

PHU NHUAN JEWELRY JOINT STOCK COMPANY

(Incorporated in the Socialist Republic of Vietnam)

**AUDITED SEPARATE FINANCIAL
STATEMENTS**

For the year ended 31 December 2017

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STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of Phu Nhuan Jewelry Joint Stock Company (the "Company") presents this report together with the Company's separate financial statements for the year ended 31 December 2017.

THE BOARDS OF MANAGEMENT, DIRECTORS AND SUPERVISORS

The members of the Boards of Management, Directors and Supervisors of the Company who held office during the year and to the date of this report are as follows:

Board of Management

Ms. Cao Thi Ngoc Dung	Chairwoman
Mr. Le Tri Thong	Vice Chairman (appointed on 3 May 2017)
Mr. Nguyen Vu Phan	Member (appointed on 3 May 2017)
Ms. Nguyen Thi Cuc	Member
Mr. Nguyen Tuan Quynh	Member (resigned on 27 April 2017)
Ms. Nguyen Thi Bich Ha	Member (resigned on 27 April 2017)
Ms. Pham Vu Thanh Giang	Member
Mr. Le Huu Hanh	Member
Mr. Le Quang Phuc	Member
Ms. Pham Thi My Hanh	Member

Board of Directors

Ms. Cao Thi Ngoc Dung	General Director
Mr. Le Huu Hanh	Jewelry Factory Director
Ms. Dang Thi Lai	Chief Financial Officer
Ms. Tran Thi Thu Ha	Retail Director
Ms. Nguyen Hoang Anh	Marketing Director
Mr. Nguyen Hoang Chau	Supply Chain Director
Mr. Dao Trung Kien	Chief Strategy Officer
Mr. Nguyen Ngoc Tran	Information Technology Division Director
Mr. Duong Quang Hai	Chief Accountant

Board of Supervisors

Mr. Nguyen Thanh Du	Head of the Board of Supervisors
Ms. Nguyen Ngoc Hue	Member
Mr. Le Anh Duc	Member (appointed on 27 April 2017)
Mr. Tran Van Dan	Member (appointed on 27 April 2017)

BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board of Directors of the Company is responsible for preparing the separate financial statements, which give a true and fair view of the separate financial position of the Company as at 31 December 2017, and its separate financial performance and its separate cash flows for the year then ended in accordance with Vietnamese accounting standards, accounting regime for enterprises and legal regulations relating to financial reporting. In preparing these separate financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the separate financial statements;
- prepare the separate financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the separate financial statements so as to minimize errors and frauds.

The Board of Directors 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 that the separate financial statements comply with Vietnamese accounting standards, accounting regime for enterprises and legal regulations relating to financial reporting. The Board of Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.



STATEMENT OF THE BOARD OF DIRECTORS (Continued)

The Board of Directors confirms that the Company has complied with the above requirements in preparing these separate financial statements.

For and on behalf of the Board of Directors,





Cao Thị Ngọc Dung
General Director
12 March 2018

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No. 377 /VN1A-HC-BC

INDEPENDENT AUDITORS' REPORT

**To: The shareholders, Boards of Management and Directors of
Phu Nhuan Jewelry Joint Stock Company**

We have audited the separate financial statements of Phu Nhuan Jewelry Joint Stock Company (the "Company"), prepared on 12 March 2018 as set out from page 4 to page 25, which comprise the separate balance sheet as at 31 December 2017, and the separate statement of income and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Separate Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these separate financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and for such internal control as the Board of Directors determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 requirements and plan and perform the audit to obtain reasonable assurance about 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 auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the 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 Directors, 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.

Opinion

In our opinion, the separate financial statements give a true and fair view of the separate financial position of the Company as at 31 December 2017, and its separate financial performance and its separate cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.



Vo Thai Hoa
Audit Partner
Audit Practising Registration Certificate
No. 0138-2018-001-1
**BRANCH OF DELOITTE VIETNAM
COMPANY LIMITED**
12 March 2018
Ho Chi Minh City, Vietnam

Nguyen Trong The
Auditor
Audit Practising Registration Certificate
No. 2649-2018-001-1

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SEPARATE BALANCE SHEET

As at 31 December 2017

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
A. CURRENT ASSETS	100		3,887,420,813,235	3,093,009,616,407
I. Cash and cash equivalents	110	4	167,814,376,098	150,275,926,525
1. Cash	111		103,764,376,098	65,775,926,525
2. Cash equivalents	112		64,050,000,000	84,500,000,000
II. Short-term financial investments	120	5	160,065,000,000	65,000,000
1. Held-to-maturity investments	123		160,065,000,000	65,000,000
III. Short-term receivables	130		103,698,291,895	82,241,929,516
1. Short-term trade receivables	131	6	43,171,219,149	34,523,228,986
2. Short-term advances to suppliers	132		32,814,615,983	18,557,867,930
3. Other short-term receivables	136	7	27,577,078,743	28,092,938,520
4. Deficits in assets awaiting solution	139	8	135,378,020	1,067,894,080
IV. Inventories	140		3,383,605,076,098	2,816,746,572,329
1. Inventories	141	9	3,383,605,076,098	2,816,746,572,329
V. Other short-term assets	150		72,238,069,144	43,680,188,037
1. Short-term prepayments	151	10	67,127,740,474	43,042,333,528
2. Value added tax deductibles	152		20,455,201	679,179
3. Taxes and other receivables from the State budget	153	11	5,089,873,469	637,175,330
B. NON-CURRENT ASSETS	200		608,883,714,734	498,045,418,497
I. Long-term receivables	210		41,746,375,257	25,327,846,311
1. Other long-term receivables	216	7	41,746,375,257	25,327,846,311
II. Fixed assets	220		484,699,732,543	413,908,550,228
1. Tangible fixed assets	221	12	203,204,284,453	205,305,008,346
- Cost	222		391,425,135,871	366,644,007,032
- Accumulated depreciation	223		(188,220,851,418)	(161,338,998,686)
2. Intangible assets	227	13	281,495,448,090	208,603,541,882
- Cost	228		286,740,907,873	213,344,195,473
- Accumulated amortization	229		(5,245,459,783)	(4,740,653,591)
III. Long-term assets in progress	240		9,665,078,966	7,532,817,898
1. Long-term construction in progress	242	14	9,665,078,966	7,532,817,898
IV. Long-term financial investments	250	5	20,000,000,000	20,000,000,000
1. Investments in subsidiaries	251		20,000,000,000	20,000,000,000
2. Equity investments in other entities	253		395,271,613,400	395,271,613,400
3. Provision for impairment of long-term financial investments	254		(395,271,613,400)	(395,271,613,400)
V. Other long-term assets	260		52,772,527,968	31,276,204,060
1. Long-term prepayments	261	10	50,333,508,544	28,353,120,086
2. Deferred tax assets	262	15	2,439,019,424	2,923,083,974
TOTAL ASSETS (270=100+200)	270		4,496,304,527,969	3,591,055,034,904

The accompanying notes are an integral part of these separate financial statements



SEPARATE BALANCE SHEET (Continued)

