

SEAPRODEX REFRIGERATION INDUSTRY CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

1st Quarter of 2020

CONSOLIDATED BALANCE SHEET

as at 31 March 2020

Unit: VND

Code	ASSETS	Notes	Ending Balance	Beginning Balance
100	CURRENT ASSETS (100 = 110+120+130+140+150)		1.400.951.209.231	1.490.020.034.672
110	Cash and cash equivalents	4	30.293.958.996	51.399.276.846
111	Cash		30.293.958.996	51.399.276.846
112	Cash equivalents		-	-
120	Short-term investments		151.703.107.647	151.703.107.647
123	Held-to-maturity investments	5.1	151.703.107.647	151.703.107.647
130	Current accounts receivable		816.626.736.851	954.831.832.420
131	Short-term trade receivables	6.1	718.637.177.320	886.809.557.243
132	Short-term advances to suppliers	6.2	101.126.705.680	81.412.591.338
136	Other short-term receivables	7.1	41.034.907.879	30.800.914.997
139	Provision for short-term doubtful receivables	6,1	(44.172.054.028)	(44.191.231.158)
140	Inventories	8	365.515.067.648	316.932.706.468
141	Inventories		370.513.172.524	321.930.811.344
149	Provision for obsolete inventories		(4.998.104.876)	(4.998.104.876)
150	Other current assets		36.812.338.089	15.153.111.291
151	Short-term prepaid expenses	14	7.739.626.164	1.732.745.378
152	Value-added tax deductible		28.984.149.815	13.420.365.913
200	NON - CURRENT ASSETS (200 = 210+220+240+250+260)		436.367.989.706	419.692.116.091
210	Long-term receivable		1.736.808.840	1.775.901.840
216	Other long-term receivables	7.2	1.736.808.840	1.775.901.840
220	Fixed assets		98.110.209.454	96.602.131.290
221	Tangible fixed assets	9	97.786.386.788	96.240.709.360
222	<i>Cost</i>		195.330.538.285	191.504.152.884
223	<i>Accumulated depreciation</i>		(97.544.151.497)	(95.263.443.524)
224	Fixed assets of financial leasing	10	-	-
227	Intangible assets	11	323.822.666	361.421.930
228	<i>Cost</i>		2.535.276.660	2.535.276.660
229	<i>Accumulated depreciation</i>		(2.211.453.994)	(2.173.854.730)
240	Long-term assets in progress		144.403.275.990	131.997.849.896
242	Construction in progress	12	144.403.275.990	131.997.849.896
250	Long-term investments	13	151.627.863.066	148.605.394.114
252	Investment in an associate	13.1	143.531.863.066	140.509.394.114
253	Investment in other entity	13.2	8.096.000.000	8.096.000.000

CONSOLIDATED BALANCE SHEET(continued)

as at 31 March 2020

Unit: VND

Code	ASSETS	Notes	Ending Balance	Beginning Balance
260	Other long-term assets		40.489.832.356	40.710.838.951
261	Long-term prepaid expenses	14	34.938.756.687	34.931.636.875
262	Deferred tax assets	15	5.551.075.669	5.779.202.076
270	TOTAL ASSETS (270 = 100 + 200)		1.837.319.198.937	1.909.712.150.763

Code	RESOURCES	Notes	Ending Balance	Beginning Balance
300	LIABILITIES (300 = 310+330)		1.323.011.225.335	1.404.714.495.361
310	Current liabilities		1.230.381.137.642	1.313.101.825.658
311	Short-term trade payables	16	224.867.843.821	319.054.831.374
312	Short-term advances from customers	17	116.971.174.356	111.830.494.979
313	Statutory obligations	19	1.605.273.580	21.931.424.989
314	Payables to employees		19.487.964.051	29.554.039.526
315	Short-term accrued expenses	20	107.781.557.657	141.789.497.859
319	Other short-term payables	21.1	16.751.446.363	40.786.059.960
320	Short-term loans	18,1	725.264.978.448	632.323.530.020
321	Short-term provision	22	3.495.629.186	3.021.765.657
322	Bonus and welfare fund	23	14.155.270.180	12.810.181.294
330	Non-current liabilities		92.630.087.693	91.612.669.703
337	Other long-term liabilities	21.2	1.150.000.000	1.150.000.000
338	Long-term loans	18,2	88.551.503.456	86.990.890.453
342	Long-term provision	24	2.845.019.250	3.471.779.250
400	OWNERS' EQUITY		514.307.973.602	504.997.655.402
410	Capital	25	514.307.973.602	504.997.655.402
411	Share capital		324.953.970.000	324.953.970.000
411.1	- Shares with voting rights		324.953.970.000	324.953.970.000
412	Share premium		284.019.059	284.019.059
414	Owners' other capital		4.415.811.246	4.415.811.246
415	Treasury shares		(29.238.407.099)	(29.238.407.099)
418	Investment and development fund		5.427.578.589	5.427.578.589
421	Undistributed earnings		149.611.775.508	153.721.140.856
421.1	Undistributed earnings up to prior year-end		142.269.332.104	109.465.409.756
421.2	Undistributed earnings of current year		7.342.443.404	44.255.731.100
429	Non-controlling shareholders	25.5	58.853.226.299	45.433.542.751
600	EQUITY (600 = 300+400)		1.837.319.198.937	1.909.712.150.763

