

SEAPRODEX REFRIGERATION INDUSTRY CORPORATION

**SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**



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SEAPRODEX REFRIGERATION INDUSTRY CORPORATION

CORPORATE INFORMATION

Enterprise registration certificate joint stock company	No. 0301825452 was initially issued by the Department of Planning and Investment of Ho Chi Minh City on 18 September 1999 and the latest 18th amendment dated 15 May 2019.	
Board of Directors	Mr. Le Tan Phuoc	Chairman (from 25 April 2019)
		Member (until 25 April 2019)
	Mr. Nguyen Huu Thinh	Member (from 25 April 2019)
		Chairman (until 25 April 2019)
	Mr. Ryota Fukuda	Member
	Mr. Koji Sakate	Member (from 25 April 2019 to 8 January 2020)
	Mr. Nishi Masayuki	Member (from 25 April 2019)
	Ms. Lee Men Leng	Member (from 25 April 2019)
	Mr. Nguyen Thanh Son	Member (until 24 April 2019)
	Mr. Yoshinobu Tamura	Member (until 24 April 2019)
	Ms. Nguyen Diep Bich Huong	Member (until 24 April 2019)
Board of Supervision	Mr. Nguyen Chau Tran	Chief Supervisor (from 25 April 2019)
	Ms. Duong Thi Kim Hoa	Member (from 25 April 2019)
	Mr. Bui Van Quyet	Member (from 25 April 2019)
		Chief Supervisor (until 25 April 2019)
	Mr. Lam Hoang Vu Nguyen	Member (until 25 April 2019)
	Mr. Do Trong Hiep	Member (until 25 April 2019)
Board of Management	Ms. Nguyen Thi Thanh Huong	Chief Executive Officer (from 25 April 2019)
	Mr. Le Tan Phuoc	Chief Executive Officer (until 25 April 2019)
	Mr. Nguyen Quoc Cuong	Director of Searee
Legal representative	Ms. Nguyen Thi Thanh Huong	Chief Executive Officer
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 MANAGEMENT OF THE COMPANY IN RESPECT OF SEPARATE FINANCIAL STATEMENTS

The Board of Management of Seaprodex Refrigeration Industry Corporation (“the Company”) is responsible for preparing the separate financial statements of the Company which give a true and fair view of the separate financial position of the Company as at 31 December 2019, and of the separate results of its operations and its separate cash flows for the year then ended. In preparing these separate financial statements, the Board of 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 separate financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board of Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the separate financial position of the Company and which enable the separate financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the separate financial statements. The Board of Management 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 SEPARATE FINANCIAL STATEMENTS

We hereby approve the accompanying separate financial statements as set out on pages 5 to 39 which give a true and fair view of the separate financial position of the Company as at 31 December 2019, and of the separate results of its operations and its separate 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 separate financial statements.

Users of these separate financial statements of the Company should read them together with the consolidated financial statements of the Company and its subsidiaries (together, “the Group”) for the year ended 31 December 2019 in order to obtain full information of the consolidated financial position and the consolidated results of operations and consolidated cash flows of the Group as a whole.

On behalf of the Board of Management



Nguyen Thi Thanh Huong
Chief Executive Officer

Ho Chi Minh City, SR Vietnam
18 March 2020



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF SEAPRODEX REFRIGERATION INDUSTRY CORPORATION

We have audited the accompanying separate financial statements of Seaprodex Refrigeration Industry Corporation ("the Company") which were prepared on 31 December 2019 and approved by the Board of Management on 18 March 2020. The separate financial statements comprise the separate balance sheet as at 31 December 2019, the separate income statement and the separate cash flow statement for the year then ended, and explanatory notes to the separate financial statements including significant accounting policies, as set out on pages 5 to 39.

The Board of Management's Responsibility

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and true and fair presentation of the separate 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the separate 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 separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, its separate financial performance and separate 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 separate financial statements.

Other Matter

The independent auditor's report is prepared in Vietnamese and English. Should there be any conflict between the Vietnamese and English versions, the Vietnamese version shall take precedence.

For and on behalf of PwC (Vietnam) Limited



Mai Viet Hung Tran
Audit Practising Licence No:
0048-2018-006-1
Authorised signatory

Nguyen Dang Bao
Audit Practising Licence No:
3891-2017-006-1

Report reference number: HCM8876
Ho Chi Minh City, 18 March 2020

SEAPRODEX REFRIGERATION INDUSTRY CORPORATION

Form B 01 – DN

SEPARATE BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2019 VND	2018 VND
100	CURRENT ASSETS		1,222,756,718,061	1,173,361,653,481
110	Cash and cash equivalents	3	35,368,646,531	39,570,344,558
111	Cash		35,368,646,531	21,370,344,558
112	Cash equivalents		-	18,200,000,000
120	Short-term investment		151,703,107,647	163,600,928,908
123	Investments held-to-maturity	4(a)	151,703,107,647	163,600,928,908
130	Short-term receivables		789,259,566,760	735,674,145,088
131	Short-term trade accounts receivable	5	722,212,296,396	709,864,175,295
132	Short-term prepayments to suppliers	6	58,298,199,577	17,942,238,052
136	Other short-term receivables	7(a)	39,434,109,368	24,995,677,108
137	Provision for short-term doubtful debts	8	(30,685,038,581)	(17,127,945,367)
140	Inventories	9	245,747,751,605	230,153,331,212
141	Inventories		247,264,475,558	231,148,124,161
149	Provision for decline in value of inventories		(1,516,723,953)	(994,792,949)
150	Other current assets		677,645,518	4,362,903,715
151	Short-term prepaid expenses	10(a)	677,645,518	1,075,993,036
152	Value added tax ("VAT") to be reclaimed		-	3,286,910,679
200	LONG-TERM ASSETS		208,618,634,184	193,345,139,968
210	Long-term receivable		1,530,901,840	1,329,151,840
216	Other long-term receivables	7(b)	1,530,901,840	1,329,151,840
220	Fixed assets		2,483,860,107	3,393,717,286
221	Tangible fixed assets	11(a)	2,434,648,107	3,187,191,513
222	Historical cost		15,774,957,651	15,586,430,378
223	Accumulated depreciation		(13,340,309,544)	(12,399,238,865)
227	Intangible fixed assets	11(b)	49,212,000	206,525,773
228	Historical cost		1,712,426,260	1,712,426,260
229	Accumulated amortisation		(1,663,214,260)	(1,505,900,487)
240	Long-term asset in progress		3,022,128,345	2,737,876,462
242	Construction in progress	12	3,022,128,345	2,737,876,462
250	Long-term investments		196,723,068,754	181,639,198,754
251	Investments in subsidiaries	4(b)	137,234,188,754	124,050,318,754
252	Investment in associate	4(b)	51,392,880,000	51,392,880,000
253	Investments in other entities	4(b)	8,096,000,000	6,196,000,000
260	Other long-term assets		4,858,675,138	4,245,195,626
261	Long-term prepaid expenses	10(b)	2,995,425,155	1,302,819,454
262	Deferred income tax assets	22	1,863,249,983	2,942,376,172
270	TOTAL ASSETS		1,431,375,352,245	1,366,706,793,449

The notes on pages 9 to 39 are an integral part of these separate financial statements.

