant



Le Tan Phuoc
General Director
21 August 2017

The notes on pages 9 to 38 are an integral part of these interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

1 GENERAL INFORMATION

Seaprodex Refrigeration Industry Corporation (“the Company”) is a joint stock company incorporated under the Law on Enterprise of Vietnam pursuant to the Business registration certificate (“BRC”) No. 063592 dated 18 September 1999 initially issued by the Department of Planning and Investment (“DPI”) of Ho Chi Minh City and subsequent amendments.

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

The registered activities of Company and its subsidiary (“the Group”) 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 supply and 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; execute construction of road and rail transportation infrastructures, public projects and houses.

The normal business cycle of the Group is 12 months.

The Company has two branches as follows:

- Danang Refrigeration Electrical Engineering Company – Seaprodex Refrigeration Industry Corporation (“Searee”) incorporated pursuant to the BRC No. 3213000275 issued by the DPI of Da Nang City on 17 January 2000 and the amendments. Searee’s registered 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 pursuant to the BRC No. 0301825452-003 issued by the DPI of Ho Chi Minh City on 27 January 2014 and the amendment. Searefico M&E’s registered office is located at 72-74 Nguyen Thi Minh Khai Street, Ward 6, District 3, Ho Chi Minh City.

As at 30 June 2017, the Company has a wholly owned subsidiary, Asia Refrigeration Industry Company Limited (“Arico”) and an associate, Thua Thien Hue Construction Joint Stock Corporation (“HCC”) as presented in Note 4.

As at 30 June 2017, the Group had 752 employees (As at 31 December 2016: 772 employees).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation of interim consolidated financial statements**

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

The accompanying interim 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.

The interim consolidated financial statements have been prepared for the period from 1 January 2017 to 30 June 2017.

2.3 Currency

The interim 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 consolidated income statement.

Monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are respectively translated at the buying and selling exchange rates at the consolidated balance sheet date of the commercial bank where the Company regularly trades. Foreign currencies deposited in bank at the consolidated balance sheet date are translated at the buying exchange rate of the commercial bank where the Company opens the foreign currency accounts. Foreign exchange differences arising from these translations are recognised in the consolidated income statement.

2.4 Basis of consolidation**(a) Subsidiary**

Subsidiary is an 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 Basis of consolidation (continued)****(b) Associate**

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

The Group's share of its associate post-acquisition profits or losses is recognised in the interim 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 or losses on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Accounting policies of associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 a review by the Board of Directors of all outstanding amounts at the interim consolidated balance sheet date. Bad debts are written off after full provisioning of 100% and approval by the Board of Management.

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 | - cost of purchase on a weighted average basis. |
| Finished goods and work in progress | - cost of direct materials and labour plus attributable manufacturing overheads for specific projects. |

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.7 Inventories (continued)***Provision for decline in value of inventories*

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

Increases or decreases to the provision balance are recorded into the cost of goods sold account in the interim 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 consolidated income statement. The costs of trading securities disposed are determined by using the moving weighted average method.

(b) Investment in associate

Investment in associate is accounted using the equity method when preparing the consolidated financial statements (Note 2.4(b)).

(c) Investments held to maturity

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

Investments held to maturity include term deposits. 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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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
Others	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 consolidated 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 commences when the assets are ready for their intended use.

2.10 Leased assets

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.11 Prepaid expenses

Prepaid expenses include short-term or long-term prepayments on the consolidated balance sheet, mainly comprise of prepaid 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.12 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 consolidated balance sheet based on remaining period from the consolidated balance sheet date to the maturity date.

2.13 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 consolidated income statement when incurred.

2.14 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; other payables to employees; accrued interest expenses and project costs in the reporting period. Accrued expenses are recorded as expenses in the reporting period.

2.15 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.

2.16 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 consolidated balance sheet date.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.17 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.

Undistributed earnings record the Group's results after business income tax and appropriation of profit at the reporting date.

2.18 Appropriation of net profit

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

Dividend distribution: Dividend of the Group is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's Shareholders' General Meeting.

The Group maintains the following reserves which are appropriated from the Group's net profit as proposed by the Board of Management and subject to approval by the Shareholders' 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 interim consolidated balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.19 Revenue recognition****(a) Sales of goods**

Revenue from the sale of goods is recognised in the consolidated 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.

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.