PREPARER

Pham Ai Lien

CHIEF ACCOUNTANT

Vương Trần Quốc Thành

Ho Chi Minh City, Apr 29 2020

CHIEF EXECUTIVE OFFICER



Nguyễn Thị Thanh Hương

CONSOLIDATED INCOME STATEMENT

For the period: 1st Quarter of 2020

							<i>Unit: VND</i>
Code	Items	Notes	This period	Previous period	Current year	Previous year	
01	Revenues from sale of goods and rendering of services	26.1	205.994.656.019	175.350.720.593	205.994.656.019	175.350.720.593	
02	Deductions	26.1	-	-	-	-	
10	Net revenues from sale of goods and rendering of services (10= 01-02)	26.1	205.994.656.019	175.350.720.593	205.994.656.019	175.350.720.593	
11	Costs of goods sold and services rendered	27	185.232.747.998	163.485.735.117	185.232.747.998	163.485.735.117	
20	Gross profit from sale of goods and rendering of services (20=10 - 11)		20.761.908.021	11.864.985.476	20.761.908.021	11.864.985.476	
21	Finance income	26.2	3.130.176.938	3.760.001.463	3.130.176.938	3.760.001.463	
22	Finance expenses	29	10.911.871.374	8.364.450.512	10.911.871.374	8.364.450.512	
23	<i>In which: interest expense</i>		<i>10.440.070.152</i>	<i>8.318.709.654</i>	<i>10.440.070.152</i>	<i>8.318.709.654</i>	
24	Gain or loss from associate		3.022.468.952	4.648.462.409	3.022.468.952	4.648.462.409	
25	Selling expenses	28	201.866.526	66.738.129	201.866.526	66.738.129	
26	General and administrative expenses	28	7.395.638.753	4.782.474.667	7.395.638.753	4.782.474.667	
30	Operating profit {30 = 20 + (21 - 22) + 24 - (25 + 26)}		8.405.177.258	7.059.786.040	8.405.177.258	7.059.786.040	
31	Other income	30	1.747.854.888	31.274.708	1.747.854.888	31.274.708	
32	Other expenses	30	651.373.539	856.760	651.373.539	856.760	
40	Other profit (40 = 31 - 32)	30	1.096.481.349	30.417.948	1.096.481.349	30.417.948	
50	Accounting profit before tax (50 = 30 + 40)		9.501.658.607	7.090.203.988	9.501.658.607	7.090.203.988	
51	Current corporate income tax expense	31	1.178.697.503	(126.316.992)	1.178.697.503	(126.316.992)	
52	Deferred income tax income expense	31	228.126.407	542.475.932	228.126.407	542.475.932	
60	Net profit after tax (60 = 50 - 51 - 52)		8.094.834.697	6.674.045.048	8.094.834.697	6.674.045.048	
61	Profit after tax of shareholders of parent company		7.342.443.404	6.670.572.815	7.342.443.404	6.670.572.815	
62	Profit after tax of non-controlling shareholders	25.5	752.391.293	3.472.233	752.391.293	3.472.233	
70	Basic earnings per share	25.6			239	212	
71	Diluted earnings per share	25.6			239	212	

PREPARER



Pham Ai Lien

CHIEF ACCOUNTANT



Vuong Tran Quoc Thanh

Ho Chi Minh City, Apr 29 2020

CHIEF EXECUTIVE OFFICER



Nguyen Thi Thanh Huong

CONSOLIDATED CASH FLOW STATEMENT

(Indirect method)

For the period ended 31 March 2020

Unit: VND

Code	Items	Notes	Current period	Previous period
CASH FLOWS FROM OPERATING ACTIVITIES				
01	Profit before tax		9.501.658.607	7.090.203.988
	<i>Adjustments for:</i>			
02	Depreciation and amortisation		2.318.307.237	2.457.462.776
03	(Reversal of) provisions		(172.073.601)	(379.302.278)
04	Foreign exchange losses (gains) arising from revaluation of monetary accounts		259.804.176	(136.580.783)
05	Profits from investing activities		(6.006.903.884)	(8.261.865.320)
06	Interest expense	29	10.440.070.152	8.318.709.654
07	Other adjustments		-	(610.942.500)
08	Operating profit before changes in working capital		16.340.862.687	8.477.685.537
09	Decrease in receivables		125.441.173.846	190.217.600.979
10	Increase in inventories		(48.582.361.180)	(78.196.948.896)
11	Increase in payables		(147.939.521.108)	(3.405.490.456)
12	Increase (decrease) in prepaid expenses		(6.014.000.598)	(14.300.249.541)
13	Decrease (increase) in held-for-trading securities		-	-
14	Interest paid		(11.132.894.475)	(8.568.984.127)
15	Corporate income tax paid	19	(4.609.463.079)	(13.807.903.632)
16	Other cash inflows from operating activities		-	-
17	Other cash outflows for operating activities		(10.528.327.611)	(13.986.743.710)
20	Net cash flows from (used in) operating activities		(87.024.531.518)	66.428.966.154
CASH FLOWS FROM INVESTING ACTIVITIES				
21	Purchase of fixed assets		(17.385.442.292)	(16.818.600.125)
22	Proceeds from disposals of fixed assets		-	-
23	Loans and purchases of debt instruments of other entities		-	(25.965.000.000)
24	Collections of bank deposits		-	12.000.000.000
25	Payments for investments in other entities		-	(1.900.000.000)
26	Receives from investments in other entities		-	3.000.000.000
27	Interest and dividends received		51.012.557	708.600.444
30	Net cash flows used in investing activities		(17.334.429.735)	(28.974.999.681)

CONSOLIDATED CASH FLOW STATEMENT (continued)

For the period ended 31 March 2020

Code	Items	Notes	Current period	Previous period
CASH FLOWS FROM FINANCING ACTIVITIES				
31	Capital contribution and issuance of shares		13.150.000.000	5.050.000.000
32	Capital redemption		(61.100.000)	(170.000.000)
33	Drawdown of borrowings		403.299.988.974	362.073.928.471
34	Repayment of borrowings		(308.797.927.543)	(381.259.620.722)
35	Payment of principal of finance lease liabilities		-	-
36	Dividends paid	25.4	(24.347.790.300)	(21.496.810.300)
40	Net cash flows from financing activities		83.243.171.131	(35.802.502.551)
50	Net decrease in cash and cash equivalents		(21.115.790.122)	1.651.463.922
60	Cash and cash equivalents at beginning of period	4	51.399.276.846	54.943.544.508
61	Impact of exchange rate fluctuation		10.472.272	(4.412.588)
70	Cash and cash equivalents at end of period	4	30.293.958.996	56.590.595.842

Ho Chi Minh City, Apr 29 2020

PREPARER

CHIEF ACCOUNTANT

CHIEF EXECUTIVE OFFICER

Pham Ai Lien

Vuong Tran Quoc Thanh



Nguyen Thi Thanh Huong

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 March 2020

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 one branch 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.