SEPARATE BALANCE SHEET
(continued)

Code	RESOURCES	Note	As at 31 December	
			2019 VND	2018 VND
300	LIABILITIES		1,061,565,605,026	962,023,998,905
310	Short-term liabilities		1,058,093,825,776	958,136,864,655
311	Short-term trade accounts payable	13	298,508,549,767	240,348,576,704
312	Short-term advances from customers	14	75,364,029,837	59,823,696,803
313	Tax and other payables to the State	15	12,209,466,199	18,727,128,405
314	Payable to employees		18,237,450,394	33,758,612,298
315	Short-term accrued expenses	16	68,206,559,711	102,355,723,525
319	Other short-term payables	17	33,408,403,410	19,916,691,973
320	Short-term borrowings	18	539,141,655,165	468,514,676,717
321	Provision for short-term liabilities	19	212,161,483	687,182,168
322	Bonus and welfare fund	20	12,805,549,810	14,004,576,062
330	Long-term liability		3,471,779,250	3,887,134,250
342	Provision for long-term liabilities	21	3,471,779,250	3,887,134,250
400	OWNERS' EQUITY		369,809,747,219	404,682,794,544
410	Capital and reserves		369,809,747,219	404,682,794,544
411	Owners' capital	23, 24	324,953,970,000	324,953,970,000
411a	- Ordinary shares with voting rights		324,953,970,000	324,953,970,000
412	Share premium	24	284,019,059	284,019,059
415	Treasury shares	24	(29,238,407,099)	(29,238,407,099)
418	Investment and development fund	24	5,427,578,589	5,427,578,589
421	Undistributed earnings	24	68,382,586,670	103,255,633,995
421a	- Undistributed post-tax profits of previous years		41,599,651,037	29,051,408,003
421b	- Post-tax profits of current year		26,782,935,633	74,204,225,992
440	TOTAL RESOURCES		1,431,375,352,245	1,366,706,793,449



Ly Quoc Tuan
Preparer



Vuong Tran Quoc Thanh
Chief Accountant



Nguyen Thi Thanh Huong
Chief Executive Officer
18 March 2020

The notes on pages 9 to 39 are an integral part of these separate financial statements.


SEAPRODEX REFRIGERATION INDUSTRY CORPORATION

Form B 02 – DN

SEPARATE INCOME STATEMENT

Code	Note	Year ended 31 December	
		2019 VND	2018 VND
01	Revenue from sales of goods and rendering of services	1,395,841,228,065	1,526,972,640,040
02	Less deductions	-	-
10	Net revenue from sales of goods and rendering of services	1,395,841,228,065	1,526,972,640,040
11	Cost of goods sold and services rendered	(1,295,875,692,092)	(1,410,462,464,481)
20	Gross profit from sales of goods and rendering of services	99,965,535,973	116,510,175,559
21	Financial income	44,644,699,543	41,143,147,123
22	Financial expenses	(31,368,242,568)	(33,864,346,857)
23	- Including: Interest expense	(31,270,061,258)	(31,807,425,082)
26	General and administration expenses	(61,748,661,309)	(50,480,664,546)
30	Net operating profit	51,493,331,639	73,308,311,279
31	Other income	1,970,072,591	18,133,459,166
32	Other expenses	(556,170,044)	(603,402,183)
40	Net other income	1,413,902,547	17,530,056,983
50	Net accounting profit before tax	52,907,234,186	90,838,368,262
51	Business income tax ("BIT") - current	(3,544,394,464)	(16,429,342,676)
52	BIT – deferred	(1,079,126,189)	(204,799,594)
60	Net profit after tax	48,283,713,533	74,204,225,992





Ly Quoc Tuan
Preparer



Vuong Tran Quoc Thanh
Chief Accountant

Nguyen Thi Thanh Huong
Chief Executive Officer
18 March 2020

The notes on pages 9 to 39 are an integral part of these separate financial statements.

SEPARATE CASH FLOW STATEMENT
(Indirect method)

Code	Note	Year ended 31 December	
		2019 VND	2018 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01		52,907,234,186	90,838,368,262
	Adjustments for:		
02	Depreciation and amortisation	1,098,384,452	2,983,955,018
03	Provisions	13,188,648,533	2,041,852,798
04	Unrealised foreign exchange (gains)/losses	(75,319,470)	55,518,403
05	Profits from investing activities	(44,496,612,609)	(57,967,286,692)
06	Interest expense	31,270,061,258	31,807,425,082
08	Operating profit before changes in working capital	53,892,396,350	69,759,832,871
09	(Increase)/decrease in receivables	(57,981,004,046)	70,172,835,304
10	Increase in inventories	(16,116,351,397)	(11,232,940,277)
11	Increase/(decrease) in payables	29,499,488,035	(84,213,313,765)
12	(Increase)/decrease in prepaid expenses	(1,578,510,066)	339,612,943
14	Interest paid	(30,911,819,556)	(31,383,442,899)
15	BIT paid	(14,292,035,764)	(10,720,148,757)
17	Other payments on operating activities	(16,781,913,710)	(5,763,295,556)
20	Net cash outflows from operating activities	(54,269,750,154)	(3,040,860,136)
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases of fixed assets	(9,784,127,273)	(542,242,027)
23	Term deposits at banks	(90,965,000,000)	(157,000,000,000)
24	Collection of term deposits at banks	102,965,000,000	170,500,000,000
25	Investments in other entities	(15,083,870,000)	(12,000,000,000)
26	Proceeds from divestment in other entity	11,800,000,000	11,000,000,000
27	Dividends and interest received	26,573,664,452	31,115,054,062
30	Net cash inflows from investing activities	25,505,667,179	43,072,812,035
CASH FLOWS FROM FINANCING ACTIVITIES			
32	Payments for share repurchases	-	(28,954,388,040)
33	Proceeds from borrowings	1,294,503,865,731	1,326,323,050,519
34	Repayments of borrowings	(1,223,876,887,283)	(1,395,810,179,988)
36	Dividends paid	(46,064,593,500)	(25,470,904,647)
40	Net cash inflows/(outflows) from financing activities	24,562,384,948	(123,912,422,156)
50	Net decrease in cash and cash equivalents	(4,201,698,027)	(83,880,470,257)
60	Cash and cash equivalents at beginning of year	39,570,344,558	123,450,814,815
70	Cash and cash equivalents at end of year	35,368,646,531	39,570,344,558

Ly Quoc Tuan
Preparer

Vuong Tran Quoc Thanh
Chief Accountant



Nguyen Thi Thanh Huong
Chief Executive Officer
18 March 2020

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1 GENERAL INFORMATION

Seaprodex Refrigeration Industry Corporation (“the Company”) is a joint stock company established in SR Vietnam pursuant to enterprise registration certificate joint stock company (“ERCJSC”) No. 0301825452 initially issued by the Department of Planning and Investment (“DPI”) of Ho Chi Minh City on 18 September 1999, as amended.

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 Company’s principal activities are to consult, survey, design, supply materials and 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, exterior 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 Company is 12 months.

The Company has one branch, Danang Refrigeration Electrical Engineering – Seaprodex Refrigeration Industry Corporation (“the Branch”). The Branch is incorporated pursuant to the branch operation registration certificate No. 0301825452-001 initially issued by the DPI of Da Nang City on 17 January 2000, as amended. The Branch’s registered office is located at Street 10, Hoa Khanh Industry zone, Hoa Khanh Bac Ward, Lien Chieu District, Da Nang City, Vietnam.