As at 31 December 2017

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
C. LIABILITIES	300		1,549,664,382,047	2,092,223,670,982
I. Current liabilities	310		1,495,725,175,047	2,026,224,469,738
1. Short-term trade payables	311	16	279,319,406,605	325,581,536,057
2. Short-term advances from customers	312		37,742,598,354	55,810,213,794
3. Taxes and amounts payable to the State budget	313	10	116,383,358,330	86,322,377,598
4. Payables to employees	314		97,064,244,559	26,829,393,326
5. Short-term accrued expenses	315		4,629,017,766	6,354,714,739
6. Other current payables	319	17	51,847,439,279	27,167,081,033
7. Short-term loans	320	18	857,278,850,200	1,457,954,945,047
8. Bonus and welfare funds	322		51,460,259,954	40,204,208,144
II. Long-term liabilities	330		53,939,207,000	65,999,201,244
1. Other long-term payables	337	17	628,026,000	628,026,000
2. Long-term loans	338	19	46,234,864,000	58,994,000,000
3. Long-term provisions	342	20	7,076,317,000	6,377,175,244
D. EQUITY	400		2,946,640,145,922	1,498,831,363,922
I. Owners' equity	410	21	2,946,640,145,922	1,498,831,363,922
1. Owners' contributed capital	411		1,081,020,340,000	982,745,770,000
- Ordinary shares carrying voting rights	411a		1,081,020,340,000	982,745,770,000
2. Share premium	412		876,761,282,458	-
3. Treasury shares	415		(7,090,000)	(7,090,000)
4. Investment and development fund	418		220,087,556,918	144,087,556,918
5. Retained earnings	421		768,778,056,546	372,005,127,004
- Retained earnings accumulated to the prior year end	421a		153,436,032,604	-
- Retained earnings of the current year	421b		615,342,023,942	372,005,127,004
TOTAL RESOURCES (440=300+400)	440		4,496,304,527,969	3,591,055,034,904



Nguyen Thanh Dat
Preparer



Duong Quang Hai
Chief Accountant





Cao Thi Ngoc Dung
General Director
12 March 2018

SEPARATE INCOME STATEMENT
For the year ended 31 December 2017

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
1. Gross revenue from goods sold and services rendered	01		10,991,670,038,524	8,566,097,820,347
2. Deductions	02		71,699,927,867	49,850,158,226
3. Net revenue from goods sold and services rendered (10=01-02)	10	23	10,919,970,110,657	8,516,247,662,121
4. Cost of sales	11	24	9,046,042,247,103	7,135,192,385,182
5. Gross profit from goods sold and services rendered (20=10-11)	20		1,873,927,863,554	1,381,055,276,939
6. Financial income	21	26	14,778,365,031	12,797,356,121
7. Financial expenses	22	27	57,073,492,581	161,892,535,546
- In which: Interest expense	23		55,578,895,516	73,196,281,440
8. Selling expenses	25	28	751,639,529,843	537,302,983,572
9. General and administration expenses	26	29	182,092,972,237	130,525,110,306
10. Operating profit (30=20+(21-22)-(25+26))	30		897,900,233,924	564,132,003,636
11. Other income	31	30	7,320,918,735	47,305,089,666
12. Other expenses	32	31	1,375,527,317	3,367,732,150
13. Profit from other activities (40=31-32)	40		5,945,391,418	43,937,357,516
14. Accounting profit before tax (50=30+40)	50		903,845,625,342	608,069,361,152
15. Current corporate income tax expense	51	32	179,918,211,850	137,614,509,165
16. Deferred corporate tax expense	52	15	484,064,550	175,856,983
17. Net profit after corporate income tax (60=50-51-52)	60		723,443,348,942	470,278,995,004



Nguyen Thanh Dat
Preparer



Duong Quang Hai
Chief Accountant



Cao Thi Ngoc Dung
General Director
12 March 2018

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SEPARATE CASH FLOW STATEMENT

For the year ended 31 December 2017

Unit: VND

ITEMS	Codes	Current year	Prior year
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	903,845,625,342	608,069,361,152
2. Adjustments for:			
Depreciation and amortisation of fixed assets	02	38,754,727,226	33,926,038,731
Provisions	03	699,141,756	54,154,701,412
(Gain)/Loss arising from translating foreign currency items	04	(603,950,650)	3,448,968,082
Gain from investing activities	05	(14,815,248,111)	(27,168,268,250)
Interest expense	06	55,578,895,516	73,196,281,440
3. Operating profit before movements in working capital	08	983,459,191,079	745,627,082,567
Change in receivables	09	(39,355,026,112)	(24,336,159,197)
Change in inventories	10	(566,858,503,769)	(700,103,858,869)
Change in payables	11	11,995,157,027	168,738,775,937
Change in prepaid expenses	12	(46,065,795,404)	(494,481,327)
Interest paid	14	(55,960,918,599)	(73,921,216,904)
Corporate income tax paid	15	(151,155,667,909)	(156,141,028,844)
Other cash inflows	16	-	6,949,780,008
Other cash outflows	17	(33,743,948,190)	-
Net cash generated by/(used in) operating activities	20	102,314,488,123	(33,681,106,629)
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets	21	(114,207,809,666)	(85,508,117,129)
2. Proceeds from sale, disposal of fixed assets	22	8,425,973,637	164,944,000,000
3. Cash outflow for time deposits	23	(160,000,000,000)	-
4. Cash recovered from investments in other entities	26	-	64,306,410,000
5. Interest earned, dividends and profits received	27	3,963,934,074	3,951,477,458
Net cash (used in)/generated by investing activities	30	(261,817,901,955)	147,693,770,329
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from share issue and owners' contributed capital	31	975,035,852,458	-
2. Proceeds from borrowings	33	3,104,614,032,965	3,274,307,477,438
3. Repayment of borrowings	34	(3,717,475,946,742)	(3,026,883,783,136)
4. Dividends paid	36	(185,194,405,300)	(245,684,532,866)
Net cash generated by financing activities	40	176,979,533,381	1,739,161,436
Net increase in cash (50=20+30+40)	50	17,476,119,549	115,751,825,136
Cash and cash equivalents at the beginning of the year	60	150,275,926,525	34,348,296,246
Effects of changes in foreign exchange rates	61	62,330,024	175,805,143
Cash at the end of the year (70=50+60+61)	70	167,814,376,098	150,275,926,525

Nguyen Thanh Dat
Preparer

Duong Quang Hai
Chief Accountant



Cao Thi Ngoc Dung
General Director
12 March 2018

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS

These notes are an integral part of and should be read in conjunction with the accompanying separate financial statements

1. GENERAL INFORMATION**Structure of ownership**

Phu Nhuan Jewelry Joint Stock Company (the "Company") was incorporated in Vietnam, under the Business Registration Certificate No. 0300521758 issued by the Department of Planning and Investment of Ho Chi Minh City on 2 January 2004, as amended.

The Company has been listed on the Ho Chi Minh City Stock Exchange ("HOSE") with PNJ code from 23 March 2009 pursuant to Decision No.129/DKNY issued by the General Director of HOSE on 26 December 2008.

The number of employees as at 31 December 2017 was 5,004 (as at 31 December 2016: 3,951).

Operating industry and principal activities

The Company's principal activities are to trade gold, silver, jewelry and gemstones, and to import and export jewelry in gold, silver and gemstones.