The Company has four direct subsidiaries, Asia Refrigeration Industry JSC (“Arico”), Searee Refrigeration Electrical Engineering Corporation (“Searee Corporation”), Seareal Real Estate JSC (“Seareal”) and SEAREFICO Engineering and Construction JSC (“SEC”); an indirect subsidiary, Greenpan Joint Stock Company (“Greenpan”); two associates, Thua Thien Hue Construction Joint Stock Corporation and Phoenix Energy & Automation JSC. (Note 13.1):

(i) Arico is formerly a one-member limited liability company named Asia Refrigeration Industry Company Limited, incorporated under the Law on Enterprise of Vietnam pursuant to the BRC No. 4104002210 dated 22 October 2007 initially issued by the DPI of Ho Chi Minh City and the 5th amended Enterprise registration certificate one-member limited liability company No. 0305429178 dated 31 March 2015. On 2 August 2017, Arico was granted the Enterprise registration certification joint stock company (“ERCJSC”) No. 0305429178 by the DPI of Ho Chi Minh City to transform Arico into a joint stock company. 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.

1 GENERAL INFORMATION (continued)

(ii) Searee Corporation was incorporated pursuant to the ERCJSC No. 0401917298 dated 8 August 2018 issued by the DPI of Da Nang City. Searee Corporation’s registered office is located at Street

No.10, Hoa Khanh Industrial Park, Bac Hoa Khanh Ward, Lien Chieu District, Da Nang City, Vietnam. The charter capital of Searee Corporation is VND 50 billion, in which, the Company owns 73,3% of the charter capital.

The principal activities of Searee Corporation 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.

(iii) Greenpan was incorporated pursuant to the ERCJSC No. 0314809049 dated 28 December 2017 issued by the DPI of Ho Chi Minh City. Greenpan'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 charter capital of Greenpan is VND 70 billion, in which, the Company and Arico own 30% and 51%, respectively, of the charter capital.

The principal activities of Greenpan are producing and trading of light materials.

(iv) Seareal was incorporated pursuant to the ERCJSC No. 0315917167 dated 21 September 2019 issued by the DPI of Ho Chi Minh City. Seareal's registered office is located at 72-74 Nguyen Thi Minh Khai, Ward 6, District 3, Ho Chi Minh City, Vietnam. The charter capital of Seareal is VND 100 billion, in which, the Company owns 98.4% of the charter capital.

The principal activities of Seareal are businesses of Real Estate, the ownership of land use rights, leasehold land use rights.

(v) SEC was incorporated pursuant to the ERCJSC No. 0315937244 dated 10 October 2019 issued by the DPI of Ho Chi Minh City. Seareal's registered office is located at 72-74 Nguyen Thi Minh Khai, Ward 6, District 3, Ho Chi Minh City, Vietnam. The charter capital of SEC is VND 70 billion, in which, the Company owns 99% of the charter capital.

The principal activities of SEC are 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.

As at 31 March 2020, the Group had 816 employees (As at 31 December 2019: 824 employees)

2 BASIS OF PREPARATION

2.1 Basis of preparation of consolidated financial statements

The 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 consolidated financial statements. The consolidated financial statements have been prepared under the historical cost convention except for investments in associates.

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam. The accounting principles and practices utilised in Vietnam may differ from those generally accepted in countries and jurisdictions other than Vietnam.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

2 BASIS OF PREPARATION (continued)

2.2 Fiscal year

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

2.3 Currency (continued)

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

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

2.4 Basis of consolidation (continued)

Exchange differences arising from these translations are recognised in the consolidated income statement.

(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.

(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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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.

3.2 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 consolidated balance sheet date. Bad debts are written off after full provisioning of 100% and approval by the Board of Management.

3.3 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.

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 consolidated income statement.

3.4 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

3.5 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 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.

3.7 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.

3.8 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.

3.9 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.

3.10 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.

3.11 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.

3.12 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Provision for severance allowances (continued)

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 accordance with current regulations.

3.13 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.

3.14 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 consolidated balance sheet.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 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.

3.16 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 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.

3.18 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.

3.19 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.

3.20 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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 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.

3.22 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

4. CASH AND CASH EQUIVALENTS

	Ending balance	Beginning balance	<i>Unit: VND</i>
Cash on hand	408.248.994	673.414.906	
Cash at banks	29.885.710.002	50.725.861.940	
Cash equivalents (*)	-	-	
TOTAL	30.293.958.996	51.399.276.846	

(*) Cash equivalents represent bank term deposits with the original maturity of less than three months.

5.1 Held-for-trading securities

Held-to-maturity securities include term bank deposits with original maturity of more than three months and less than one year as follows:

	<i>Unit: VND</i>	
	Ending balance	Beginning balance
	Cost	Fair value
Short-term		
- Term bank deposit with the original maturity of more than three months	151.703.107.647	151.703.107.647
TOTAL	151.703.107.647	151.703.107.647

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

6. SHORT-TERM TRADE RECEIVABLES AND SHORT-TERM ADVANCE TO SUPPLIERS

6.1 Short-term trade receivables

	<i>Unit: VND</i>	
	Ending balance	Beginning balance
Trade receivables from customers	710.101.948.589	886.675.462.782
Trade receivables from related parties (Note 32)	8.535.228.731	134.094.461
TOTAL	718.637.177.320	886.809.557.243
Provision for doubtful short-term receivables	(44.172.054.028)	(44.191.231.158)
NET	674.465.123.292	842.618.326.085