2.20 Sales deduction

Sales deduction is allowance. Sales deduction incurred in the same period of the related sales of products, goods and services are recorded as deduction of revenue of that period.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.21 Cost of construction contracts**

Cost of construction contracts is recognised based on amount of work completed of construction projects at the consolidated balance sheet date and the estimated gross profit of the projects, and recorded on the basis of matching with revenue and on prudent concept. The Board of Directors and Directors of the Company's Divisions have 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.

2.22 Financial expenses

Finance expenses are expenses incurred in the period for financial activities including expenses of borrowing, losses from securities selling transactions; provision for diminution in value of trading securities, losses from foreign exchange differences.

2.23 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, depreciation of fixed assets used for administration; provision for doubtful debts, outside services and other cash expenses.

2.24 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 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 interim consolidated 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 consolidated 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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 Segment 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.

3 CASH AND CASH EQUIVALENTS

	As at	
	30.6.2017 VND	31.12.2016 VND
Cash on hand	519,205,295	176,174,887
Cash at bank	43,250,459,665	29,284,255,677
Cash equivalents (*)	56,650,000,000	78,144,648,000
Total	100,419,664,960	107,605,078,564

(*) Cash equivalents include term deposits with the original maturity of three month.

4 INVESTMENTS**(a) Investments held to maturity**

	As at 30.6.2017		As at 31.12.2016	
	Cost VND	Fair value VND	Cost VND	Fair value VND
Bank deposits with original maturities of more than 3 months and less than 12 months	220,001,437,800	220,001,437,800	230,500,000,000	230,500,000,000

4 INVESTMENTS (continued)

(b) Investment in associate

	As at 30.6.2017		As at 31.12.2016	
	Cost of investment VND	% of ownership	Cost of investment VND	% of ownership
Thua Thien Hue Construction Joint Stock Corporation	97,981,362,426	36	99,118,713,598	36

Movements in investment in associate are presented as follows:

	Six-month period ended 30.6.2017 VND	Year ended 31.12.2016 VND
Opening balance	99,118,713,598	87,821,159,714
Share of profit of associate	7,095,488,828	16,287,153,884
Dividend distributed	(8,232,840,000)	(4,989,600,000)
Closing balance	97,981,362,426	99,118,713,598

HCC is a joint stock company incorporated pursuant to the Enterprise registration certificate joint stock company No. 3300101156 issued by the DPI of Thua Thien Hue Province on 5 January 2011 and the amendments.

HCC's registered office is located at Lot No. 9 Pham Van Dong Street, Hue City, Thua Thien Hue Province, Vietnam.

The 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.

(c) Investment in other entity

	As at 30.6.2017		As at 31.12.2016	
	Cost of investment VND	% of ownership	Cost of investment VND	% of ownership
International Investment and Water Technology Joint Stock Company ("Inwatek")	19.000.000.000	19	19.000.000.000	19

Inwatek is a joint stock company incorporated 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 amendment.

4 INVESTMENTS (continued)**(c) Investment in other entity (continued)**

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

The principal activities of Inwatek are trading machinery and equipment for water production, installing water processing, exploiting systems and investing consultation service.

At the balance sheet date, the Group has not determined the fair value of the investment since the Company has no information on the market value of the investment.

5 SHORT-TERM TRADE ACCOUNTS RECEIVABLE

	As at	
	30.6.2017 VND	31.12.2016 VND
Third parties	387,415,641,188	486,031,837,139
<i>Anh Duong Construction Consultant Company Limited</i>	48,398,837,427	47,530,455,721
<i>Vinhomes Trading and Real Estate Management Joint Stock Company</i>	39,916,975,633	40,445,299,898
<i>Viettel Real Estate Company</i>	38,598,555,229	65,913,818,909
<i>Hoa Lam International Hospital Company Limited</i>	37,326,423,884	-
<i>Others</i>	223,174,849,015	332,142,262,611
Related parties (Note 34(b)(i))	27,491,414,712	38,480,405,598
Total	<u>414,907,055,900</u>	<u>524,512,242,737</u>

6 SHORT-TERM PREPAYMENTS TO SUPPLIERS

	As at	
	30.6.2017 VND	31.12.2016 VND
Third parties	22,101,288,934	11,672,553,804
<i>Yq-Vina Joint Stock Company</i>	1,040,990,823	1,577,560,941
<i>DOHOME Vietnam Trading and Construction Joint Stock Company</i>	-	1,332,485,338
<i>Others</i>	21,060,298,111	8,762,507,525
Total	<u>22,101,288,934</u>	<u>11,672,553,804</u>

7 OTHER RECEIVABLES**(a) Short-term**

	As at	
	30.6.2017 VND	31.12.2016 VND
Interest income receivables	9,948,269,443	10,342,372,222
Receivables from construction teams	8,820,318,157	3,079,918,511
Advances to employees	6,523,992,783	4,235,050,347
Other receivables from employees	2,472,336,465	1,256,658,754
Receivable from the State for borrowing interest incentive	719,279,792	-
Deposits	278,269,305	445,421,557
Others	2,711,362,251	965,244,024
Total	31,473,828,196	20,324,665,415

(b) Long-term

Other long-term receivables represent deposit for office rental and other long-term deposits.