Normal production and business cycle

The Company's normal production and business cycle is carried out for a time period of 12 months or less.

The Company's structure

The Parent Company's head office is located at 170E Phan Dang Luu Street, Ward 3, Phu Nhuan District, Ho Chi Minh City, Vietnam. In addition, as at 31 December 2017, the Company also has two hundred and fifty seven (257) retail shops (as at 31 December 2016: 216 retail shops) located in various provinces and cities in Vietnam.

As at 31 December 2017, the Company's subsidiaries were:

- CAO Fashion Company Limited – Subsidiary
- PNJ Laboratory Company Limited – Subsidiary

As at 31 December 2017, the Company also fifty (50) branches (as at 31 December 2016: 43 branches) located in various provinces and cities in Vietnam, in which, the big branches were:

- Branch of Phu Nhuan Jewelry Joint Stock Company- Bien Hoa Branch
- Branch of Phu Nhuan Jewelry Joint Stock Company- Hue City
- Branch of Phu Nhuan Jewelry Joint Stock Company- Vinh Long Branch
- Branch of Phu Nhuan Jewelry Joint Stock Company- Nha Trang Branch
- Branch of Phu Nhuan Jewelry Joint Stock Company- Da Nang Branch
- Branch of Phu Nhuan Jewelry Joint Stock Company- Ha Noi Branch
- Branch of Phu Nhuan Jewelry Joint Stock Company- Can Tho Branch
- Branch of Phu Nhuan Jewelry Joint Stock Company- Tay Nguyen Branch

Disclosure of information comparability in the separate financial statements

Comparative figures are the figures of the audited separate financial statements for the year ended 31 December 2016.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR**Accounting convention**

The accompanying separate financial statements, expressed in Vietnam Dong ("VND"), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

The accompanying separate financial statements are presented to reflect the separate balance sheet as at 31 December 2017, the separate income statement and separate cash flow statements for the year then ended. Therefore, the Company does not consolidate the investments in subsidiaries in the separate financial statements. The Company's investments are recognized under the accounting policies presented un Note 3 below.



The accompanying separate financial statements are not intended to present the separate financial position, results of separate operations and separate cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Financial year

The Company's financial year begins on 1 January and ends on 31 December.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Company in the preparation of these separate financial statements, are as follows:

Estimates

The preparation of separate financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting requires the Board of Directors 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. Although these accounting estimates are based on the the Board of Directors' best knowledge, actual results may differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial investments

Held-to-maturity investments

Held-to-maturity investments are investments that the Company has the positive intent or ability to hold to maturity, including term deposits.

Investments in subsidiaries

Investment in subsidiaries

A subsidiary is an entity over which the Company has control. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Interests in subsidiaries are initially recognised at cost. The Company's share of the net profit of the investee after acquisition is recognised in the separate income statement. Other distributions received other than such profit share are deducted from the cost of the investments as recoverable amounts.

Investments in subsidiaries are carried in the separate balance sheet at cost less provision for impairment of such investments (if any).

Equity investments in other entities

Equity investments in other entities represent the Company's investments in ordinary shares of the entities over which the Company has no control, joint control, or significant influence.

Equity investments in other entities are carried at cost less provision for impairment.

Provisions for impairment of investments

Provisions for impairment of investments in subsidiaries is made in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009 issued by the Ministry of Finance on "Guiding the appropriation and use of provisions for devaluation of inventories, loss of financial investments, bad debts and warranty for products, goods and construction works at enterprises", Circular No. 89/2013/TT-BTC dated 28 June 2013 by the Ministry of Finance amending and supplementing Circular No. 228/2009/TT-BTC and prevailing accounting regulations.

Receivables

Receivables represent the amounts recoverable from customers or other debtors and are stated at book value less provision for doubtful debts.

Provision for doubtful debts is made for receivables that are overdue for six months or more, or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realisable values as at the balance sheet date.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Buildings and structures	03 - 25
Machinery and equipment	03 - 15
Motor vehicles	04 - 10
Office equipment	03 - 08

Gain or loss resulting from sales and disposals of tangible fixed assets is the difference between profit from sales or disposals of assets and their residual values and is recognised in the separate income statement.

Leasing

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable under operating leases are charged to the separate income statement on a straight-line basis over the term of the relevant lease.

Intangible assets and amortization

Intangible assets represent computer software that is stated at cost less accumulated amortisation and is amortized on the straight-line basis over their estimated useful lives of 3 years.

Land use rights are recorded as an intangible asset on the separate balance sheet when the Company received the certificate of land use rights. Historical cost of land use rights include all costs directly related to transfer of assets into ready for use status and are not amortized because land use rights have long usage time.

Construction in progress

Properties in the course of construction for selling, are carried at cost. Cost includes land use rights and construction cost for trade centers and stores in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Prepayments

Prepayments are expenses which have reported as short-term or long-term prepayments in the separate balance sheet and are amortized over the period for which the amount are paid or the period in which economic benefits are generated in relation to these expenses.

The following types of expenses are recorded as long term prepayments:

- Prepaid rental including land and shop rental prepaid for many years under operating lease contracts which are amortized over the lease term;
- Tools and consumables with large value which can be used for more than one year;
- Others which are amortized to the separate income statement over 2 to 3 years.

Borrowing costs

Interest expense includes interest and other costs incurred related to the loans of the Company and is recorded to the expenses incurred during the year.

Revenue recognition

Revenue from the sale of goods is recognized when all five (5) following conditions are satisfied: (a) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

(b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the Company; and

(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue of a transaction involving the rendering of services is recognized when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several periods, revenue is recognised in each period by reference to the percentage of completion of the transaction at the separate balance sheet date of that period. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

(a) the amount of revenue can be measured reliably;

(b) it is probable that the economic benefits associated with the transaction will flow to the Company;

(c) the percentage of completion of the transaction at the separate balance sheet date can be measured reliably; and

(d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate.

Dividend income from investments is recognised when the Company's right to receive payment has been established.

Severance allowance payable

The severance allowance for employees is accrued at the end of each reporting period for all employees having worked at the Company for full 12 months and above. Working time serving as the basis for calculating severance allowance shall be the total actual working time subtracting the time when the employees have made unemployment insurance contributions as prescribed by law, and the working time when severance allowance has been paid to the employees. The allowance made for each year of service equals to a half of an average monthly salary under the Vietnamese Labour Code, Social Insurance Code and relevant guiding documents. The average monthly salary used for calculation of severance allowance shall be adjusted to be the average of the 6 consecutive months nearest to the date of the financial statements at the end of each reporting period. The increase or decrease in the accrued amount shall be recorded in the separate income statement.

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Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognised in the separate income statement.

Payable provisions

Payable provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Board of Directors' best estimate of the expenditure required to settle the obligation as at the balance sheet date.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the separate income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on significant differences between carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

4. CASH AND CASH EQUIVALENTS

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>VND</u>	<u>VND</u>
Cash on hand	61,156,455,977	43,880,544,353
Cash in bank	35,281,922,078	17,438,949,836
Cash in transit	7,325,998,043	4,456,432,336
Cash equivalents (*)	64,050,000,000	84,500,000,000
	<u>167,814,376,098</u>	<u>150,275,926,525</u>

(*) Cash equivalents represent deposits with period under 3 months which earn interests at the rate of 5.5% per annum (as at 31 December 2016: 5.5% per annum).