6.2 Short-term advances to suppliers

	<i>Unit: VND</i>	
	Ending balance	Ending balance
Advances to suppliers	101.126.705.680	80.627.373.812
Advances to related parties (Note 32)	-	785.217.526
TOTAL	101.126.705.680	81.412.591.338

7. OTHER RECEIVABLES

7.1 Other short-term receivables

	<i>Unit: VND</i>	
	Ending balance	Beginning balance
- Advance to employees	12.916.598.343	9.670.473.532
- Other receivables from construction team	3.478.353.643	1.252.305.026
- Other receivables from employees	3.366.840.595	3.526.265.971
- Short-term deposit	1.887.845.938	1.907.252.438
- Interest income receivables	8.548.071.781	5.668.482.740
- Interest income receivables from investment scheme	8.022.619.371	6.173.657.495
- Others	2.814.578.208	2.602.477.795
TOTAL	41.034.907.879	30.800.914.997

In which:

- Other receivables from a related parties (Note 32)	176.241.186	139.902.352
- Other receivables from other parties	40.858.666.693	30.661.012.645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

7. OTHER RECEIVABLES (continued)

7.2 Other long - term receivables

Unit: VND

	Ending balance	Beginning balance
- Long-term deposit	1.736.808.840	1.775.901.840
TOTAL	1.736.808.840	1.775.901.840

8. INVENTORIES

Unit: VND

	Ending balance		Beginning balance	
	Cost	Provision	Cost	Provision
- Work in process	278.365.127.159	-	230.225.711.278	(2.376.417.475)
- Raw materials	62.999.820.637	(4.998.104.876)	52.658.236.866	(2.618.273.884)
- Goods in transit	10.400.925.202	-	12.956.386.076	-
- Finished goods	3.146.055.739	-	3.234.252.433	(3.413.517)
- Goods;	14.148.673.686	-	21.437.266.444	-
- Goods on consignment;	1.037.327.787	-	381.630.460	-
- Tools and supplies;	415.242.314	-	1.037.327.787	-
TOTAL	370.513.172.524	(4.998.104.876)	321.930.811.344	(4.998.104.876)

Details of movements of provision for obsolete inventories are as follows:

	Unit: VND	
	Current year	Previous year
Beginning balance	(4.998.104.876)	(4.052.760.456)
Add: Provision created during the year	-	(1.120.901.110)
Less: Utilisation and reversal of provision during the year	-	175.556.690
Ending balance	(4.998.104.876)	(4.998.104.876)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

9. TANGIBLE FIXED ASSETS

Unit: VND

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Other assets	Total
Cost:						
Beginning balance	73.454.122.916	97.773.291.925	13.336.909.963	4.900.704.221	2.039.123.859	191.504.152.884
- New purchase	-	220.088.000	3.606.297.401	-	-	3.826.385.401
- Other increase	-	-	-	-	-	-
Ending balance	73.454.122.916	97.993.379.925	16.943.207.364	4.900.704.221	2.039.123.859	195.330.538.285
<i>In which:</i>						
<i>Fully depreciated</i>	3.657.752.103	7.417.920.322	8.639.579.461	2.661.544.631	1.857.123.859	24.233.920.376
Accumulated depreciation:						
Beginning balance	33.527.941.054	44.076.698.382	11.703.839.416	3.962.424.138	1.992.540.534	95.263.443.524
- Depreciation for the period	482.730.878	1.559.972.406	154.020.868	65.206.038	18.777.783	2.280.707.973
Ending balance	34.010.671.932	45.636.670.788	11.857.860.284	4.027.630.176	2.011.318.317	97.544.151.497
Net carrying amount:						
Beginning balance	39.926.181.862	53.696.593.543	1.633.070.547	938.280.083	46.583.325	96.240.709.360
Ending balance	39.443.450.984	52.356.709.137	5.085.347.080	873.074.045	27.805.542	97.786.386.788

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

10. FIXED ASSETS OF FINANCIAL LEASING

The Group has no fixed assets of financial leasing in the period

11. INTANGIBLE ASSETS

	<i>Unit: VND</i>	
	Computer software	Total
Cost:		
Beginning balance	2.535.276.660	2.535.276.660
- New purchase	-	-
Ending balance	2.535.276.660	2.535.276.660
<i>In which:</i>		
<i>Fully amortised</i>	1.422.266.260	1.422.266.260
Accumulated amortisation:		
Beginning balance	2.173.854.730	2.173.854.730
- Amortisation for the year	37.599.264	37.599.264
Ending balance	2.211.453.994	2.211.453.994
Net carrying amount:		
Beginning balance	361.421.930	361.421.930
Ending balance	323.822.666	323.822.666

12. CONSTRUCTION IN PROGRESS

	<i>Unit: VND</i>	
	Ending balance	Beginning balance
Factory upgrade	140.081.555.098	126.328.950.963
Machinery purchasing	-	1.352.137.929
ERP System	4.258.720.892	2.959.128.345
Others	63.000.000	1.357.632.659
TOTAL	144.403.275.990	131.997.849.896

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

12. CONSTRUCTION IN PROGRESS (continued)

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

	<i>Unit: VND</i>	
	Ending balance	Beginning balance
Opening balance	131.997.849.896	7.769.207.504
Purchases	12.405.426.094	124.228.642.392
Transfers to tangible fixed assets (Note 9)	-	-
Closing balance	144.403.275.990	131.997.849.896

13. LONG-TERM INVESTMENTS

13.1 Investment in an associate

	<i>Unit: VND</i>			
	Ending balance		Beginning balance	
	<i>Cost of investment</i>	<i>% of ownership</i>	<i>Cost of investment</i>	<i>% of ownership</i>
Thua Thien Hue Construction Joint Stock Corporation ("HCC")	141.281.863.066	36,00%	140.509.394.114	36,00%
Phoenix Energy & Automation Joint Stock Company ("PHOENIX")	2.250.000.000	45,00%	-	0,00%
TOTAL	143.531.863.066		140.509.394.114	