8 PROVISION FOR SHORT-TERM DOUBTFUL DEBTS

	As at 30.6.2017		As at 31.12.2016	
	Cost VND	Provision VND	Cost VND	Provision VND
Receivables that are past due	35.423.648.938	17.722.334.630	29,158,262,850	13,529,088,610

Movements in provision for short-term doubtful debt during the period/year are as follows:

	Six-month period ended 30.6.2017 VND	Year ended 31.12.2016 VND
Opening balance	13,529,088,610	2,923,772,285
Increase	4,193,246,020	10,615,316,325
Reversal	-	(10,000,000)
Closing balance	17,722,334,630	13.529.088.610

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9 INVENTORIES

	As at 30.6.2017		As at 31.12.2016	
	Cost VND	Provision VND	Cost VND	Provision VND
Work in progress	180,793,885,700	(1,798,248,466)	152,134,135,644	(2,246,889,135)
Raw materials	36,684,184,497	(1,729,503,022)	28,293,974,023	(1,732,214,430)
Goods in transit	1,260,995,450	-	8,322,392,060	-
Finished goods	852,316,010	(132,572,089)	925,425,547	(132,572,089)
Total	<u>219,591,381,657</u>	<u>(3,660,323,577)</u>	<u>189,675,927,274</u>	<u>(4,111,675,654)</u>

Movements in the provision for decline in value of inventories during the period/year are as follows:

	Six-month period ended 30.6.2017 VND	Year ended 31.12.2016 VND
Opening balance	4,111,675,654	2,866,579,200
Increase	-	1,319,012,350
Reversal (Note 29)	(451,352,077)	(73,915,896)
Closing balance	<u>3,660,323,577</u>	<u>4,111,675,654</u>

10 PREPAID EXPENSES

(a) Short-term

	As at	
	30.6.2017 VND	31.12.2016 VND
Tools and supplies	302,164,915	68,022,511
Others	12,773,748,653	1,912,348,463
Total	<u>13,075,913,568</u>	<u>1,980,370,974</u>

(b) Long-term

	As at	
	30.6.2017 VND	31.12.2016 VND
Land rental	31,909,240,257	32,390,284,083
Tools and supplies	1,765,611,635	1,880,736,963
Others	1,690,060,848	1,234,894,521
Total	<u>35,364,912,740</u>	<u>35,505,915,567</u>

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11	FIXED ASSETS	Buildings and structures and structures VND	Machinery and equipment VND	Motor Vehicles VND	Office equipment VND	Others VND	Total VND
(a)	Tangible fixed assets						
	Historical cost						
	As at 1 January 2017	73,919,924,316	56,939,510,764	13,336,909,963	3,928,198,126	1,727,123,859	149,851,667,028
	Purchases	-	58,000,000	-	-	-	58,000,000
	Transfers from construction in progress (Note 12)	-	36,216,568,907	-	-	-	36,216,568,907
	Disposal	-	(6,071,795,918)	-	-	-	(6,071,795,918)
	As at 30 June 2017	73,919,924,316	87,142,283,753	13,336,909,963	3,928,198,126	1,727,123,859	180,054,440,017
	Accumulated depreciation						
	As at 1 January 2017	27,595,323,250	34,114,578,706	8,906,189,929	3,531,874,036	1,372,418,501	75,520,384,422
	Charge for the period	1,085,519,760	1,486,042,929	628,924,668	96,040,472	68,256,074	3,364,783,903
	Reclassification	269,257,021	(269,257,021)	-	-	-	-
	Disposal	-	(6,071,795,918)	-	-	-	(6,071,795,918)
	As at 30 June 2017	28,950,100,031	29,259,568,696	9,535,114,597	3,627,914,508	1,440,674,575	72,813,372,407
	Net book value						
	As at 1 January 2017	46,324,601,066	22,824,932,058	4,430,720,034	396,324,090	354,705,358	74,331,282,606
	As at 30 June 2017	44,969,824,285	57,882,715,057	3,801,795,366	300,283,618	286,449,284	107,241,067,610

Historical cost of fully depreciated tangible fixed assets but still in use as at 30 June 2017 was VND12,552,828,316 (as at 31 December 2016: VND16,749,909,710).