5. FINANCIAL INVESTMENTS

	Closing balance			Opening balance		
	Cost VND	Provision VND	Fair value VND	Cost VND	Provision VND	Fair value VND
a. Held-to-maturity investments						
- Held-to-maturity investments	160,065,000,000	-	160,065,000,000	65,000,000	-	65,000,000
b. Investments in other entities						
- Investments in subsidiaries	20,000,000,000	-	20,000,000,000	20,000,000,000	-	20,000,000,000
CAO Fashion Company Limited	10,000,000,000	-	10,000,000,000	10,000,000,000	-	10,000,000,000
PNJ Laboratory Company Limited	10,000,000,000	-	10,000,000,000	10,000,000,000	-	10,000,000,000
- Investments in others entities	395,271,613,400	(395,271,613,400)	-	395,271,613,400	(395,271,613,400)	-
Dong A Joint Stock Commercial Bank (*)	395,271,613,400	(395,271,613,400)	-	395,271,613,400	(395,271,613,400)	-
	415,271,613,400	(395,271,613,400)	20,000,000,000	415,271,613,400	(395,271,613,400)	20,000,000,000

5.a. Held-to-maturity investments

As at 31 December 2017, short-term held-to-maturity investments included six-month time deposits in commercial banks in Vietnam with an amount of VND 160,000,000,000 with remaining term less than 3 months and interest rate from 6.7% to 7% per annum.

5.b. Investments in other entities

(*) As at 31 December 2017, Dong A Joint Stock Commercial Bank was still under special control by the State Bank of Vietnam and shares are not transferable. However, the Board of Directors believes that the Company made provision for impairment of the investment in this bank fully and in accordance with current accounting regulations as at the separate balance sheet date.

5.b.1. Investments in subsidiaries

Details of the Company's subsidiaries as at 31 December 2017 were as follows:

Name	Place of incorporation and operation	Rate of interest %	Rate of voting %	Investments value VND	Principal activities
CAO Fashion Company Limited	Ho Chi Minh City	100	100	10,000,000,000	Produce and trade fashion products
PNJ Laboratory Company Limited	Ho Chi Minh City	100	100	10,000,000,000	Provide jewellery inspection and consultancy services
				20,000,000,000	

CAO Fashion Company Limited ("CFC"), a one-member limited liability company, was established under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate No. 0309279212 issued by the Department of Planning and Investment of Ho Chi Minh City on 14 August 2009. CFC's registered head office is located at 170E Phan Dang Luu Street, Phu Nhuan District, Ho Chi Minh City, Vietnam. CFC's principal activities are to produce and trade fashion products, silver and gold jewelry, and arts and crafts products, and to import and export art and craft products. As at 16 January 2018, the Board of Management of the Company approved to increase CFC's chartered capital to VND 30 billion.

PNJ Laboratory Company Limited ("PLC"), a one-member limited liability company, was established under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate No.0310521330 issued by the Department of Planning and Investment of Ho Chi Minh City on 16 December 2010. PLC's registered head office is located at 205 Phan Dang Luu Street, Phu Nhuan District, Ho Chi Minh City, Vietnam. PLC's principal activities are to provide jewelry inspection and consultancy services.

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5.b.2. Investments in others entities

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Dong A Joint Stock Commercial Bank ("DAB")	395,271,613,400	395,271,613,400
	<u>395,271,613,400</u>	<u>395,271,613,400</u>

Details of the above company as at 31 December 2017 were as follows:

Name	Place of incorporation and operation	Rate of interest %	Rate of voting %	Investments value VND	Principal activities
Dong A Joint Stock Commercial Bank ("DAB")	Ho Chi Minh City	7.69%	7.69%	395,271,613,400	Business operation related to banking and finance

6. SHORT-TERM TRADE RECEIVABLES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
FH Trautz GmbH	6,579,765,533	8,044,011,168
DC&D Company	3,934,729,248	3,448,548,729
CAO Fashion Company Limited (Note 35)	3,721,391,377	822,683,491
Others	28,935,332,991	22,207,985,598
	<u>43,171,219,149</u>	<u>34,523,228,986</u>

7. OTHER RECEIVABLES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
a. Current		
- Advances to employees	764,280,291	705,372,244
- Others	26,812,798,452	27,387,566,276
<i>In which:</i>		
<i>Related parties (Note 35)</i>	16,759,580,292	20,242,298,200
<i>Others</i>	10,053,218,160	7,145,268,076
	<u>27,577,078,743</u>	<u>28,092,938,520</u>
b. Non-current		
- Long-term deposits for renting stores	<u>41,746,375,257</u>	<u>25,327,846,311</u>

8. DEFICITS IN ASSETS AWAITING SOLUTION

	<u>Closing balance</u>		<u>Opening balance</u>	
	Quantity	Amount VND	Quantity	Amount VND
Gold (3,75 gram)	28	98,615,494	230	770,583,999
Others	-	36,762,526	-	297,310,081
	<u>28</u>	<u>135,378,020</u>	<u>230</u>	<u>1,067,894,080</u>

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9. INVENTORIES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Goods in transit	74,485,287,071	86,017,812,275
Raw materials	195,479,212,962	147,661,925,780
Tools and supplies	37,395,279,155	25,257,327,045
Work in progress	241,475,582,475	284,243,247,575
Finished goods	336,815,539,305	233,956,735,746
Merchandise	2,446,952,563,390	1,976,744,705,226
Goods on consignment	51,001,611,740	62,864,818,682
	<u>3,383,605,076,098</u>	<u>2,816,746,572,329</u>

The value of inventories as at 31 December 2017 is not less than the net realizable value, so no provision is made to reduce excess or obsolete inventories to their estimated net realizable value as at 31 December 2017.

As at 31 December 2017, inventories of VND 642,916,000,000 (as at 31 December 2016: VND 1,690,467,990,000) was used as collaterals for short-term loans obtained from commercial banks (Note 18).

10. PREPAYMENTS

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
a. Current		
- Tools and supplies	44,655,439,220	27,294,680,295
- Stores rental	10,582,202,902	4,941,083,841
- Uniform expense	3,021,579,248	6,242,736,500
- Marketing expenses	2,716,332,886	3,157,643,786
- Others	6,152,186,218	1,406,189,106
	<u>67,127,740,474</u>	<u>43,042,333,528</u>
b. Non-current		
- Office and store renovation expenses	24,269,615,250	15,730,798,463
- Tools and supplies	23,339,302,147	9,762,659,984
- Marketing expenses	938,937,048	1,433,045,277
- Store rental	1,213,200,000	898,700,471
- Others	572,454,099	527,915,891
	<u>50,333,508,544</u>	<u>28,353,120,086</u>