	<i>Unit: VND</i>	
Cost of investment:	HCC	PHOENIX
Beginning balance and ending balance	51.392.880.000	2.250.000.000
Accumulated share profit of the associates:		
Beginning balance	86.866.514.114	-
Share in post-acquisition profit of associates	3.022.468.952	-
Dividend for the year	-	-
Ending balance	89.888.983.066	-
Net carrying amount:		
Beginning balance	138.259.394.114	-
Ending balance	141.281.863.066	2.250.000.000

(a) HCC is a joint stock company incorporated under the Law on Enterprise of Vietnam pursuant to the BRC No. 3300101156 issued by the DPI of Thua Thien Hue Province on 5 January 2011, as amended. HCC's office is located at 9 Pham Van Dong Street, Hue City, Thua Thien Hue Province, Vietnam.

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

(b) PHOENIX incorporated under the Law on Enterprise of Vietnam pursuant to the BRC No. 0315869795 issued by the DPI of Ho Chi Minh City on 28 August 2019, its office is located at 72-74 Nguyen Thi Minh Khai Street, Ward 6, District 3, Ho Chi Minh City, Vietnam. The charter capital of Phoenix is VND 5 billion, in which, Arico owns 45% of the charter capital.

The current principal activities of Phoenix are electricity production, electric power transmission & distribution, electric installations including electricity systems, anti-thief, lightning protection, fire protection, automation systems, measurement & monitoring systems.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

13. LONG-TERM INVESTMENTS (continued)

13.2 Investment in other entity

	Ending balance		Beginning balance	
	<i>Cost of investment</i>	<i>% of ownership</i>	<i>Cost of investment</i>	<i>% of ownership</i>
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")	1.900.000.000	19,00%	0	0,00%
	8.096.000.000		6.196.000.000	

Unit: VND

(a) Inwatek is a joint stock company incorporated under the Law on Enterprise of Vietnam pursuant to the BRC No. 0313029247 issued by the DPI of Ho Chi Minh City on 26 November 2014, with its office located at Room No.802, 8th Floor, Area B, Waseco building, No. 10 Pho Quang, Ward 2, Tan Binh District, Ho Chi Minh City, Vietnam. The current major business lines of Inwatek are trading machinery and equipment to be used for water production, installing water processing and exploiting systems.

(b) Formtek is a joint stock company incorporated under the Law on Enterprise of Vietnam pursuant to the BRC No. 0314622964 issued by the DPI of Ho Chi Minh City on 13 September 2017, with its office located at the 8th Floor, Area B, Waseco building, No. 10 Pho Quang, Ward 2, Tan Binh District, Ho Chi Minh City, Vietnam. The current major business lines of Formtek are manufacturing metal tools and domestic appliances, installation of the system water supply and other construction.

14. PREPAID EXPENSES

	Unit: VND	
	Ending balance	Beginning balance
Short-term		
- Tools and supplies	334.396.866	117.486.815
- Others	6.073.256.107	1.615.258.563
Total	6.742.049.839	1.850.232.193
Long-term		
- Tools and supplies	2.367.314.857	2.169.301.507
- Land rental	29.263.499.217	29.504.021.130
- Others	3.307.942.613	3.258.314.238
Total	34.938.756.687	34.931.636.875

15. DEFERRED INCOME TAX ASSETS

Deferred income tax asset mainly arises from deductible temporary differences in relation to accrual expense and provisions. The movement in the deferred income tax, is as follows:

	VND	
	Ending balance	Beginning balance
Opening Balance	5.779.202.076	6.361.301.448
Income statement credit	(228.126.407)	(582.099.372)
Closing balance	5.551.075.669	5.779.202.076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

16. SHORT- TERM TRADE ACCOUNTS PAYABLE

	<i>Unit: VND</i>	
	<u>Ending balance</u>	<u>Beginning balance</u>
Third parties	223.391.301.879	312.195.059.773
Related parties (Note 32)	1.163.934.896	6.859.771.601
TOTAL	<u>224.555.236.775</u>	<u>319.054.831.374</u>

17. SHORT-TERM ADVANCES FROM CUSTOMERS

	<i>Unit: VND</i>	
	<u>Ending balance</u>	<u>Beginning balance</u>
Third parties	116.971.174.356	111.830.494.979
TOTAL	<u>116.971.174.356</u>	<u>111.830.494.979</u>

18. LOANS

	<i>Unit: VND</i>			
	<u>Beginning balance</u>	<u>Increase in year</u>	<u>Payment in year</u>	<u>Ending balance</u>
18.1 Short-term loans (*)	632.323.530.020	401.739.375.971	308.797.927.543	725.264.978.448
Short-term loans from banks	625.729.430.180	401.739.375.971	307.149.402.583	720.319.403.568
- Vietnam Joint Stock Commercial Bank for Industry and Trade - Branch No. 6	327.356.226.802	236.531.066.196	205.530.006.304	358.357.286.694
- Joint Stock Commercial Bank for Foreign Trade of Vietnam - HCM Branch	246.528.970.530	119.427.553.605	67.404.271.991	298.552.252.144
- Joint Stock Commercial Bank for Foreign Trade of Vietnam - Da Nang	1.290.544.756	-	1.290.544.756	-
- Military Commercial Joint Stock Bank - Saigon Branch	2.479.400.000	-	2.479.400.000	-
- Bank for Investment and Development of Vietnam Joint Stock Company - HCM Branch	10.451.325.840	25.004.004.000	-	35.455.329.840
- Standard Chartered - HCM Branch	22.559.266.606	-	22.559.266.606	-
- Vietnam - Russia Joint Venture Bank - Da Nang Branch	15.063.695.646	4.332.752.236	7.885.912.926	11.510.534.956
- Vietnam International Commercial Joint Stock Bank - District 1 Branch	-	16.443.999.934	-	16.443.999.934
Due long-term loans	6.594.099.840	-	1.648.524.960	4.945.574.880
- Joint Stock Commercial Bank for Foreign Trade of Vietnam - HCM Branch	6.594.099.840	-	1.648.524.960	4.945.574.880
18.2 Long-term Loans from banks (**)	86.990.890.453	1.560.613.003	-	88.551.503.456
- Joint Stock Commercial Bank for Foreign Trade of Vietnam - HCM Branch	86.990.890.453	1.560.613.003	-	88.551.503.456
TOTAL	<u>719.314.420.473</u>	<u>403.299.988.974</u>	<u>308.797.927.543</u>	<u>813.816.481.904</u>