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11 FIXED ASSETS (continued)

(b) Intangible fixed assets

	Computer software VND
Historical cost	
As at 1 January 2017	2,189,176,660
Purchases	75,600,000
As at 30 June 2017	<u>2,264,776,660</u>
Accumulated amortisation	
As at 1 January 2017	1,132,673,616
Charge for the period	208,666,404
As at 30 June 2017	<u>1,341,340,020</u>
Net book value	
As at 1 January 2017	<u>1,056,503,044</u>
As at 30 June 2017	<u>923,436,640</u>

Historical cost of fully amortised intangible fixed assets but still in use as at 30 June 2017 was VND502,509,000 (as at 31 December 2016: VND502,509,000).

12 CONSTRUCTION IN PROGRESS

	As at	
	30.6.2017	31.12.2016
	VND	VND
ERP system	2,488,972,363	1,487,547,245
Machinery upgrading	413,747,429	17,849,533,688
Purchases	22,437,356	2,900,969,463
Others	190,157,000	63,000,000
Total	<u>3,115,314,148</u>	<u>22,301,050,396</u>

Movements in the construction in progress during the period/year are as follows:

	Six-month period ended 30.6.2017	Year ended 31.12.2016
	VND	VND
Opening balance	22,301,050,396	5,174,726,745
Purchases	3,773,433,779	25,004,201,009
Increase from sub-grant	13,257,398,880	12,680,253,841
Transfers to tangible fixed assets (Note 11(a))	(36,216,568,907)	(20,052,833,494)
Transfers to prepaid expenses	-	(505,297,705)
Closing balance	<u>3,115,314,148</u>	<u>22,301,050,396</u>

13 SHORT-TERM TRADE ACCOUNTS PAYABLE

	As at	
	30.6.2017 VND	31.12.2016 VND
Third parties	132,227,779,611	166,826,061,183
Related parties (Note 35(b)(iii))	2,319,202,000	2,319,202,000
Total	<u>134,546,981,611</u>	<u>169,145,263,183</u>

As at 30 June 2017 and 31 December 2016, the Group did not have any short-term trade payables were past due.

14 SHORT-TERM ADVANCES FROM CUSTOMERS

	As at	
	30.6.2017 VND	31.12.2016 VND
Third parties	86,108,282,147	72,977,801,271
<i>Thanh pho Ho Chi Minh Investment Service Trading Joint Stock Company</i>	18,778,416,670	-
<i>Huu Viet Construction Trading Joint Stock Company</i>	17,469,691,850	-
<i>Thanh Do Investment Development and Construction Joint Stock Company</i>	13,179,065,817	-
<i>Viet Hung Urban Development and Investment Joint Stock Company</i>	445,693,903	16,753,200,000
<i>Construction Joint Stock Company No.1 (COFICO)</i>	-	12,784,006,024
<i>Cotecons Construction Joint Stock Company</i>	-	7,559,090,000
<i>Finance Leasing Company Limited – Vietnam Joint Stock Commercial Bank for Industry and Trade</i>	-	10,004,775,000
<i>Others</i>	36,235,413,907	25,876,730,247
Related party (Note 35(b)(iv))	143,500,000	157,500,000
Total	<u>86,251,782,147</u>	<u>73,135,301,271</u>

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15 TAX AND OTHER PAYABLES TO THE STATE BUDGET

	As at	
	30.6.2017 VND	31.12.2016 VND
Business income tax	3,501,511,696	11,016,731,124
Value added tax	457,918,278	14,244,341,801
Personal income tax	402,563,424	1,835,154,350
Import tax	8,415,747	-
Total	<u>4,370,409,145</u>	<u>27,096,227,275</u>

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

	As at 1.1.2017 VND	Payable during the period VND	Payment during the period VND	As at 30.6.2017 VND
Business income tax	11,016,731,124	4,518,333,267	(12,033,552,695)	3,501,511,696
Value added tax	14,244,341,801	4,036,991,932	(17,823,415,455)	457,918,278
Personal income tax	1,835,154,350	7,139,471,520	(8,572,062,446)	402,563,424
Value added tax on importation	-	4,145,001,033	(4,145,001,033)	-
Import tax	-	736,997,383	(728,581,636)	8,415,747
Excise tax	-	8,000,000	(8,000,000)	-
Total	<u>27,096,227,275</u>	<u>20,584,795,135</u>	<u>(43,310,613,265)</u>	<u>4,370,409,145</u>