As at 31 December 2019, the Company had four direct subsidiaries, one indirect subsidiary and one associate as disclosed in Note 4(b).

As at 31 December 2019, the Company had 340 employees (as at 31 December 2018: 358 employees).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of separate financial statements

The separate financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of separate financial statements. The separate financial statements have been prepared under the historical cost convention.

The accompanying separate financial statements are not intended to present the financial position and results of separate operations and separate 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.1 Basis of preparation of separate financial statements (continued)**

The separate financial statements in the Vietnamese language are the official statutory separate financial statements of the Company. The separate financial statements in the English language have been translated from the Vietnamese language version.

Separately, the Company has also prepared consolidated financial statements of the Company and its subsidiaries (together, “the Group”), in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements. In the consolidated financial statements, subsidiary undertakings, which are those companies over which the Group has the power to govern the financial and operating policies, have been fully consolidated.

Users of these separate financial statements of the Company should read them together with the consolidated financial statements of the Group for the year ended 31 December 2019 in order to obtain full information of the consolidated financial position and consolidated results of operations and consolidated cash flows of the Group.

2.2 Fiscal year

The Company’s fiscal year is from 1 January to 31 December.

2.3 Currency

The separate financial statements are measured and presented in Vietnamese Dong (“VND”). The Company determines its accounting currency based on the currency which is mainly used in sales of goods and rendering of services, which has a significant impact on selling prices of goods and services, which is normally used for list selling prices and receive payments; which is mainly used in purchases of goods or services, which has a significant impact on cost of labor, materials and other production or operating costs and normally used as payments of those costs.

2.4 Exchange rates

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 separate income statement.

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

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.6 Receivables**

Receivables represent trade receivables from customers arising from sales of goods and rendering of services or non-trade receivables from others and are stated at cost. Provision for doubtful debts is made for each outstanding amount based on overdue days in payment according to the initial payment commitment (exclusive of the payment rescheduling between parties), or based on the expected loss that may arise. Bad debts are written off after 100% provisioning and approval by the Board of Directors.

Receivables are classified into short-term and long-term receivables on the separate balance sheet based on the remaining period from the separate balance sheet date to the maturity 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	- Cost of purchase on a weighted average basis.
Finished goods and work in progress	- Cost of direct materials and labour plus manufacturing overheads directly attributable to specific projects.

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

The Company applies the perpetual method for 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 Company, based on appropriate evidence of impairment available at the separate balance sheet date. The difference between the provision of this year and the provision of the previous year are recognised as an increase or decrease of cost of goods sold and services rendered in the year.

2.8 Investments**(a) Investments held-to-maturity**

Investments held-to-maturity are investments which the Board of Management of the Company has positive intention and ability to hold until maturity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.8 Investments (continued)****(a) Investments held-to-maturity (continued)**

Investments held-to-maturity include bank term deposits. Those investments are initially accounted for at cost less provision. Subsequently, the Board of Management reviews all outstanding investments to determine the amount of provision to recognise at the year end.

Provision for diminution in value of investments held-to-maturity is made when there is evidence that the investments are uncollectible in whole or in part. Changes in the provision balance during the accounting year are recorded as an increase or decrease in financial expenses. A reversal, if any, is made only to the extent the investment is restored to its original cost.

(b) Investments in subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies in order to gain future benefits from their activities, 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 Company controls another entity.

Investments in subsidiaries are initially recorded at cost of acquisition including capital contribution value plus other expenditure directly attributable to the investments. Subsequently, the Board of Management reviews all outstanding investments to determine the amount of provision to recognise at the year end.

(c) Investment in associate

Associate is the investment that the Company has significant influence but not control and would generally have from 20% to less than 50% of the voting rights of the investee.

Investments in associate is accounted for at cost of acquisition including capital contribution value plus other expenditure directly attributable to the investment. Subsequently, the Board of Management reviews the outstanding investment to determine the amount of provision to recognise at the year end.

(d) Investments in other entities

Investments in 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 accounted for initially at cost. Subsequently, the Board of Management reviews all outstanding investments to determine the amount of provision to recognise at the year end.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.8 Investments (continued)****(e) Provision for investments in subsidiaries, associate, and other entities**

Provision for investments in subsidiaries, associate, and other entities is made when there is a diminution in value of the investments at the year end. Regarding investments in listed shares or those whose fair value can be determined reliably, the provision for diminution in value is made when cost is higher than market value. For other investments, provision for diminution in value is made when the investees make losses, except when the loss is anticipated by the Board of Management before the date of investment.

Changes in the provision balance during the accounting year are recorded as an increase or decrease in financial expenses. A reversal, if any, is made only to the extent the investment is restored to its original cost.

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 bringing them to their suitable conditions for their intended use. Expenditure incurred subsequently which has resulted in an increase in the future economic benefits expected to be obtained from the use of fixed assets, can be capitalised as an additional historical cost. Otherwise, they are charged to the income statement when incurred.

Depreciation and amortisation

Fixed assets are depreciated and amortised using the straight-line method so as to write off the historical cost of the fixed assets over their estimated useful lives. The estimated useful lives of each asset class are as follows:

Plants, 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 of the fixed assets and are recognised as income or expense in the separate income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.9 Fixed assets (continued)***Construction in progress*

Construction in progress represents the cost of assets in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, including including all necessary costs for new construction or repair, renovation, expansion or re-engineering of construction techniques such as construction costs; costs of tools and equipments; project management expenditures; and capitalised borrowing costs for qualifying assets in accordance with the Company's accounting policies. Depreciation of these assets, on the same basis as other fixed assets, commences when they are ready for their intended use.

2.10 Operating leases

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 separate income statement on a straight-line basis over the term of the lease.

2.11 Prepaid expenses

Prepaid expenses include short-term or long-term prepayments on the separate balance sheet. 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.

2.12 Payables

Classifications of payables are based on their nature as follows:

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

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

2.13 Borrowings

Borrowings include borrowings from banks and related parties.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.13 Borrowings (continued)**

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the period that is required to complete and prepare the asset for its intended use. In respect of general-purpose borrowings, a portion of which used for the purpose of construction or production of any qualifying assets, the Company determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the weighted average expenditure on that assets. The capitalisation rate is the weighted average of the interest rates applicable to the Company's borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Other borrowing costs are recognised in the separate 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 Company 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.

Provisions are measured at the expenditures expected to be required to settle the obligations. If the time value of money is material, provision will be measured at the present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a financial expense. Changes in the provision balance during the accounting year are recorded as an increase or decrease in operating expenses.

2.16 Provision for severance allowances

In accordance with Vietnamese labour laws, employees of the Company 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 Company 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 Company.

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 contract's average salary for the six-month period prior to the separate 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 Capital and reserves**

Owners' capital is recorded according to the actual amounts contributed and is recorded according to par value of the shares.

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 Company and bought-back by itself, but these are not cancelled and may be re-issued subsequently in accordance with the Law on securities.

Undistributed earnings record the Company's results (profit or loss) after BIT and the appropriation of profit at the reporting date.

2.18 Appropriation of profit

The Company's dividends are recognised as a liability in the Company's separate financial statements in the period in which the dividends are approved by the Company's shareholders at the General Meeting.