(*) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

Unit: VND

19. STATUTORY OBLIGATIONS

	Beginning balance	Increase in year	Payment in year	Ending balance
Payables				
- Domestic value-added tax	15.540.325.564	11.873.220.127	27.413.545.691	-
- Import value-added tax	-	49.104.954	49.104.954	-
- Special sales tax	-	-	-	-
- Import, export duties	-	-	-	-
- Corporate income tax	4.373.470.817	1.024.335.998	4.520.900.969	876.905.846
- Non-agricultural land use tax	-	-	-	-
- Others	2.017.628.608	6.400.299.434	7.689.560.308	728.367.734
+ <i>Personal income tax</i>	2.017.628.608	5.738.145.719	7.027.406.593	728.367.734
+ <i>Withholding tax</i>	-	652.153.715	652.153.715	-
+ <i>Business tax</i>	-	10.000.000	10.000.000	-
+ <i>Other tax</i>	-	-	-	-
TOTAL	21.931.424.989	19.346.960.513	39.673.111.922	1.605.273.580
Receivables				
- Corporate income tax	-	-	88.562.110	88.562.110
TOTAL	-	-	88.562.110	88.562.110

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

20. ACCRUED EXPENSES

20.1 Short- term accrued expenses

	Ending balance	<i>Unit: VND</i> Beginning balance
- Accrued project costs	105.035.493.322	137.621.854.938
- Interest expense	464.949.588	1.148.707.244
- Others	2.060.823.871	3.018.935.677
TOTAL	107.781.557.657	141.789.497.859

21. OTHER PAYABLES

21.1 Other short - term payables

	Ending balance	<i>Unit: VND</i> Beginning balance
- Other payables to employees	1.405.888.860	1.201.384.075
- Social insurance, health insurance and trade union fees	3.579.316.242	2.026.673.977
- Dividends payable (Note 25.4)	591.866.400	22.088.676.700
- Others	1.843.137.381	11.173.227.208
TOTAL	16.751.446.363	40.786.059.960

21.2 Other long - term payables

	Ending balance	<i>Unit: VND</i> Beginning balance
- Other long-term payables	1.150.000.000	1.150.000.000
TOTAL	1.150.000.000	1.150.000.000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

22. SHORT-TERM PROVISION

	<i>Unit: VND</i>	
	Ending balance	Beginning balance
- Beginning balance	3.021.765.657	1.502.465.068
- Provision during the year	873.637.934	3.322.678.485
- Utilised and reversed during the year	(399.774.405)	(1.803.377.896)
- Ending balance	3.495.629.186	3.021.765.657

Short-term provision represents warranty for projects that have been completed and handed over at the balance sheet date.

23. BONUS AND WELFARE FUND

	<i>Unit: VND</i>	
	Ending balance	Beginning balance
- Beginning balance	12.810.181.294	14.113.496.971
- Appropriation during the year	11.873.416.497	16.583.598.035
- Utilised during the year	(10.528.327.611)	(17.886.913.712)
- Ending balance	14.155.270.180	12.810.181.294

24. LONG-TERM PROVISION

Long-term provision mainly represents provision for severance allowance.

	<i>Unit: VND</i>	
	Ending balance	Beginning balance
- Beginning balance	3.471.779.250	3.887.134.250
- Provision during the year	-	58.042.500
- Utilised and reversed during the year	(626.760.000)	(473.397.500)
- Transfer to employee payables	-	-
- Ending balance	2.845.019.250	3.471.779.250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

25. OWNERS' EQUITY

25.1 Increase and decrease in owners' equity

Unit: VND

	Contributed share capital	Share premium	Treasury shares	Other capital of the owner	Investment and development fund	Undistributed earnings	Total
For period ended 31 March 2019							
Beginning balance	324,953,970,000	284,019,059	(29,238,407,099)	4,415,811,246	5,427,578,589	171,961,989,599	477,804,961,394
- Net profit for the year	-	-	-	-	-	6,670,572,815	6,670,572,815
- Profit appropriation to bonus funds	-	-	-	-	-	(15,582,887,458)	(15,582,887,458)
- Dividends declared	-	-	-	-	-	(21,500,777,900)	(21,500,777,900)
- Re-purchase of shares	-	-	-	-	-	-	-
Ending balance	324,953,970,000	284,019,059	(29,238,407,099)	4,415,811,246	5,427,578,589	141,548,897,056	447,391,868,851
For period ended 31 March 2020							
Beginning balance	324,953,970,000	284,019,059	(29,238,407,099)	4,415,811,246	5,427,578,589	153,721,140,856	459,564,112,651
- Net profit for the year	-	-	-	-	-	7,342,443,404	7,342,443,404
- Profit appropriation to bonus funds	-	-	-	-	-	(11,451,808,752)	(11,451,808,752)
- Dividends declared	-	-	-	-	-	-	-
Ending balance	324,953,970,000	284,019,059	(29,238,407,099)	4,415,811,246	5,427,578,589	149,611,775,508	455,454,747,303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