11. TAXES AND OTHER RECEIVABLES FROM/PAYABLES TO THE STATE BUDGET

	<u>Opening balance</u>	<u>Receivable/Payable during the year</u>	<u>Received/Paid during the year</u>	<u>Closing balance</u>
	VND	VND	VND	VND
a. Receivables				
Value added tax	627,332,217	(81,805,059,286)	86,218,527,150	5,040,800,081
Import-export tax	9,843,113	(2,389,843,465)	2,426,573,740	46,573,388
Others	-	(153,221,052)	155,721,052	2,500,000
	<u>637,175,330</u>	<u>(84,348,123,803)</u>	<u>88,800,821,942</u>	<u>5,089,873,469</u>
b. Payables				
Value added tax	17,778,575,801	208,561,975,183	(202,076,218,041)	24,264,332,943
Corporate income tax	57,842,622,620	179,918,211,850	(151,155,667,909)	86,605,166,561
Personal income tax	2,894,061,159	13,612,234,498	(15,588,864,102)	917,431,555
Others	7,807,118,018	1,335,341,608	(4,546,032,355)	4,596,427,271
	<u>86,322,377,598</u>	<u>403,427,763,139</u>	<u>(373,366,782,407)</u>	<u>116,383,358,330</u>



12. INCREASES, DECREASES IN TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Motor Vehicles	Office Equipment	Total
	VND	VND	VND	VND	VND
COST					
Opening balance	128,935,217,684	183,177,587,017	18,590,288,516	35,940,913,815	366,644,007,032
Additions	6,832,885,142	15,263,066,223	5,846,847,680	7,373,403,553	35,316,202,598
Disposals	-	(9,521,619,759)	(977,990,000)	(35,464,000)	(10,535,073,759)
Reclassification	-	32,855,000	-	(32,855,000)	-
Closing balance	<u>135,768,102,826</u>	<u>188,951,888,481</u>	<u>23,459,146,196</u>	<u>43,245,998,368</u>	<u>391,425,135,871</u>
ACCUMULATED DEPRECIATION					
Opening balance	25,948,425,860	103,657,593,569	6,839,974,418	24,893,004,839	161,338,998,686
Charge for the year	5,514,403,393	22,436,311,255	2,174,929,246	7,263,840,140	37,389,484,034
Disposals	-	(9,494,177,302)	(977,990,000)	(35,464,000)	(10,507,631,302)
Reclassification	-	32,855,000	-	(32,855,000)	-
Closing balance	<u>31,462,829,253</u>	<u>116,632,582,522</u>	<u>8,036,913,664</u>	<u>32,088,525,979</u>	<u>188,220,851,418</u>
NET BOOK VALUE					
Closing balance	<u>104,305,273,573</u>	<u>72,319,305,959</u>	<u>15,422,232,532</u>	<u>11,157,472,389</u>	<u>203,204,284,453</u>
Opening balance	<u>102,986,791,824</u>	<u>79,519,993,448</u>	<u>11,750,314,098</u>	<u>11,047,908,976</u>	<u>205,305,008,346</u>

As presented in Note 18 and 19, the net book value of machinery and equipment used as collateral for the loans in commercial banks as at 31 December 2017 is VND 39,513,739,868 (as at 31 December 2016: VND 94,842,285,330).

The cost of the Company's tangible fixed assets as at 31 December 2017 includes VND 74,972,943,248 (as at 31 December 2016: VND 72,857,449,096) of assets which have been fully depreciated but are still in use.

13. INCREASES, DECREASES INTANGIBLE ASSETS

	Land use rights	Computer software	Total
	VND	VND	VND
COST			
Opening balance	205,405,507,890	7,938,687,583	213,344,195,473
Additions	76,759,346,000	-	76,759,346,000
Disposal	(2,502,196,600)	(860,437,000)	(3,362,633,600)
Closing balance	<u>279,662,657,290</u>	<u>7,078,250,583</u>	<u>286,740,907,873</u>
ACCUMULATED AMORTIZATION			
Opening balance	-	4,740,653,591	4,740,653,591
Charge for the year	-	1,365,243,192	1,365,243,192
Disposal	-	(860,437,000)	(860,437,000)
Closing balance	-	<u>5,245,459,783</u>	<u>5,245,459,783</u>
NET BOOK VALUE			
Closing balance	<u>279,662,657,290</u>	<u>1,832,790,800</u>	<u>281,495,448,090</u>
Opening balance	<u>205,405,507,890</u>	<u>3,198,033,992</u>	<u>208,603,541,882</u>

As presented in Note 18 and 19, the value of land use rights used as collateral for the loans in commercial banks as at 31 December 2017 is VND 49,837,617,572 (as at 31 December 2016: VND 197,828,664,410).

The cost of intangible fixed assets as at 31 December 2017 comprises fully depreciated fixed assets which are still in use with the total amount of VND 252,034,613 (as at 31 December 2016: 1,112,471,613).

14. CONSTRUCTION IN PROGRESS

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Store at Vincom Thanh Hoa	9,468,078,966	7,337,817,898
Construction expense for stores	197,000,000	195,000,000
	<u>9,665,078,966</u>	<u>7,532,817,898</u>

15. DEFERRED TAX

The followings are the major deferred tax liabilities and assets recognised by the Company, and the movements thereon, during the current year and prior years.

	<u>Accruals and other provisions</u>
	VND
Prior year's opening balance	3,098,940,957
Credit to the separate income statement	(175,856,983)
Current year's opening balance	2,923,083,974
Charge to the separate income statement	(484,064,550)
Current year's closing balance	<u>2,439,019,424</u>

16. SHORT-TERM TRADE PAYABLES

	<u>Closing balance</u>		<u>Opening balance</u>	
	Cost VND	Amount able to be paid off VND	Cost VND	Amount able to be paid off VND
Forte Jewellery (HK) Ltd Co.	65,477,465,822	65,477,465,822	91,846,814,195	91,846,814,195
Lien Nguyen Ltd Co.	40,143,266,820	40,143,266,820	18,701,429,320	18,701,429,320
Quang Vinh Nguyen Import-Export Ltd Co.	39,082,098,777	39,082,098,777	8,627,092,777	8,627,092,777
Shrenuj Fareast Limited Company	27,539,371,113	27,539,371,113	54,758,478,557	54,758,478,557
Other suppliers	107,077,204,073	107,077,204,073	151,647,721,208	151,647,721,208
	<u>279,319,406,605</u>	<u>279,319,406,605</u>	<u>325,581,536,057</u>	<u>325,581,536,057</u>

17. OTHER PAYABLES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
a. Current payables		
- Surplus in assets awaiting solution	-	533,501,183
- Trade union fee	1,148,661,431	793,049,183
- Payables to the Board of Management and the Board of Directors bonus	12,200,000,000	-
- Payables to the Board of Management fund	3,208,939,568	494,729,568
- Payables to the Board of Directors fund	1,198,901,517	3,571,168,667
- Payables to Trade union fund	6,062,859,444	5,902,835,563
- PIT payable on behalf of the sharholders	4,531,133,392	4,555,873,392
- Dividends payable	2,876,064,645	1,350,050,545
- Tuan Ngan Jewellery Private Enterprise	10,281,582,283	1,678,501,086
- Others	10,339,296,999	8,287,371,846
	<u>51,847,439,279</u>	<u>27,167,081,033</u>
b. Long-term payables		
- Others	628,026,000	628,026,000
	<u>52,475,465,279</u>	<u>27,795,107,033</u>