Profit after BIT could be distributed to shareholders after approval of the Company's shareholders at the General Meeting, and after appropriation to funds in accordance with the Company's charter and Vietnamese regulations.

The Company maintains the following reserves which are appropriated from the Company's profit after BIT as proposed by the Board of Directors and subject to approval by the Company's shareholders at the General Meeting:

(a) Investment and development fund

Investment and development fund is appropriated for use in the Company's expansion or upgrading of its operation or in-depth investments.

(b) Bonus and welfare fund

Bonus and welfare fund is presented as a liability on the separate balance sheet. This fund is appropriated for the purpose of pecuniary rewarding and encouragement, common benefits and improvement of the employees' benefits.

2.19 Revenue recognition**(a) Revenue from sales of goods**

Revenue from sales of goods is recognised in the separate 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.19 Revenue recognition (continued)****(b) Revenue from sales of goods (continued)**

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

(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. Claimable receivable and other receivable are included in revenue to the extent that they have been 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 year.

(c) Interest income

Interest income is recognised on an earned basis.

(d) Dividends income

Income from dividends is recognised when the Company has established the receiving right from investees.

2.20 Cost of goods sold and services rendered

Cost of goods sold and services rendered are cost of finished goods, merchandises, materials sold and services rendered during the year, and recorded on the basis of matching with revenue and on prudent basis.

2.21 Cost of construction contracts

Cost of construction contracts is recognised based on amount of work completed of construction projects and the estimated gross profit of the projects, and recorded on the basis of matching with revenue and on prudent basis. The Board of Management and Division Directors 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.

2.22 Financial expenses

Financial expenses are expenses incurred in the year for financial activities including interest expense, losses from foreign exchange differences and payment discount.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.23 General and administration expenses**

General and administration expenses represent expenses for administrative purposes which mainly include staff costs, depreciation and amortisation of fixed assets, provision for doubtful debts, tools and supplies and outside services expenses.

2.24 Current and deferred BIT

BIT include all BIT which is 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. BIT expense comprises current BIT expense and deferred BIT expense.

Current BIT is the amount of BIT payable in respect of the current year taxable profits at the current year BIT rates. Current and deferred BIT 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 BIT 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 separate financial statements. Deferred BIT 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 BIT 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 separate 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.

2.25 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 Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including the Board of Management 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 Company considers the substance of the relationship not merely the legal form.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.26 Use of estimates**

The preparation of separate financial statements in conformity with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of separate financial statements requires the Board of Management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the separate financial statements and the reported amounts of revenues and expenses during the financial year.

The areas involving significant estimates and assumptions are as follows:

- Estimated useful life of fixed assets (Note 2.9);
- Provision for doubtful debts (Note 2.6);
- Provision for decline in value of inventories (Note 2.7);
- Provision for investments (Note 2.8); and
- Accrued expenses and provisions (Note 2.14, 2.15, 2.16).

Such estimates and assumptions are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

3 CASH AND CASH EQUIVALENTS

	2019 VND	2018 VND
Cash on hand	290,399,254	177,390,296
Cash at bank	35,078,247,277	21,192,954,262
Cash equivalents (*)	-	18,200,000,000
Total	<u>35,368,646,531</u>	<u>39,570,344,558</u>

(*) Cash equivalents include bank term deposits with original maturity of three months or less.

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

	2019		2018	
	Cost VND	Fair value VND	Cost VND	Fair value VND
Bank deposits with original maturities of more than 3 months and within 12 months (*)	<u>151,703,107,647</u>	<u>151,703,107,647</u>	<u>163,600,928,908</u>	<u>163,600,928,908</u>

(*) Included in the balance as at 31 December 2019 is VND75 billion at Bank for Investment and Development of Vietnam was pledged with this bank as security for the overdraft agreement granted from this bank. As at 31 December 2019 and 31 December 2018, there was no overdraft.

4 INVESTMENTS (continued)**(a) Investments held-to-maturity (continued)****(b) Long-term investments**

	2019		2018	
	Cost VND	% of ownership	Cost VND	% of ownership
(i) Investments in subsidiaries				
Asia Refrigeration Industry Joint Stock Company ("Arico") (*)	79,584,188,754	84.00	79,584,188,754	84.00
Searee Refrigeration Electrical Engineering Corporation ("Searee") (**)	36,650,000,000	73.30	32,466,130,000	65.00
Greenpan Joint Stock Company ("Greenpan") (***)	21,000,000,000	30.00	12,000,000,000	30.00
Total	<u>137,234,188,754</u>		<u>124,050,318,754</u>	
(ii) Investment in associate				
Thua Thien Hue Construction Joint Stock Corporation ("HCC")	<u>51,392,880,000</u>	<u>36.00</u>	<u>51,392,880,000</u>	<u>36.00</u>
(iii) Investment in other entities				
International Investment and Water Technology Joint Stock Company ("Inwatek") (*)	6,196,000,000	6.88	6,196,000,000	6.88
Formtek Engineering Joint Stock Company ("Formtek") (**)	<u>1,900,000,000</u>	19.00	-	-
Total	<u>8,096,000,000</u>		<u>6,196,000,000</u>	

The fair value of the investment to HCC as at 31 December 2019 was VND112,525,480,000 (as at 31 December 2018: not determined).

For the investments in Arico, Searee, Greenpan, Inwatek and Formtek, as at 31 December 2019 and 31 December 2018, the Company has not determined the fair value of these investments to disclose on the separate financial statements because they do not have listed prices.

(i) Investments in subsidiaries

- (*) Arico is a joint stock company established in SR Vietnam pursuant to business registration certificate ("BRC") No. 4104002210 dated 22 October 2007 initially issued by the DPI of Ho Chi Minh City and ERCJSC No. 0305429178 dated 2 August 2017. Arico's registered office is located at Lot No. 25-27, Trung Tam Street, Tan Tao Industrial Park, Tan Tao A Ward, Binh Tan District, Ho Chi Minh City, Vietnam.

The principal activities of Arico are to manufacture, process, fabricate equipment, machines, spare parts of refrigeration industry, to provide consulting service, to assemble, supply materials and equipment, to provide execution, installation and maintenance, to repair thermal mechanical-electrical systems and equipment, automatic and controlled equipment, lift and rolling leader, to construct industrial and civil projects, interior, exterior decoration, to produce insulated panels and materials.

4 INVESTMENTS (continued)**(b) Long-term investments (continued)**

(**) Searee is a joint stock company established in SR Vietnam pursuant to ERCJSC No. 0401917298 dated 8 August 2018 which were issued by the DPI of Da Nang City. Searee's registered office is located at Street 10, Hoa Khanh Industry Zone, Hoa Khanh Bac Ward, Lien Chieu District, Da Nang City, Vietnam.

The principal activities of Searee are to manufacture, process, fabricate equipment, machines, spare parts of refrigeration industry; to provide consulting service, to assemble, supply materials and equipment, to provide execution, installation and maintenance, to repair refrigeration thermal mechanical systems and equipment, automatic and controlled equipment, lift and rolling leader; to construct industrial and civil projects and interior, exterior decoration.