16 SHORT-TERM ACCRUED EXPENSES

	As at	
	30.6.2017 VND	31.12.2016 VND
Accrued project costs	33,636,799,857	91,197,299,153
Interest expense	308,188,438	316,938,124
Others	4,344,097,546	6,602,466,156
Total	<u>38,289,085,841</u>	<u>98,116,703,433</u>

17 OTHER SHORT-TERM PAYABLES

	As at	
	30.6.2017 VND	31.12.2016 VND
Sub-granted fixed assets (*)	26,909,929,413	12,642,643,578
Shareholders' capital contribution to Asia Refrigeration Industry Corporation (Note 38)	14,560,000,000	-
Social insurance, health insurance and trade union fees	1,736,772,885	1,378,004,605
Other payables to employees	1,057,238,302	304,042,591
Dividends payable (Note 25)	607,629,700	579,550,900
Others	4,910,453,214	5,607,976,488
Total	49,782,023,514	20,512,218,162

(*) Machinery and equipment amounting to VND29,899,921,570 was sub-granted by the Multilateral Fund according to the sub-grant agreement between the Group and 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 Group recorded a part of this sub-granted amount into the consolidated income statement (Note 33).

18 BORROWINGS

	As at 1.1.2017 VND	Increase during the period VND	Decrease during the period VND	As at 30.6.2017 VND
(a) Short-term				
Bank loans	441,869,120,922	536,819,313,429	(489,452,996,165)	489,235,438,186
(b) Long-term				
Bank loans	12,485,088,000	-	-	12,485,088,000

18 BORROWINGS (continued)

Details of short-term borrowings are as follows:

	As at	
	30.6.2017 VND	31.12.2016 VND
Short-term borrowings (*)		
Vietnam Joint Stock Commercial Bank for Industry and Trade	297,190,458,477	263,428,854,072
Joint Stock Commercial Bank for Foreign Trade of Vietnam	137,867,797,618	150,040,720,700
HSBC Bank (Vietnam) Ltd	52,481,311,719	19,193,569,935
Standard Chartered Bank (Vietnam) Limited	1,695,870,372	-
Bank for Investment and Development of Vietnam	-	9,205,976,215
Total	<u>489,235,438,186</u>	<u>441,869,120,922</u>

Long-term borrowing ()**

Joint Stock Commercial Bank for Foreign Trade of Vietnam	<u>12,485,088,000</u>	<u>12,485,088,000</u>
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(*) These borrowings are unsecured and bear the floating interest rates in accordance with each draw-down. The purpose of these borrowings is to support the working capital of the Group.

(**) This borrowing is guaranteed by the assets forming from borrowing capital with the term of 60 months. The loan bears the incentive interest rates in accordance with the investment stimulus program of Ho Chi Minh City under the Decision No. 5592/QĐ-UBND. The purpose of this borrowing is to settle investment costs of machineries upgrading and conversion of production technology in Arico's plant.

19 PROVISION FOR SHORT-TERM LIABILITIES

	Six-month period ended 30.6.2017 VND	Year ended 31.12.2016 VND
Opening balance	3,614,374,681	3,519,755,991
Provision	748,892,473	3,543,691,199
Utilisation	(1,243,857,815)	(3,449,072,509)
Closing balance	<u>3,119,409,339</u>	<u>3,614,374,681</u>

Provision for short-term liabilities represents warranty for projects that have been completed and handed over at the balance sheet date.

20 BONUS AND WELFARE FUND

	Six-month period ended 30.6.2017 VND	Year ended 31.12.2016 VND
Opening balance	1,436,334,965	4,669,888,419
Increase during the period/year (Note 24)	14,867,699,635	6,483,504,384
Utilisation during the period/year	(5,126,531,000)	(9,717,057,838)
Closing balance	<u>11,177,503,600</u>	<u>1,436,334,965</u>

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:

	As at	
	30.6.2017 VND	31.12.2016 VND
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	1,377,430,167	1,328,071,650
Deferred tax assets to be recovered within 12 months	1,977,917,705	1,636,896,439
Total	<u>3,355,347,872</u>	<u>2,964,968,089</u>

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

	Six-month period ended 30.6.2017 VND	Year ended 31.12.2016 VND
Opening balance	2,964,968,089	1,789,950,164
Income statement credit	390,379,783	1,175,017,925
Closing balance	<u>3,355,347,872</u>	<u>2,964,968,089</u>

22 DEFERRED INCOME TAX (continued)

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% (2016: the Company 20%, Arico 7.5%).