25. OWNERS' EQUITY (continued)

25.2 Details of contributed share capital

	Ending balance		
	Shares	VND	%
Taisei Oncho Co., Ltd	8,099,506	80,995,060,000	24.93
SANYO Engineering & Construction Vietnam Co.,Ltd	6,500,000	65,000,000,000	20.00
Vietnam Seaproducts Joint Stock Corporation	4,152,000	41,520,000,000	12.78
Other shareholders	11,963,891	119,638,910,000	36.81
Treasury shares	1,780,000	17,800,000,000	5.48
TOTAL	32,495,397	324,953,970,000	100.00

25.3 Shares

	Ending balance	Beginning balance
	Quantity	Quantity
Authorized shares	32,495,397	32,495,397
Issued shares		
Issued and paid-up shares	32,495,397	32,495,397
<i>Ordinary shares</i>	32,495,397	32,495,397
Treasury shares		
<i>Ordinary shares</i>	(1,780,000)	(1,780,000)
Shares in circulation		
<i>Ordinary shares</i>	30,715,397	30,715,397

The par value is VND 10,000/share (Last year: VND 10,000/share)

25.4 Dividends

	Unit: VND	
	Current period	Previous period
Beginning balance	22,088,676,700	579,396,800
Dividends declared during the period	-	67,573,873,400
<i>First dividends payment for 2018 FY: 700 VND per share</i>	-	21,500,777,900
<i>Last dividends payment for 2018 FY: 800 VND per share</i>	-	24,572,317,600
<i>First dividends payment for 2019 FY: 700 VND per share</i>	-	21,500,777,900
Dividends paid during the period	(21,496,810,300)	(46,064,593,500)
Ending balance	591,866,400	22,088,676,700

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

25. OWNERS' EQUITY (continued)

25.5 Non-controlling interests

	<i>Unit: VND</i>	
	<u>Current period</u>	<u>Previous period</u>
Opening Balance	45.433.542.751	28.862.574.613
- Owner's capital	13.150.000.000	13.810.000.000
- Undistributed post-tax profit and dividend	752.391.293	6.709.082.830
- Appropriation to bonus and welfare fund	(421.607.745)	(160.113.692)
- Dividend paid	-	(5.284.701.000)
- Repurchase of shares	(61.100.000)	(450.400.000)
- Reissuance treasury shares	-	1.947.100.000
Closing balance	<u>58.853.226.299</u>	<u>45.433.542.751</u>

25.6 Earnings per share

	<i>Unit: VND</i>	
	<u>Current period</u>	<u>Previous period</u>
Net profit after tax attributable to ordinary equity holders (VND)	7.342.443.404	6.670.572.815
Distribution to bonus and welfare fund (VND)	-	-
Net profit after tax attributable to ordinary equity holders for basic earnings (VND)	7.342.443.404	6.670.572.815
Weighted average number of ordinary shares (share)	30.715.397	31.426.633
Basic and diluted earnings per share (VND)	<u>239</u>	<u>212</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

26. REVENUES

26.1 Revenues from sale of goods and rendering of services

Unit: VND

	This period	Previous period	Current year	Previous year
Gross revenues	205.994.656.019	175.350.720.593	205.994.656.019	175.350.720.593
<i>Of which:</i>				
- Revenue from construction contracts	177.200.795.312	171.136.077.864	177.200.795.312	171.136.077.864
- Revenue from lease	2.346.602.876	688.014.260	2.346.602.876	688.014.260
- Revenue from sale of goods	24.615.448.627	3.526.628.469	24.615.448.627	3.526.628.469
- Others	1.831.809.204	-	1.831.809.204	-
Revenue reduction	-	-	-	-
Net revenues	205.994.656.019	175.350.720.593	205.994.656.019	175.350.720.593
<i>Of which:</i>				
- Revenue from other parties	198.357.261.228	175.350.720.593	198.357.261.228	175.350.720.593
- Revenue from related parties	7.637.394.791	-	7.637.394.791	-

26.2 Finance income

Unit: VND

	This period	Previous period	Current year	Previous year
- Interest income	2.984.434.932	3.613.402.911	2.984.434.932	3.613.402.911
- Gain on disposal of investment	-	-	-	-
- Dividends earned	-	-	-	-
- Foreign exchange gains incurred during the period	95.742.006	10.017.769	95.742.006	10.017.769
- Foreign exchange gains from revaluation	-	136.580.783	-	136.580.783
TOTAL	3.130.176.938	3.760.001.463	3.130.176.938	3.760.001.463

27. COSTS OF GOODS SOLD AND SERVICES RENDERED

Unit: VND

	This period	Previous period	Current year	Previous year
- Cost of construction contracts	160.211.617.558	160.184.211.977	160.211.617.558	160.184.211.977
- Cost of lease	-	592.350.409	-	592.350.409
- Cost of goods sold	25.021.130.440	2.709.172.731	25.021.130.440	2.709.172.731
- (Reversal of) provision for obsolete inventories	-	-	-	-
- Others	-	-	-	-
TOTAL	185.232.747.998	163.485.735.117	185.232.747.998	163.485.735.117

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

28. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

28.1 General and Administrative expenses

	<i>Unit: VND</i>			
	This period	Previous period	Current year	Previous year
- Staff costs	3,365,106,774	2,759,701,549	3,365,106,774	2,759,701,549
- Tools and equipment costs	120,143,480	115,446,689	120,143,480	115,446,689
- Depreciation and amortisation	313,613,546	406,170,791	313,613,546	406,170,791
- External service expenses	3,357,990,965	1,097,152,111	3,357,990,965	1,097,152,111
- Others	238,783,988	404,003,527	238,783,988	404,003,527
TOTAL	7,395,638,753	4,782,474,667	7,395,638,753	4,782,474,667

28.2 Selling Expenses

	<i>Unit: VND</i>			
	This period	Previous period	Current year	Previous year
- Staff costs	102,157,400	13,607,432	102,157,400	13,607,432
- Material costs	3,855,108	-	3,855,108	-
- External service expenses	64,110,018	13,555,233	64,110,018	13,555,233
- Others	31,744,000	39,575,464	31,744,000	39,575,464
TOTAL	201,866,526	66,738,129	201,866,526	66,738,129