(***) Greenpan is a joint stock company established in SR Vietnam pursuant to ERCJSC No. 0314809049 dated 28 December 2017 initially issued by the DPI of Ho Chi Minh City, as amended. Greenpan's registered office is located at Lot 25-27 Trung Tam Street, Tan Tao Industrial Zone, Tan Tao A Ward, Binh Tan District, Ho Chi Minh City, Vietnam. As at 31 December 2018, 51% and 31% of the charter capital of Greenpan is owned by Arico and the Company, respectively.

The principal activities of Greenpan are producing unburnt light materials, PIR fireproof panels (polyisocyanurate).

In addition, on 21 September 2019 and on 10 October 2019, the Company established two subsidiaries which are Seareal Real Estate Joint Stock Company ("Seareal") and Searefico Engineering And Construction Joint Stock Company ("Searefico E&C") pursuant to ERCJSC No. 0315917167 and ERCJSC No. 0315937244 issued by the DPI of Ho Chi Minh City with the charter capital of VND100 billion and VND70 billion, respectively, in which, the Company owns 98.4% and 99% of the charter capital, respectively. However, as at 31 December 2019, the Company and other shareholders of Seareal and Searefico E&C have not fulfilled any capital contribution obligations (Note 35(b)). The registered office of Seareal and Searefico E&C is located at 72 - 74 Nguyen Thi Minh Khai Street, Ward 6, District 3, Ho Chi Minh City, Vietnam. The principal activities of Seareal are trading real estate, land use rights of owner or leasor. The registered office of Searefico E&C are installation services in relation to industrial refrigeration projects, electricity constructions, air conditioning and ventilation systems.

(ii) Investment in associate

HCC is a joint stock company established in SR Vietnam pursuant to ERCJSC No. 3300101156 issued by the DPI of Thua Thien Hue Province on 5 January 2011, as amended. 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.

4 INVESTMENTS**(b) Long-term investments (continued)**

(iii) Investments in other entities

(*) Inwatek is a joint stock company established in SR Vietnam pursuant to the BRC No. 0313029247 issued by the DPI of Ho Chi Minh City on 26 November 2014, as amended. Inwatek's registered office is located at Room 802, 8th Floor, Block B, Waseco Building, 10 Pho Quang Street, Ward 2, Tan Binh District, Ho Chi Minh City, Vietnam.

The principal activities of Inwatek are trading machinery and equipment for water production, installing water processing, exploiting systems and investment consulting services.

(**) Formtek is a joint stock company incorporated pursuant to the BRC No. 0314622964 issued by the DPI of Ho Chi Minh City on 13 September 2017. Formtek's registered office is located at 8th Floor, Block B, Waseco Building, 10 Pho Quang Street, Ward 2, Tan Binh District, Ho Chi Minh City, Vietnam.

The principal activities of Formtek are production of metal utensils, civil equipment, installation of water supply and drainage systems and other constructions.

5 SHORT-TERM TRADE ACCOUNTS RECEIVABLE

	2019 VND	2018 VND
Third parties	718,782,363,602	709,864,175,295
<i>Hoa Binh Construction Group Joint Stock Company</i>	18,078,829,022	71,827,427,474
<i>Others</i>	700,703,534,580	638,036,747,821
Related parties (Note 34(b))	3,429,932,794	-
Total	<u>722,212,296,396</u>	<u>709,864,175,295</u>

As at 31 December 2019 and 31 December 2018, the past due balances of short-term trade accounts receivable were presented in Note 8.

6 SHORT-TERM PREPAYMENTS TO SUPPLIERS

	2019 VND	2018 VND
Third parties	57,433,702,587	17,942,238,052
<i>System Logistics Spa</i>	17,147,340,000	-
<i>Bach Dang Hotel Complex Trading - Service Joint Stock Company</i>	13,761,880,766	-
<i>Bim Kien Giang</i>	9,595,600,000	-
<i>ESS Vietnam Company Limited</i>	-	2,808,000,000
<i>Others</i>	16,928,881,821	14,666,837,452
Related parties (Note 34(b))	864,496,990	467,400,600
Total	<u>58,298,199,577</u>	<u>17,942,238,052</u>

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7 OTHER RECEIVABLES

(a) Short-term

	2019 VND	2018 VND
Related party (Note 34(b))	18,902,478,863	4,584,288,895
Advances to employees	6,970,274,109	5,563,913,803
Interest income receivable from banks	5,668,482,740	6,207,112,876
Other receivables from employees	3,321,478,649	3,391,324,892
Deposits	1,865,252,438	905,457,403
Receivables from construction teams	1,208,846,215	2,803,291,656
Others	1,497,296,354	1,540,287,583
Total	<u>39,434,109,368</u>	<u>24,995,677,108</u>

(b) Long-term

The balances represent the long-term deposits.

As at 31 December 2019 and 31 December 2018, there was no balance of other receivables that was past due or not past due but doubtful.

8 PROVISION FOR SHORT-TERM DOUBTFUL DEBTS

	2019		2018	
	Cost VND	Provision VND	Cost VND	Provision VND
Receivables that are past due	<u>41,991,532,684</u>	<u>30,685,038,581</u>	<u>23,448,988,916</u>	<u>17,127,945,367</u>

Movements in provision for short-term doubtful debts during the year are as follows:

	2019 VND	2018 VND
Beginning of year	17,127,945,367	13,988,636,487
Increase	13,557,093,214	3,139,308,880
End of year	<u>30,685,038,581</u>	<u>17,127,945,367</u>

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9 INVENTORIES

	2019		2018	
	Cost VND	Provision VND	Cost VND	Provision VND
Work in progress	200,072,342,362	-	187,852,390,603	-
Raw materials	24,533,633,511	(1,516,723,953)	8,580,501,437	(994,792,949)
Merchandises	21,437,266,444	-	-	-
Goods in transit	1,210,923,000	-	34,704,921,880	-
Finished goods	10,310,241	-	10,310,241	-
Total	<u>247,264,475,558</u>	<u>(1,516,723,953)</u>	<u>231,148,124,161</u>	<u>(994,792,949)</u>

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

	2019 VND	2018 VND
Beginning of year	994,792,949	794,732,656
Increase	521,931,004	200,060,293
End of year	<u>1,516,723,953</u>	<u>994,792,949</u>

10 PREPAID EXPENSES

	2019 VND	2018 VND
(a) Short-term		
Tools and supplies	67,705,848	235,184,896
Others	609,939,670	840,808,140
Total	<u>677,645,518</u>	<u>1,075,993,036</u>
(b) Long-term		
Tools and supplies	756,922,347	336,839,058
Others	2,238,502,808	965,980,396
Total	<u>2,995,425,155</u>	<u>1,302,819,454</u>

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11	FIXED ASSETS	Plants, buildings 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 2019	67,000,000	2,879,083,961	8,973,459,478	2,639,308,734	1,027,578,205	15,586,430,378
	New purchases	-	84,000,000	-	104,527,273	-	188,527,273
	As at 31 December 2019	67,000,000	2,963,083,961	8,973,459,478	2,743,836,007	1,027,578,205	15,774,957,651
	Accumulated depreciation						
	As at 1 January 2019	67,000,000	2,529,589,240	6,992,435,921	2,019,988,280	790,225,424	12,399,238,865
	Charge for the year	-	89,774,281	470,192,604	190,334,338	190,769,456	941,070,679
	As at 31 December 2019	67,000,000	2,619,363,521	7,462,628,525	2,210,322,618	980,994,880	13,340,309,544
	Net book value						
	As at 1 January 2019	-	349,494,721	1,981,023,557	619,320,454	237,352,781	3,187,191,513
	As at 31 December 2019	-	343,720,440	1,510,830,953	533,513,389	46,583,325	2,434,648,107

The historical cost of fully depreciated tangible fixed assets but still in use as at 31 December 2019 was VND9,947,836,831 (as at 31 December 2018: VND9,574,936,831).