23 OWNERS' CAPITAL**(a) Number of shares**

	As at	
	30.6.2017	31.12.2016
Number of shares registered	32,495,397	24,374,916
Number of shares issued	32,495,397	24,374,916
Number of shares repurchased	(13,040)	(13,040)
Number of existing shares in circulation	32,482,357	24,361,876

(b) Details of owners' shareholding

	As at 30.6.2017		As at 31.12.2016	
	Ordinary shares (shares)	Proportion (%)	Ordinary shares (shares)	Proportion (%)
Taisei Oncho Co., Ltd	8,099,506	24.92	6,074,630	24.92
Vietnam Seaproducts Joint Stock Corporation	4,152,000	12.78	3,114,000	12.78
Sao Phuong Nam Corporation	7,860,028	24.19	5,895,021	24.19
Other shareholders	12,370,823	38.07	9,278,225	38.06
Treasury shares	13,040	0.04	13,040	0.05
Total	32,495,397	100.00	24,374,916	100.00

(c) Movement of owners' capital

	Ordinary shares	
	Shares	VND
At 1 January 2016	24,374,916	243,749,160,000
At 31 December 2016	24,374,916	243,749,160,000
New shares issued (Note 24(*))	8,120,481	81,204,810,000
At 30 June 2017	32,495,397	324,953,970,000

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

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24 MOVEMENTS IN OWNERS' EQUITY

	Owners' capital VND	Share premium VND	Treasury shares VND	Investment and Development fund VND	Undistributed earnings VND	Total VND
As at 1 January 2016	243,749,160,000	42,217,165,031	(284,019,059)	46,249,834,636	82,176,688,713	414,108,829,321
Net profit for the year	-	-	-	-	27,126,094,723	27,126,094,723
Profit appropriation	-	-	-	772,138,495	(7,255,642,879)	(6,483,504,384)
Dividends declared	-	-	-	-	(36,542,814,000)	(36,542,814,000)
As at 30 June 2016	<u>243,749,160,000</u>	<u>42,217,165,031</u>	<u>(284,019,059)</u>	<u>47,021,973,131</u>	<u>65,504,326,557</u>	<u>398,208,605,660</u>
As at 1 January 2017	243,749,160,000	42,217,165,031	(284,019,059)	47,021,973,131	115,113,886,655	447,818,165,758
Capital increase during the period (*)	81,204,810,000	(41,933,145,972)	-	(39,271,664,028)	-	-
Net profit for the period	-	-	-	-	27,619,499,288	27,619,499,288
Profit appropriation	-	-	-	1,823,080,732	(16,690,780,367)	(14,867,699,635)
Dividends paid (*)	-	-	-	-	(29,234,251,200)	(29,234,251,200)
As at 30 June 2017	<u>324,953,970,000</u>	<u>284,019,059</u>	<u>(284,019,059)</u>	<u>9,573,389,835</u>	<u>96,808,354,376</u>	<u>431,335,714,211</u>

(*) The Shareholders' General Meeting Resolution No. 01/DHĐCĐ/NQ/17 dated 31 March 2017 of the Company approved:

- Issuance of shares to increase the owners' capital from the Share premium and Investment and development funds under execution rate 3:1. Accordingly, the number of new shares issued is 8,120,481 shares, amounting to VND81,204,810,000;
- Appropriation profit to Bonus and welfare fund and Investment and development fund and declaration of final dividends for 2016.

25 DIVIDENDS

	Six-month period ended 30.6.2017 VND	Year ended 31.12.2016 VND
Opening balance	579,550,900	588,835,126
Dividends payable during the period/year	29,234,251,200	56,032,314,800
<i>Final dividend for 2016: VND1.200 per share</i>	29,234,251,200	-
<i>First dividend for 2016: VND800 per share</i>	-	19,489,500,800
<i>Final dividend for 2015: VND1.500 per share</i>	-	36,542,814,000
Dividends paid in cash	(29,206,172,400)	(56,041,599,026)
Closing balance (Note 17)	<u>607,629,700</u>	<u>579,550,900</u>

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 Company and held as treasury shares:

	<u>Six-month period ended</u>	
	30.6.2017	30.6.2016 (*)
Net profit attributable to shareholders (VND)	27,619,499,288	27,126,094,723
Weighted average number of ordinary shares in issue (shares)	<u>32,482,357</u>	<u>32,482,357</u>
Basic earnings per share (VND/ share)	<u>850</u>	<u>835</u>