**PHU NHUAN JEWELRY JOINT STOCK COMPANY
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Continued)**

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18. SHORT-TERM LOANS

	Opening balance		In the year		Closing balance	
	Amount	Amount able to be paid off	Increase	Decrease	Amount	Amount able to be paid off
	VND	VND	VND	VND	VND	VND
Asia Commercial Joint Stock Bank	43,884,630,000	43,884,630,000	-	(43,884,630,000)	-	-
Vietnam Joint Stock Commercial Bank for Industry and Trade	247,746,000,000	247,746,000,000	881,594,533,653	(971,197,477,449)	158,143,056,204	158,143,056,204
Joint Stock Company Bank for Foreign trade of Vietnam	260,503,558,537	260,503,558,537	252,188,410,854	(345,426,794,128)	287,265,175,263	287,265,175,263
CTBC Bank Company Limited - Ho Chi Minh Branch	66,400,000,000	66,400,000,000	256,000,000,000	(255,400,000,000)	67,000,000,000	67,000,000,000
Shinhan Bank Vietnam Limited	60,000,000,000	60,000,000,000	180,000,000,000	(180,000,000,000)	60,000,000,000	60,000,000,000
Military Commercial Joint Stock Bank	4,000,000,000	4,000,000,000	52,503,902,806	(56,503,902,806)	-	-
Joint Stock Commercial Bank for Investment and Development of Vietnam	79,295,679,416	79,295,679,416	209,025,134,526	(245,053,315,947)	43,267,497,995	43,267,497,995
Vietnam International Commercial Joint Stock Bank	99,079,954,535	99,079,954,535	23,700,000,000	(122,779,954,535)	-	-
Petrolimex Group Commercial Joint Stock Bank	133,708,080,000	133,708,080,000	243,551,870,000	(377,259,950,000)	-	-
China Construction Bank	104,187,768,760	104,187,768,760	-	(104,187,768,760)	-	-
Ban Viet Joint Stock Bank	59,399,532,596	59,399,532,596	178,094,957,021	(237,494,489,617)	-	-
Orient Commercial Joint Stock Bank	18,867,373,805	18,867,373,805	11,306,977	(18,878,680,782)	-	-
Maritime Commercial Joint Stock Bank	-	-	35,384,906,000	(14,757,838,000)	20,627,068,000	20,627,068,000
PNJ Laboratory Company Limited (see Note 35)	239,988,367,398	239,988,367,398	10,000,000,000	(8,000,000,000)	11,000,000,000	11,000,000,000
Other individuals	31,894,000,000	31,894,000,000	425,807,169,724	(459,519,484,384)	206,276,052,738	206,276,052,738
Current portion of long-term loans (see Note 19)	1,457,954,945,047	1,457,954,945,047	3,115,756,191,561	(3,716,432,286,408)	857,278,850,200	857,278,850,200

Details of short term loans with floating rates obtained from commercial banks to finance working capital requirements are as follows:

Bank name	Closing balance	Maturity date	Interest rate	Collateral
	VND		% D.a	
Vietnam Joint Stock Commercial Bank for Industry and Trade	158,143,056,204	From 10 April 2018 to 22 June 2018	5.50	Inventories
Joint Stock Company Bank for Foreign Trade of Vietnam	287,265,175,263	From 7 March 2018 to 30 May 2018	2.8-5.2	Machinery and equipment, land use rights and assets attached with land (Note 12 and 13)
CTBC Bank Company Limited - Ho Chi Minh Branch	67,000,000,000	From 7 January 2018 to 5 June 2018	4.50	Inventories
Shinhan Bank Vietnam Limited	60,000,000,000	From 16 January 2018 to 7 February 2018	4.50	Unsecured
Joint Stock Commercial Bank for Investment and Development of Vietnam	43,267,497,995	From 8 March 2018 to 15 March 2018	2.60	Inventories
Maritime Commercial Joint Stock Bank	20,627,068,000	From 4 January 2018 to 12 January 2018	5.00	Unsecured
PNJ Laboratory Company Limited	11,000,000,000	From 11 March 2018 to 30 September 2018	6.00	Unsecured
Other individuals	206,276,052,738	From 1 January 2018 to 29 December 2018	2.2-7.6	Unsecured
Current portion of long-term loans	857,278,850,200			



19. LONG-TERM LOANS

	Opening balance		In the year		Closing balance	
	Amount	Amount able to be paid off	Increase	Decrease	Amount	Amount able to be paid off
	VND	VND	VND	VND	VND	VND
Dong A Joint Stock Commercial Bank	26,370,000,000	26,370,000,000	-	(26,370,000,000)	-	-
Asia Commercial Joint Stock Bank	46,018,000,000	46,018,000,000	-	(46,018,000,000)	-	-
Vietnam Bank For Agriculture And Rual Development	18,500,000,000	18,500,000,000	-	(3,700,000,000)	14,800,000,000	14,800,000,000
Other individuals	-	-	35,134,864,000	-	35,134,864,000	35,134,864,000
	90,888,000,000	90,888,000,000	35,134,864,000	(76,088,000,000)	49,934,864,000	49,934,864,000

Terms and conditions of the long-term loans are as follows:

Bank name	Closing balance	Interest rate	Maturity date	Collateral
	VND	% p.a		
Vietnam Bank For Agriculture And Rual Development	14,800,000,000	8.3	2021	02 Shop-house No.PG1-05 and PG1-05A at No.209 30/4 Street, Xuan Khanh Ward, Ninh Kieu District, Can Tho City.
Other individuals	35,134,864,000	2.5-7.6	2019	Unsecured
	49,934,864,000			

Long-term loans are repayable as follows:

	Closing balance	Opening balance
	VND	VND
Within one year	3,700,000,000	31,894,000,000
In the second year	38,834,864,000	24,904,000,000
In the third to fifth year inclusive	7,400,000,000	34,090,000,000
	49,934,864,000	90,888,000,000
Less: Amount due for settlement within 12 months (Note 18)	3,700,000,000	31,894,000,000
Amount due for settlement after 12 months	46,234,864,000	58,994,000,000

20. LONG-TERM PROVISIONS

Long-term provision was the severance allowance for employees which is accrued at the end of each reporting period for all employees working at the Company before 31 December 2008.

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PHU NHUAN JEWELRY JOINT STOCK COMPANY
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

21. OWNERS' EQUITY

Movement in owners' equity

	Owners' contributed capital	Share premium	Treasury shares	Investment and development fund	Retained earnings	Total
	VND	VND	VND	VND	VND	VND
Prior year's opening balance	982,745,770,000	-	(7,090,000)	219,647,610,783	91,580,748,136	1,293,967,038,919
Profit for the year	-	-	-	-	470,278,995,004	470,278,995,004
Dividends paid	-	-	-	-	(245,684,670,000)	(245,684,670,000)
Investment and development fund appropriation	-	-	-	(75,560,053,865)	75,560,053,865	-
Transfer to bonus and welfare fund	-	-	-	-	(15,230,000,000)	(15,230,000,000)
Board of management and Board of Supervisors funds	-	-	-	-	(2,000,000,000)	(2,000,000,000)
Board of Directors funds	-	-	-	-	(2,500,000,000)	(2,500,000,000)
Current year's opening balance	982,745,770,000	-	(7,090,000)	144,087,556,918	372,005,127,004	1,498,831,363,922
Capital increase	98,274,570,000	876,761,282,458	-	-	-	975,035,852,458
Profit for the year	-	-	-	-	723,443,348,942	723,443,348,942
Dividends paid	-	-	-	-	(186,720,419,400)	(186,720,419,400)
Investment and development fund appropriation	-	-	-	76,000,000,000	(76,000,000,000)	-
Transfer to bonus and welfare funds	-	-	-	-	(45,000,000,000)	(45,000,000,000)
Board of Management, Board of Directors and Board of Supervisors funds	-	-	-	-	(6,750,000,000)	(6,750,000,000)
Board of Management and Board of Directors bonus	-	-	-	-	(12,200,000,000)	(12,200,000,000)
Current year's closing balance	1,081,020,340,000	876,761,282,458	(7,090,000)	220,087,556,918	768,778,056,546	2,946,640,145,922