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11 FIXED ASSETS (continued)

(b) Intangible fixed assets

	Computer software VND
Historical cost	
As at 1 January 2019 and 31 December 2019	1,712,426,260
Accumulated amortisation	
As at 1 January 2019	1,505,900,487
Charge for the year	157,313,773
As at 31 December 2019	1,663,214,260
Net book value	
As at 1 January 2019	206,525,773
As at 31 December 2019	49,212,000

Historical cost of fully amortised intangible fixed assets but still in use as at 31 December 2019 was VND1,422,266,260 (as at 31 December 2018: VND609,009,000).

12 CONSTRUCTION IN PROGRESS

	2019 VND	2018 VND
ERP system	2,959,128,345	2,674,876,462
Others	63,000,000	63,000,000
Total	3,022,128,345	2,737,876,462

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

	2019 VND	2018 VND
Beginning of year	2,737,876,462	2,645,053,437
Purchases	284,251,883	92,823,025
End of year	3,022,128,345	2,737,876,462

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13 SHORT-TERM TRADE ACCOUNTS PAYABLE

	2019 VND	2018 VND
Third parties	254,908,275,116	229,438,599,307
<i>Daifuku (Thailand) Limited</i>	14,474,193,600	40,169,574,086
<i>Others</i>	240,434,081,516	189,269,025,221
Related parties (Note 34(b))	43,600,274,651	10,909,977,397
Total	<u>298,508,549,767</u>	<u>240,348,576,704</u>

As at 31 December 2019 and 31 December 2018, there was no balance of short-term trade accounts payable that was past due.

14 SHORT-TERM ADVANCES FROM CUSTOMERS

	2019 VND	2018 VND
Third parties		
<i>Vietnam Dairy Products Joint Stock Company</i>		
– <i>Tien Son Dairy Factory</i>	47,250,000,000	-
<i>Dai Quang Minh Real Estate Investment Corporation</i>	11,300,817,974	18,833,714,389
<i>Fusion Pasteur Company Limited</i>	8,147,800,000	-
<i>Pymepharco</i>	-	20,000,000,000
<i>Vietnam Dairy Products Joint Stock Company</i>	-	10,257,367,672
<i>Thai Duong Civil Construction Limited Liability Company</i>	-	8,000,000,000
<i>Others</i>	8,665,411,863	2,732,614,742
Total	<u>75,364,029,837</u>	<u>59,823,696,803</u>

15 TAX AND OTHER PAYABLES TO THE STATE

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

	As at 1.1.2019 VND	Payable during the year VND	Payment during the year VND	As at 31.12.2019 VND
VAT on domestic sales	6,558,807,121	19,963,099,822	(16,475,451,390)	10,046,455,553
BIT	11,876,176,143	3,544,394,464	(14,292,035,764)	1,128,534,843
Personal income tax	292,145,141	12,602,987,157	(11,860,656,495)	1,034,475,803
VAT on importation	-	10,254,473,835	(10,254,473,835)	-
Foreign contractor tax	-	1,500,768,531	(1,500,768,531)	-
Import, export tax	-	1,430,960,223	(1,430,960,223)	-
Excise tax	-	64,274,260	(64,274,260)	-
Business license tax	-	4,000,000	(4,000,000)	-
Total	<u>18,727,128,405</u>	<u>49,364,958,292</u>	<u>(55,882,620,498)</u>	<u>12,209,466,199</u>

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16 SHORT-TERM ACCRUED EXPENSES

	2019 VND	2018 VND
Accrued project costs	65,421,942,151	100,493,329,463
Interest expense	1,051,670,972	698,151,492
Others	1,732,946,588	1,164,242,570
Total	<u>68,206,559,711</u>	<u>102,355,723,525</u>

17 OTHER SHORT-TERM PAYABLES

	2019 VND	2018 VND
Dividends payable (Note 25)	22,088,676,700	579,396,800
Payables to construction teams	8,151,439,422	11,048,346,991
Social, health and unemployment insurance and trade union fees	1,455,971,545	1,406,111,489
Other payables to employees	659,124,871	1,119,401,106
Related party (Note 34(b))	4,722,222	-
Others	1,048,468,650	5,763,435,587
Total	<u>33,408,403,410</u>	<u>19,916,691,973</u>

18 SHORT-TERM BORROWINGS

	As at 1.1.2019 VND	Increase VND	Decrease VND	As at 31.12.2019 VND
Bank borrowings (i)	468,514,676,717	1,260,038,865,731	(1,223,876,887,283)	504,676,655,165
Borrowings from related parties (Note 34(b)) (ii)	-	34,465,000,000	-	34,465,000,000
Total	<u>468,514,676,717</u>	<u>1,294,503,865,731</u>	<u>(1,223,876,887,283)</u>	<u>539,141,655,165</u>

18 SHORT-TERM BORROWINGS (continued)

(i) Details of short-term borrowings are as follows:

	2019 VND	2018 VND
Joint Stock Commercial Bank for Foreign Trade of Vietnam	247,819,515,286	137,688,656,050
Vietnam Joint Stock Commercial Bank for Industry and Trade	206,303,451,787	268,058,624,573
Standard Chartered (Vietnam) Bank Limited	22,559,266,606	29,856,255,129
Vietnam - Russia Joint Venture Bank	15,063,695,646	-
Bank for Investment and Development of Vietnam	10,451,325,840	-
Military Commercial Joint Stock Bank	2,479,400,000	-
HSBC Bank (Vietnam) Limited	-	29,535,061,984
Vietnam Maritime Commercial Joint Stock Bank	-	3,376,078,981
Total	504,676,655,165	468,514,676,717

The borrowings are unsecured and bear the floating interest rates in accordance with each draw-down. The purpose of borrowings is to support the working capital of the Company.

(ii) Borrowings from related parties are unsecured and bear interest rates from 6.6% to 7.2% per annum. The purpose of these borrowings is to support the working capital of the Company.

19 PROVISION FOR SHORT-TERM LIABILITIES

	2019 VND	2018 VND
Beginning of year	687,182,168	3,154,631,543
Provision	185,640,158	894,289,046
Utilisation and reversal	(660,660,843)	(3,361,738,421)
End of year	212,161,483	687,182,168

Provision for short-term liabilities represents warranty for projects that have been completed and handed over.

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20 BONUS AND WELFARE FUND

	2019 VND	2018 VND
Beginning of year	14,004,576,062	4,276,543,054
Increase during the year (Note 24)	15,582,887,458	15,491,328,564
Utilisation during the year	(16,781,913,710)	(5,763,295,556)
End of year	<u>12,805,549,810</u>	<u>14,004,576,062</u>

21 PROVISION FOR LONG-TERM LIABILITY

The balances represent provision for severance allowance.