(*) Basic earnings per share of the six-month period ended 30 June 2016 were recalculated as per Circular 200 as follows:

	<u>Six-month period ended 30.6.2016</u>		
	As previously reported	Adjustment	As restated
Net profit attributable to shareholders (VND)	27,126,094,723	-	27,126,094,723
Weighted average number of ordinary shares in issue (shares) (Note 24(*))	<u>24,361,876</u>	<u>8,120,481</u>	<u>32,482,357</u>
Basic earnings per share (VND)	<u>1,113</u>		<u>835</u>

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

27 OFF BALANCE SHEET ITEMS

	As at	
	30.6.2017	31.12.2016
Bad debts written off (VND)	27,592,321,012	27,592,321,012
Foreign currencies		
United States Dollar (USD)	3,013.13	6,334.48
Yen (JPY)	-	10,000.00
Great British Pound (GBP)	7.16	7.16
Australia Dollar (AUD)	0.67	0.67
Euro (EUR)	1,237.91	4,648.81
	<u> </u>	<u> </u>

28 NET REVENUE FROM SALES OF GOODS AND RENDERING OF SERVICES

	Six-month period ended	
	30.6.2017 VND	30.6.2016 VND
Revenue		
Revenue from construction contracts	488,473,350,853	464,832,986,843
Revenue from sales of goods	883,548,581	1,251,484,404
Revenue from lease	-	1,575,000,000
	<u> </u>	<u> </u>
Total	489,356,899,434	467,659,471,247
	<u> </u>	<u> </u>
Deductions		
Sales allowance from construction contracts	(520,123,909)	(114,947,335)
	<u> </u>	<u> </u>
Net revenue		
Net revenue from construction contracts	487,953,226,944	464,718,039,508
Net revenue from sales of goods	883,548,581	1,251,484,404
Net revenue from lease	-	1,575,000,000
	<u> </u>	<u> </u>
Total	488,836,775,525	467,544,523,912
	<u> </u>	<u> </u>

29 COST OF GOODS SOLD AND SERVICES RENDERED

	Six-month period ended	
	30.6.2017 VND	30.6.2016 VND
Cost of construction contracts	442,050,636,804	415,381,810,598
Cost of goods sold	819,879,781	725,136,624
Cost of lease	-	2,185,017,246
(Reversal)/making of provision for decline in value of inventories (Note 9)	(451,352,077)	977,703,422
	<u> </u>	<u> </u>
Total	442,419,164,508	419,269,667,890
	<u> </u>	<u> </u>

30 FINANCIAL INCOME

	Six-month period ended	
	30.6.2017	30.6.2016
	VND	VND
Interest income from deposits and loans	8,644,284,767	9,171,344,056
Realised foreign exchange gains	73,618,822	104,553,188
Gain from foreign currency translation at period end	46,441,467	326,232,404
Gain from disposal of trading securities	-	308,314,277
Dividends	-	24,002,000
Others	4,426,078	-
	<u>8,768,771,134</u>	<u>9,934,445,925</u>

31 FINANCIAL EXPENSES

	Six-month period ended	
	30.6.2017	30.6.2016
	VND	VND
Interest expenses	11,376,942,765	9,257,082,703
Realised foreign exchange losses	60,395,131	446,444,957
Losses from foreign currency translation at period end	-	256,057,689
Loss on sale of trading securities	-	17,184,597
Reversal of provision for diminution in value of trading securities	-	(34,207,267)
	<u>11,437,337,896</u>	<u>9,942,562,679</u>

32 GENERAL AND ADMINISTRATION EXPENSES

	Six-month period ended	
	30.6.2017	30.6.2016
	VND	VND
Staff costs	13,349,007,670	13,371,525,618
Outside service expenses	7,459,154,819	6,874,175,151
Provision for doubtful debts	4,193,246,020	1,024,866,811
Depreciation and amortisation	986,792,061	1,304,773,135
Tools and equipment costs	461,284,625	500,498,002
Reversal of accrued staff costs	(5,216,350,804)	-
Others	1,052,067,898	1,469,679,176
	<u>22,285,202,289</u>	<u>24,545,517,893</u>

33 OTHER INCOME

	Six-month period ended	
	30.6.2017	30.6.2016
	VND	VND
Sub-granted fixed assets (Note 17)	2,989,992,157	-
Others	422,079,031	178,335,945
Total	3,412,071,188	178,335,945

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 Investment certificate No. 41221000103 issued by the DPI 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, the 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 from CIT incentive activities (2010), CIT exemption for 3 years from the date of arising taxable income (2010 – 2012) and a 50% CIT reduction for 7 years thereafter (2013 – 2019).