According to Resolution No. 183/2017/NQ-DHDCD-CTY dated 23 February 2017 of the Annual General Meeting of Shareholders of Phu Nhuan Jewelry Joint Stock Company, the Company's shareholders approved the offering of 9,827,457 additional shares and the Company was approved by the State Securities Commission in Official Letter No. 3915/UBCK-QLCB on 13 June 2017. The Company completed the additional issuance of 9,827,457 shares with par value of VND 10,000 per share to investors at a average price of VND 100,880 per share according to Official Letter No. 975/2017/BC-HDQT-CTY, Result report of offering the shares under private placement dated 19 July 2017 to the State Securities Commission, official transaction since 8 August 2017. Accordingly, the total amount that the Company has collected is VND 975,035,852,458 and the Company recorded in the charter capital and share premium with the amount of VND 98,274,570,000 and VND 876,761,282,458, respectively.

According to the Resolution of annual general shareholders' meeting No. 604/2017/NQ-DHDCD-CTY on 27 April 2017, the shareholders approved the plan for profit distribution in 2016 as follows:

- The second time of dividend distribution in 2016 with the amount of VND 78,619,094,400. During the year, the Company paid dividends with the amount of VND 78,054,099,950.

- Appropriation to Board of Management, Board of Directors and Board of Supervisors funds; Bonus and welfare funds; investment and development fund and Boards of Management and Directors funds with the amounts of VND 6,750,000,000; VND 45,000,000,000; VND 76,000,000,000; and VND 12,200,000,000 respectively.

According to Resolution No. 970/2017/NQ-HDQT-CTY dated 19 July 2017 of the Board of Management's meeting, the Company paid cash advance for the first time of dividend distribution in 2017 with the amount of VND 108,101,325,000.

According to Resolution No. 1607/2017/NQ-HDQT-CTY dated 24 November 2017 of the Board of Management's meeting, the Board of Management approved the cash advance for the second time of dividend distribution in 2017 with the payment rate of 8% per share. The advance was paid on 12 January 2018.

Share – Ordinary shares

	<u>Closing balance</u>	<u>Opening balance</u>
	Number of shares	Number of shares
Shares issued and fully paid	108,102,034	98,274,577
<i>Ordinary shares</i>	<i>108,102,034</i>	<i>98,274,577</i>
Treasury shares	(709)	(709)
<i>Ordinary shares</i>	<i>(709)</i>	<i>(709)</i>
Shares in circulation	108,101,325	98,273,868
<i>Ordinary shares</i>	<u><i>108,101,325</i></u>	<u><i>98,273,868</i></u>

An ordinary share has par value of VND 10,000.

Owners' contributed capital

As at 31 December 2017, the owners' contributed capital was fully contributed by the shareholders as follows:

	<u>Closing balance</u>		<u>Opening balance</u>	
	VND	%	VND	%
Ms. Cao Thi Ngoc Dung	99,667,140,000	9.22%	99,667,140,000	10.14%
Aims Asset Management Sdn Bhn (i)	15,000,000,000	1.39%	55,320,900,000	5.63%
Route One Funds	52,260,100,000	4.83%	52,260,100,000	5.32%
Ms. Truong Ngoc Phuong (ii)	59,780,440,000	5.53%	18,300,000,000	1.86%
Other shareholders	854,312,660,000	79.03%	757,197,630,000	77.05%
	<u>1,081,020,340,000</u>	<u>100%</u>	<u>982,745,770,000</u>	<u>100%</u>

(i) Aims Asset Management Sdn Bhn has divested its owning proportion from 5,532,090 shares equivalent to 5.63% of total shares to 1,500,000 shares equivalent to 1.39% of total shares in circulation, hence, it has not been a major shareholder of Company since 04 May 2017. Shares were transferred to other foreign investors.

(ii) As at 28 February 2018, the owning proportion of group of foreign investors represented by Ms. Truong Ngoc Phuong increased from 5,978,044 shares equivalent to 5.53% to 11,274,161 shares equivalent to 10.37% of total outstanding shares.

22. OFF BALANCE SHEET ITEMS

	Unit	<u>Closing balance</u>	<u>Opening balance</u>
United States Dollar	USD	83,539	137,582
Euro	EUR	7,671	-
Hong Kong Dollar	HKD	970	-
Australia Dollar	AUD	478	495
Singapore Dollar	SGD	<u>174</u>	<u>518</u>

Pledged, mortgaged goods

Phu Nhuan Jewelry Joint Stock Company is receiving the pledged, mortgaged gold jewelry and precious stones at 31 December 2017 with the value of VND 1,157,900,000 (as at 31 December 2016: VND 3,301,900,000).

23. REVENUE FROM GOOD SOLD AND SERVICES RENDERED

	Current year	Prior year
	VND	VND
Sales from goods, silver and jewelry sold	11,167,306,100,824	8,686,939,228,360
Sales from accessories sold	23,413,818,317	18,883,247,365
Rendering services	8,742,146,152	10,337,013,944
Value added tax applying direct method	(207,792,026,769)	(150,061,669,322)
	<u>10,991,670,038,524</u>	<u>8,566,097,820,347</u>
Goods returned	(71,699,927,867)	(49,850,158,226)
	<u>10,919,970,110,657</u>	<u>8,516,247,662,121</u>

24. COST OF GOODS SOLD AND SERVICES RENDERED

	Current year	Prior year
	VND	VND
Cost of goods, silver and jewelry sold and services rendered	9,030,933,908,062	7,122,232,052,215
Cost of accessories sold	15,108,339,041	12,960,332,967
	<u>9,046,042,247,103</u>	<u>7,135,192,385,182</u>

25. PRODUCTION COST BY NATURE

	Current year	Prior year
	VND	VND
Raw materials	10,439,660,088,473	7,528,618,314,835
Labour	672,184,666,206	451,118,035,733
Tools and supplies	67,919,849,396	57,786,002,665
Depreciation and amortization	38,754,727,226	33,926,038,731
Out-sourced services	167,606,144,048	127,958,767,830
Other monetary expenses	240,077,924,498	179,335,041,152
	<u>11,626,203,399,847</u>	<u>8,378,742,200,946</u>

26. FINANCIAL INCOME

	Current year	Prior year
	VND	VND
Dividends received	6,000,000,000	8,000,000,000
Foreign exchange gain	3,241,155,221	838,154,476
Interest income	2,918,913,531	3,957,701,645
Others	2,618,296,279	1,500,000
	<u>14,778,365,031</u>	<u>12,797,356,121</u>