22 DEFERRED INCOME TAX ASSETS

	2019 VND	2018 VND
Deferred income tax assets to be recovered after more than 12 months	1,499,382,017	1,664,239,434
Deferred income tax assets to be recovered within 12 months	363,867,966	1,278,136,738
Total	<u>1,863,249,983</u>	<u>2,942,376,172</u>

Movements in the deferred income tax assets are as follows:

	2019 VND	2018 VND
Beginning of year	2,942,376,172	3,147,175,766
Separate income statement charge (Note 33)	(1,079,126,189)	(204,799,594)
End of year	<u>1,863,249,983</u>	<u>2,942,376,172</u>

Deferred income tax assets mainly arise from deductible temporary differences in relation to accrued expenses and provisions.

The Company uses tax rate of 20% in the years 2019 and 2018 for determining deferred tax assets.

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

	2019	2018
Number of shares registered	32,495,397	32,495,397
Number of shares issued	32,495,397	32,495,397
Number of shares repurchased	(1,780,000)	(1,780,000)
Number of existing shares in circulation	30,715,397	30,715,397

(b) Details of owners' shareholding

	2019		2018	
	Ordinary shares	%	Ordinary shares	%
Taisei Oncho Co., Ltd	8,099,506	24.93	8,099,506	24.92
Sanyo Engineering & Construction Vietnam Co., Ltd	6,500,000	20.00	-	-
Vietnam Seaproducts Joint Stock Corporation	4,152,000	12.78	4,152,000	12.78
Mr. Nguyen Thanh Son	1,336,300	4.12	7,836,300	24.12
Other shareholders	10,627,591	32.69	10,627,591	32.69
Treasury shares	1,780,000	5.48	1,780,000	5.48
Total	32,495,397	100.00	32,495,397	100.00

(c) Movement of owners' capital

	Ordinary shares	
	Shares	VND
As at 1 January 2018	32,495,397	324,953,970,000
As at 31 December 2018	32,495,397	324,953,970,000
As at 31 December 2019	32,495,397	324,953,970,000

Par value per share: VND10,000. Each ordinary share represents the voting right at the Company's shareholders' General Meeting. The shareholders receive dividends at any time the Company noticed. All the ordinary shares have the same priority with the remaining assets 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 2018	324,953,970,000	284,019,059	(284,019,059)	5,427,578,589	69,628,942,167	400,010,490,756
Net profit for the year	-	-	-	-	74,204,225,992	74,204,225,992
Appropriation to fund (Note 20)	-	-	-	-	(15,491,328,564)	(15,491,328,564)
Dividends declared (Note 25)	-	-	-	-	(25,086,205,600)	(25,086,205,600)
Repurchase of shares	-	-	(28,954,388,040)	-	-	(28,954,388,040)
As at 31 December 2018	324,953,970,000	284,019,059	(29,238,407,099)	5,427,578,589	103,255,633,995	404,682,794,544
Net profit for the year	-	-	-	-	48,283,713,533	48,283,713,533
Appropriation to fund (*) (Note 20)	-	-	-	-	(15,582,887,458)	(15,582,887,458)
Dividends declared (*) (Note 25)	-	-	-	-	(67,573,873,400)	(67,573,873,400)
As at 31 December 2019	324,953,970,000	284,019,059	(29,238,407,099)	5,427,578,589	68,382,586,670	369,809,747,219

(*) The Shareholders' General Meeting Resolution No. 01/ĐHĐCĐ/NQ/19 dated 25 April 2019 of the Company approved the appropriation of net profit to bonus and welfare fund and declaration of the cash dividend for year 2018.

The Board of Directors' Resolution No. 009/NQ/HĐQT/19 dated 29 November 2019 of the Company approved the declaration of the first cash dividend for year 2019.

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25 DIVIDENDS

	2019 VND	2018 VND
Beginning of year	579,396,800	964,095,847
Dividends payable during the year (Note 24)	67,573,873,400	25,086,205,600
<i>First dividend for year 2019: VND700 per share</i>	21,500,777,900	-
<i>Final dividend for year 2018: VND800 per share</i>	24,572,317,600	-
<i>First dividend for year 2018: VND700 per share</i>	21,500,777,900	-
<i>Final dividend for year 2017: VND800 per share</i>	-	25,086,205,600
Dividends paid in cash	(46,064,593,500)	(25,470,904,647)
End of year (Note 17)	<u>22,088,676,700</u>	<u>579,396,800</u>

26 OFF BALANCE SHEET ITEMS

	2019	2018
Bad debts written off (VND)	27,592,321,012	27,592,321,012
Foreign currencies		
United States Dollar (USD)	2,012.71	1,013.51
Great British Pound (GBP)	7.16	7.16
Australian Dollar (AUD)	0.67	0.67

27 NET REVENUE FROM SALES OF GOODS AND RENDERING OF SERVICES

	2019 VND	2018 VND
Net revenue from construction contracts	1,389,980,849,903	1,525,497,419,156
Net revenue from sales of goods	1,176,235,877	285,247,080
Net revenue from leasing activity	1,684,142,285	1,189,973,804
Net revenue from other service	3,000,000,000	-
Total	<u>1,395,841,228,065</u>	<u>1,526,972,640,040</u>

28 COST OF GOODS SOLD AND SERVICES RENDERED

	2019 VND	2018 VND
Cost of construction contracts	1,292,618,381,605	1,408,886,353,900
Cost of goods sold	1,173,995,010	280,416,921
Cost of leasing activity	1,561,384,473	1,095,633,367
Provision for decline in value of inventories	521,931,004	200,060,293
Total	<u>1,295,875,692,092</u>	<u>1,410,462,464,481</u>

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29 FINANCIAL INCOME

	2019 VND	2018 VND
Dividends (Noted 34(a))	31,795,340,000	9,362,492,216
Interest income from deposits and lendings	12,701,272,609	20,091,794,841
Net gain from foreign currency translation at year-end	75,319,470	-
Realised foreign exchange gains	72,767,464	288,860,066
Income from divestment	-	11,400,000,000
Total	<u>44,644,699,543</u>	<u>41,143,147,123</u>

30 FINANCIAL EXPENSES

	2019 VND	2018 VND
Interest expense	31,270,061,258	31,807,425,082
Realised foreign exchange losses	98,181,310	122,983,784
Net loss from foreign currency translation at year-end	-	55,518,403
Payment discount	-	1,878,419,588
Total	<u>31,368,242,568</u>	<u>33,864,346,857</u>

31 GENERAL AND ADMINISTRATION EXPENSES

	2019 VND	2018 VND
Staff costs	32,943,516,332	35,157,191,287
Outside service expenses	13,883,645,724	13,404,841,429
Provision for doubtful debts	13,557,093,214	3,139,308,880
Depreciation and amortisation	1,218,744,212	1,168,111,164
Reversal of accrued staff costs	(2,608,726,520)	(6,606,086,793)
Others	2,754,388,347	4,217,298,579
Total	<u>61,748,661,309</u>	<u>50,480,664,546</u>

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32 OTHER INCOME

	2019 VND	2018 VND
Gain from revaluation of assets contributed	-	17,112,999,635
Others	1,970,072,591	1,020,459,531
Total	<u>1,970,072,591</u>	<u>18,133,459,166</u>