29. FINANCE EXPENSES

	<i>Unit: VND</i>			
	This period	Previous period	Current year	Previous year
- Loan interest	10,440,070,152	8,318,709,654	10,440,070,152	8,318,709,654
- Foreign exchange losses incurred	211,997,046	45,740,858	211,997,046	45,740,858
- Foreign exchange losses from revaluation	259,804,176	-	259,804,176	-
- Settlement discount	-	-	-	-
TOTAL	10,911,871,374	8,364,450,512	10,911,871,374	8,364,450,512

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

30. OTHER INCOME AND EXPENSES

	<i>Unit: VND</i>			
	This period	Previous period	Current year	Previous year
Other income	1.747.854.888	31.274.708	1.747.854.888	31.274.708
- Others	1.747.854.888	31.274.708	1.747.854.888	31.274.708
Other expenses	651.373.539	856.760	651.373.539	856.760
- Penalties	641.033.153	565.055	641.033.153	565.055
- Others	10.340.386	291.705	10.340.386	291.705
NET OTHER PROFIT	1.096.481.349	30.417.948	1.096.481.349	30.417.948

31. CORPORATE INCOME TAX

31.1 CIT expenses

	<i>Unit: VND</i>			
	This period	Previous period	Current year	Previous year
- Current CIT expense	937.408.822	328.442.960	937.408.822	328.442.960
- Adjustment of CIT from prior year	241.288.681	(454.759.952)	241.288.681	(454.759.952)
- Deferred CIT (income) expense	228.126.407	542.475.932	228.126.407	542.475.932
TOTAL	1.406.823.910	416.158.940	1.406.823.910	416.158.940

31.2 Current CIT

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

31. CORPORATE INCOME TAX (continued)

31.2 Current CIT (continued)

A reconciliation between the accounting profit before tax as reported in the consolidated income statement and the taxable profit is presented below:

	This period	Previous period	Current year	Previous year
				<i>Unit: VND</i>
Net profit before tax	9.501.658.607	7.090.203.988	9.501.658.607	7.090.203.988
<i>Adjustments:</i>				
Non-deductible expenses	1.638.693.773	904.998.331	1.638.693.773	904.998.331
Temporary differences	(1.575.267.918)	(2.688.442.433)	(1.575.267.918)	(2.688.442.433)
Non-taxable income	-	-	-	-
Shares of profit of an associate	(3.022.468.952)	(4.648.462.409)	(3.022.468.952)	(4.648.462.409)
Estimated taxable profit	6.542.615.510	658.297.477	6.542.615.510	658.297.477
<i>In which:</i>				
<i>Estimated current taxable profit</i>	<i>4.093.080.797</i>	<i>186.117.738</i>	<i>4.093.080.797</i>	<i>186.117.738</i>
<i>Incentive taxable income exemption</i>	<i>-</i>	<i>472.179.739</i>	<i>-</i>	<i>472.179.739</i>
Estimated CIT payable	937.408.822	363.856.440	937.408.822	363.856.440
CIT exemption	1	(35.413.480)	1	(35.413.480)
Estimated CIT after exemption	937.408.823	328.442.960	937.408.823	328.442.960
Adjustment for CIT from prior period	241.288.680	(454.759.952)	241.288.680	(454.759.952)
Current corporate income tax expense	1.178.697.503	(126.316.992)	1.178.697.503	(126.316.992)
Deferred income tax income expense	228.126.407	542.475.932	228.126.407	542.475.932
Total corporate income tax expense	1.406.823.910	416.158.940	1.406.823.910	416.158.940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

32. TRANSACTIONS WITH RELATED PARTIES

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

Unit: VND

Related parties	Relationship	Transaction	Transaction amount	
			Current year	Previous year
Purchase Good, services and other transactions				
			-	-
Revenues from sale of goods and rendering of services (No 26.1)				
Phoenix Energy & Automation Joint Stock Company	Associate	Selling	7,637,394,791	-
			7,637,394,791	-

Amounts due to related parties at the balance sheet dates were as follows:

Unit: VND

Related party	Relationship		Ending balance	
			Ending balance	Beginning balance
Short-term trade receivables (Note 6.1)				
Phoenix Energy & Automation Joint Stock Company	Associate	Selling	8,535,228,731	134,094,461
			8,535,228,731	134,094,461
Short-term advances to suppliers (Note 6.2)				
Formtek Engineering Joint Stock Company ("Formtek")	Related party	Purchase of construction	-	785,217,526
			-	785,217,526
Other short-term receivables (Note 7)				
Phoenix Energy & Automation Joint Stock Company	Associate	Other	176,241,186	139,902,352
			176,241,186	139,902,352
Trade payable (Note 16)				
Thua Thien Hue Construction Joint Stock Corporation	Associate	Purchase of construction services	-	6,859,771,601
Formtek Engineering Joint Stock Company ("Formtek")	Related party	Purchase of construction	1,163,934,896	-
			1,163,934,896	6,859,771,601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2020

32. TRANSACTIONS WITH RELATED PARTIES (Continued)

Remuneration to members of the Boards of Directors and Supervision, salaries and benefits of management and key executives were as follows:

Unit: VND

	<u>This period</u>	<u>Previous period</u>	<u>Current year</u>	<u>Previous year</u>
Allowance for the Boards of Directors and Supervision	483.000.000	483.000.000	483.000.000	483.000.000
Salaries and benefits of the Board of Directors, management and key executives	2.107.124.702	3.192.368.984	2.107.124.702	3.192.368.984
TOTAL	2.590.124.702	3.675.368.984	2.590.124.702	3.675.368.984

33. 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.

PREPARER

CHIEF ACCOUNTANT

Ho Chi Minh City, Apr ____ 2020
CHIEF EXECUTIVE OFFICER



Pham Ai Lien



Vuong Tran Quoc Thanh



Nguyen Thi Thanh Huong

C.P.