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rate of 20% as follows:

	Six-month period ended	
	30.6.2017	30.6.2016
	VND	VND
Net accounting profit before tax	31,747,452,772	31,634,007,532
Tax calculated at a rate of 20% (2016: 20%)	6,349,490,554	6,326,801,506
Effect of:		
Income not subject to tax	(2,017,096,196)	(1,559,966,000)
Expenses not deductible for tax purposes	315,919,380	273,932,688
Temporary differences	393,979,738	(548,639,245)
Adjustment for previous year	69,483,721	(20,914,780)
Tax incentives	(593,443,930)	(244,804,666)
Business income tax – current (*)	4,518,333,267	4,226,409,503
Business income tax – deferred (Note 22)	(390,379,783)	281,503,306
Total	4,127,953,484	4,507,912,809

(*) The business income tax charge for the period is based on estimated taxable income and is subject to review and possible adjustments by the tax authorities.

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	Six-month period ended	
			30.6.2017 VND	30.6.2016 VND
<i>i) Revenue from sales of goods and rendering of services</i>				
Sao Phuong Nam Investment Corporation	Related party	Providing construction services	1,190,982,321	12,874,363,142
International Diplomat Corporation	Related party	Providing construction services	-	3,676,143,371
Total			<u>1,190,982,321</u>	<u>16,550,506,513</u>
<i>ii) Purchases of services</i>				
Sao Phuong Nam Corporation	Major shareholder	Office rental	<u>2,688,276,600</u>	<u>2,862,095,520</u>
<i>iii) Compensation of key management</i>				
Salaries and benefits of the Board of Directors			6,169,503,438	5,709,095,170
Allowance for the Boards of Management and Supervision			966,000,000	468,000,000
Total			<u>7,135,503,438</u>	<u>6,177,095,170</u>
<i>iv) Other transactions</i>				
Thua Thien Hue Construction Joint Stock Corporation	Associate	Dividend declared	<u>8,232,840,000</u>	<u>4,989,600,000</u>

(b) Period/year end balances with related parties

Related party	Relationship	Nature of transaction	As at	
			30.6.2017 VND	31.12.2016 VND
<i>i) Short-term trade accounts receivable (Note 5)</i>				
Sao Phuong Nam Investment Corporation	Related party	Providing construction services	27,014,749,499	37,530,731,334
International Diplomat Corporation	Related party	Providing construction services	476,665,213	949,674,264
Total			<u>27,491,414,712</u>	<u>38,480,405,598</u>

35 RELATED PARTY DISCLOSURES (continued)

(b) Period/year end balances with related parties (continued)

Related party	Relationship	Nature of transaction	As at	
			30.6.2017 VND	31.12.2016 VND
<i>ii) Other long-term receivables</i>				
Sao Phuong Nam Corporation	Major shareholder	Deposits	1,309,881,840	1,331,881,840
<i>iii) Short-term trade accounts payable (Note 13)</i>				
Thua Thien Hue Construction Joint Stock Corporation	Associate	Purchase construction services	2,319,202,000	2,319,202,000
<i>iv) Short-term advances from customers (Note 14)</i>				
Sao Phuong Nam Investment Corporation	Related party	Providing construction services	143,500,000	157,500,000

36 COMMITMENT UNDER OPERATING LEASES

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

	As at	
	30.6.2017 VND	31.12.2016 VND
Within one year	3,087,346,893	4,449,213,693
Between one and five years	4,034,832,374	4,393,218,374
Over five years	25,244,865,344	26,099,691,614
Total minimum payments	32,367,044,611	34,942,123,681

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 OTHER INFORMATION

The Resolution No. 01B/NQ/HĐQT/2017 dated 5 April 2017 of the Board of Management of the Company approved the plan of increasing the owner's capital of Arico and converting it into Asia Refrigeration Industry Corporation. The owner's capital increases from VND70 billion to VND100 billion, in which VND4,415,811,246 from the Investment and development fund, VND16 billion from the contribution of Arico's employees and VND9,584,188,754 from the additional contribution of the Company. The capital contribution and the conversion are currently in progress.

The interim consolidated financial statements were approved by the Board of Directors on 21 August 2017.



Pham Thanh Binh
Preparer



Mai Thi Kim Dung
Chief Accountant



Le Tan Phuoc
General Director