33 BIT

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

	2019 VND	2018 VND
Net accounting profit before tax	52,907,234,186	90,838,368,262
Tax calculated at a rate of 20%	10,581,446,837	18,167,673,652
Effect of:		
Income not subject to tax	(6,359,068,000)	(1,872,498,444)
Expenses not deductible for tax purposes	855,901,767	473,728,470
Adjustment for previous years	(454,759,952)	(134,761,408)
Temporary differences for which deferred income tax was recognised	(1,079,126,188)	(204,799,594)
BIT – current (*)	3,544,394,464	16,429,342,676
BIT – deferred (Note 22)	1,079,126,189	204,799,594
BIT charge	<u>4,623,520,653</u>	<u>16,634,142,270</u>

(*) The BIT 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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34 RELATED PARTY DISCLOSURES

(a) Related party transactions

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

Related party	Relationship	Nature of transaction	2019 VND	2018 VND
i) Revenue from sales of goods and rendering of services				
Searee Refrigeration Electrical Engineering Corporation	Subsidiary	Construction services	124,997,828,918	47,162,343,113
		Other services	5,150,141,028	-
		Tools	147,228,055	-
Asia Refrigeration Industry Joint Stock Company	Subsidiary	Goods	-	285,247,080
Greenpan Joint Stock Company	Subsidiary	Construction services	49,466,666	-
Phoenix Energy & Automation Joint Stock Company	Associate	Goods	68,654,055	-
Total			<u>130,413,318,722</u>	<u>47,447,590,193</u>
ii) Purchases of goods and services				
Searee Refrigeration Electrical Engineering Corporation	Subsidiary	Construction services	195,534,157,283	63,747,867,742
		Other services	4,228,306,760	-
Asia Refrigeration Industry Joint Stock Company	Subsidiary	Construction services	2,166,443,141	40,221,837,920
Thua Thien Hue Construction Joint Stock Corporation	Associate	Construction services	6,655,332,107	739,421,818
Formtek Engineering Joint Stock Company	Related party	Construction services	10,830,666,691	-
		Goods	998,823,126	132,240,645
Total			<u>220,413,729,108</u>	<u>104,841,368,125</u>
iii) Compensation of key management				
Salaries and benefits of the Board of Management			5,026,013,428	5,695,830,970
Allowance for the Boards of Directors and Supervision			1,932,000,000	1,929,333,333
Total			<u>6,958,013,428</u>	<u>7,625,164,303</u>
iv) Financing activities				
Searee Refrigeration Electrical Engineering Corporation	Subsidiary	Borrowing	19,465,000,000	-
		Dividend received	5,082,500,000	-
		Capital contribution	4,183,870,000	32,466,130,000
Asia Refrigeration Industry Joint Stock Company	Subsidiary	Dividend received	18,480,000,000	-
		Borrowing	15,000,000,000	-
		Interest expense	144,055,555	-
		Interest income	12,950,914	378,209,567
Greenpan Joint Stock Company	Subsidiary	Capital contribution	9,000,000,000	-

34 RELATED PARTY DISCLOSURES

(a) Related party transactions (continued)

Related party	Relationship	Nature of transaction	2019 VND	2018 VND
iv) Financing activities (continued)				
Thua Thien Hue Construction Joint Stock Corporation	Associate	Dividend received	8,232,840,000	8,232,840,000
Formtek Engineering Joint Stock Company	Related party	Capital contribution	1,900,000,000	-
International Investment and Water Technology Joint Stock Company	Related party	Interest income Dividend received	658,643,288 -	706,147,626 1,129,652,216
v) Other transactions				
Asia Refrigeration Industry Joint Stock Company	Subsidiary	Paid on behalf of subsidiary	-	594,356,105
Searee Refrigeration Electrical Engineering Corporation	Subsidiary	Paid on behalf of subsidiary Paid on behalf by subsidiary	14,015,897,357 2,577,527,458	- -

(b) Year end balances with related parties

Related party	Relationship	Nature of transaction	2019 VND	2018 VND
i) Short-term trade accounts receivable (Note 5)				
Searee Refrigeration Electrical Engineering Corporation	Subsidiary	Construction services	3,300,000,000	-
Phoenix Energy & Automation Joint Stock Company	Associate	Construction services	75,519,461	-
Greenpan Joint Stock Company	Subsidiary	Construction services	54,413,333	-
Total			3,429,932,794	-
ii) Short-term prepayments to suppliers (Note 6)				
Formtek Engineering Joint Stock Company	Related party	Construction services	785,217,526	467,400,600
Asia Refrigeration Industry Joint Stock Company	Subsidiary	Construction services	79,279,464	-
Total			864,496,990	467,400,600

34 RELATED PARTY DISCLOSURES (continued)

(b) Year end balances with related parties (continued)

Related party	Relationship	Nature of transaction	2019 VND	2018 VND
iii) Other short-term receivables (Note 7(a))				
Asia Refrigeration Industry Joint Stock Company	Subsidiary	Dividend received Other services	12,600,000,000 -	3,613,577,955 970,710,940
Searee Refrigeration Electrical Engineering Corporation	Subsidiary	Dividend received	5,082,500,000	-
International Investment and Water Technology Joint Stock Company	Related party	Interest income	658,643,288	-
Greenpan Joint Stock Company	Subsidiary	Other services	412,215,223	-
Phoenix Energy & Automation Joint Stock Company	Associate	Other services	139,902,352	-
Seareal Real Estate Joint Stock Company	Subsidiary	Other services	4,609,000	-
Searefico Engineering and Construction Joint Stock Company	Subsidiary	Other services	4,609,000	-
Total			<u>18,902,478,863</u>	<u>4,584,288,895</u>
iv) Short-term trade accounts payable (Note 13)				
Searee Refrigeration Electrical Engineering Corporation	Subsidiary	Construction services	38,040,077,552	4,293,622,427
Thua Thien Hue Construction Joint Stock Corporation	Associate	Construction services	4,269,202,084	-
Asia Refrigeration Industry Joint Stock Company	Subsidiary	Construction services	1,290,995,015	6,616,354,970
Total			<u>43,600,274,651</u>	<u>10,909,977,397</u>
v) Other short-term payables (Note 17)				
Asia Refrigeration Industry Joint Stock Company	Subsidiary	Construction services	4,722,222	-
vi) Short-term borrowings (Note 18)				
Searee Refrigeration Electrical Engineering Corporation	Subsidiary	Borrowing	19,465,000,000	-
Asia Refrigeration Industry Joint Stock Company	Subsidiary	Borrowing	15,000,000,000	-
Total			<u>34,465,000,000</u>	<u>-</u>

35 COMMITMENTS**a) Operating leases**

The future minimum lease payments under non-cancellable operating leases as at 31 December 2019 are as follows:

	2019 VND	2018 VND
Within one year	3,736,500,000	3,736,500,000
Between one and five years	7,099,350,000	10,835,850,000
Total minimum payments	<u>10,835,850,000</u>	<u>14,572,350,000</u>

b) Capital commitment

As at 31 December 2019, the Company had capital contribution commitments amounting to VND98.4 billion and VND69.3 billion to Seareal Real Estate Joint Stock Company and Searefico Engineering and Construction Joint Stock Company, respectively (Note 1).

The separate financial statements were approved by the Board of Management on 18 March 2020.



Ly Quoc Tuan
Preparer



Vuong Tran Quoc Thanh
Chief Accountant




Nguyen Thi Thanh Huong
Chief Executive Officer