27. FINANCIAL EXPENSES

	Current year	Prior year
	VND	VND
Interest expense	55,578,895,516	73,196,281,440
Provision for impairment of financial investments	-	81,777,975,537
Foreign exchange loss	1,311,178,803	5,002,263,571
Others	183,418,262	1,916,014,998
	<u>57,073,492,581</u>	<u>161,892,535,546</u>



28. SELLING EXPENSES

	Current year	Prior year
	VND	VND
Management materials	15,677,353,189	13,808,103,680
Management staff	347,405,253,994	233,180,082,381
Office equipment	42,140,743,918	33,287,602,381
Depreciation and amortization	6,036,059,647	5,296,591,263
Out-sourced services	153,977,586,559	117,746,535,580
Other monetary expenses	186,402,532,536	133,984,068,287
	<u>751,639,529,843</u>	<u>537,302,983,572</u>

29. GENERAL AND ADMINISTRATION EXPENSES

	Current year	Prior year
	VND	VND
Management materials	372,779,983	41,247,500
Management staff	116,465,574,645	74,524,152,520
Office supplies	6,287,997,131	4,859,990,509
Depreciation and amortization	10,136,765,231	9,271,901,805
Taxes, fees and charges	248,015,160	123,000,000
Out-sourced services	7,273,518,003	4,855,884,392
Other monetary expenses	41,308,322,084	36,848,933,580
	<u>182,092,972,237</u>	<u>130,525,110,306</u>

30. OTHER INCOME

	Current year	Prior year
	VND	VND
Proceeds from disposals of fixed assets	5,923,447,037	42,938,955,131
Others	1,397,471,698	4,366,134,535
	<u>7,320,918,735</u>	<u>47,305,089,666</u>

31. OTHER EXPENSES

	Current year	Prior year
	VND	VND
Disposal of tools and supplies	85,698,127	162,274,339
Penalties	148,313,017	2,900,291,689
Others	1,141,516,173	305,166,122
	<u>1,375,527,317</u>	<u>3,367,732,150</u>

32. CURRENT CORPORATE INCOME TAX EXPENSE

	Current year	Prior year
	VND	VND
Current corporate income tax expense		
Corporate income tax based on taxable income in the current year	179,884,266,850	137,614,509,165
Adjustments for corporate income tax expenses in previous years to the current year	33,945,000	-
	<u>179,918,211,850</u>	<u>137,614,509,165</u>
Deferred corporate tax expense		
- Deferred corporate tax expense incurred from taxable temporary differences	484,064,550	175,856,983
	<u>484,064,550</u>	<u>175,856,983</u>

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33. OPERATING LEASE COMMITMENTS

	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
Minimum lease payments under operating leases recognised in the separate income statement for the year	<u>136,028,822,433</u>	<u>103,639,647,674</u>

At the balance sheet date, the Company had outstanding commitments under non-cancelable operating leases, which fall due as follows:

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>VND</u>	<u>VND</u>
Within one year	77,845,676,728	66,867,915,235
In the second to fifth year inclusive	235,996,302,498	162,963,895,494
After five years	69,137,458,984	96,004,469,000
	<u>382,979,438,210</u>	<u>325,836,279,728</u>

Operating lease mainly includes the rental related to the stores which are currently operating in Vietnam.

34. BUSINESS AND GEOGRAPHICAL SEGMENTS

The principal activity of the Company is to trade gold, silver, jewelry and gemstones. Additionally, the other activities mainly are trading accessories, jewellery inspection services. Revenue from the other operating activities merely accounts for an immaterial rate in the total revenue. For the year ended 31 December 2017, it is 1% (2016: 1%). Revenue and cost of sales from operating activities are presented in Note 23 and Note 24 of the Notes to the separate financial statements. In respect of geographical segments, the Company merely operates within Vietnam (export activities take up 1% of total revenue). Accordingly, the Board of Directors assessed and believed that no segment reporting prepared in the separate financial statements for the year ended 31 December 2017 was in accordance with Vietnamese Accounting Standard No. 28 - "Segment Reporting" and the Company's current operating situation.

35. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties:

<u>Related parties</u>	<u>Relationship</u>
CAO Fashion Company Limited	Subsidiary
PNJ Laboratory Company Limited	Subsidiary
Dong A Joint Stock Commercial Bank	Related party

During the year, the Company entered into the following significant transactions with its related parties:

	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
Sale of goods and service rendered		
CAO Fashion Company Limited	24,865,902,638	18,315,818,276
PNJ Laboratory Company Limited	-	660,000,000
	<u>24,865,902,638</u>	<u>18,975,818,276</u>
Purchase of goods and services		
Dong A Joint Stock Commercial Bank	-	68,624
PNJ Laboratory Company Limited	1,549,710,400	1,216,604,400
CAO Fashion Company Limited	12,648,156,752	14,758,908,742
	<u>14,197,867,152</u>	<u>15,975,581,766</u>
Interest expense		
Dong A Joint Stock Commercial Bank	1,066,190,584	2,068,435,000
PNJ Laboratory Company Limited	597,863,017	448,520,553
	<u>1,664,053,601</u>	<u>2,516,955,553</u>

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	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
Dividend income		
PNJ Laboratory Company Limited	6,000,000,000	7,000,000,000
CAO Fashion Company Limited	-	1,000,000,000
	<u>6,000,000,000</u>	<u>8,000,000,000</u>

Remuneration paid to the Company's management during the year were as follows:

	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
Salaries and bonus	<u>22,043,447,916</u>	<u>5,908,497,775</u>

Significant related party balances as at the balance sheet date were as follows:

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>VND</u>	<u>VND</u>
Trade receivables		
CAO Fashion Company Limited	<u>3,721,391,377</u>	<u>822,683,491</u>
Other receivables		
CAO Fashion Company Limited	13,759,580,292	20,242,298,200
PNJ Laboratory Company Limited (dividend receivables)	3,000,000,000	-
	<u>16,759,580,292</u>	<u>20,242,298,200</u>
Trade payables		
PNJ Laboratory Company Limited	<u>732,685,250</u>	<u>639,410,000</u>
Other payables		
PNJ Laboratory Company Limited	<u>332,219,180</u>	<u>271,835,620</u>
Loans		
Dong A Joint Stock Commercial Bank	-	26,370,000,000
PNJ Laboratory Company Limited	<u>11,000,000,000</u>	<u>9,000,000,000</u>

36. SUPPLEMENTAL DISCLOSURES OF SEPARATE CASH FLOW INFORMATION

Supplemental non-cash disclosures

Interest paid during the year included an amount of VND 3,522,244,251, representing the interest expense incurred in the beginning of the year and excluded VND 2,542,358,151, representing the interest expense incurred during the year that has not yet been paid. Consequently, changes in accounts payable have been adjusted by the same amount.

Dividends received during the year from subsidiaries excluded an amount of VND 4,954,979,457, representing the amount gained from clearing debts with subsidiaries. Consequently, changes in accounts receivable have been adjusted by the same amount.



Nguyen Thanh Dat
 Preparer



Duong Quang Hai
 Chief Accountant




Cao Thi Ngoc Dung
 General Director
 12 March 2018