

**PHU NHUAN JEWELRY JOINT STOCK COMPANY**

*(Incorporated in the Socialist Republic of Vietnam)*

**AUDITED CONSOLIDATED 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 "Parent Company") and subsidiaries (the Parent Company and its subsidiaries are collectively referred to as the "Company") presents this report together with the Company's consolidated financial statements for the year ended 31 December 2017.

## **THE BOARDS OF MANAGEMENT, DIRECTORS AND SUPERVIORS**

The members of the Boards of Management and 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
Ms. Pham Thi My Hanh	Member
Mr. Le Huu Hanh	Member
Mr. Le Quang Phuc	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 Board of Supervisors
Ms. Nguyen Ngoc Hue	Member
Mr. Le Anh Duc	Member (appointed on 27 April 2017)
Mr. Tran Van Dan	Member (resigned on 27 April 2017)

## **BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY**

The Board of Directors of the Company is responsible for preparing the consolidated financial statements, which give a true and fair view of the consolidated financial position of the Company as at 31 December 2017, and its consolidated financial performance and its consolidated 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 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 consolidated financial statements;
- Prepare the consolidated 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 consolidated 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 consolidated financial position of the Company and that the consolidated 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 consolidated financial statements.

For and on behalf of the Board of Directors,



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**Cao Thi Ngoc Dung**  
**General Director**  
12 March 2018

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No. 376 /VNIA-HC-BC

## INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated 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 consolidated balance sheet as at 31 December 2017, and the consolidated statement of income, and consolidated 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 Consolidated Financial Statements**

The Board of Directors is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2017, and its consolidated financial performance and its consolidated 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, S.R. Vietnam

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

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**CONSOLIDATED BALANCE SHEET**  
As at 31 December 2017

Unit: VND

<b>ASSETS</b>	<b>Codes</b>	<b>Notes</b>	<b>Closing balance</b>	<b>Opening balance</b>
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>3,896,141,901,410</b>	<b>3,102,579,808,767</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>4</b>	<b>175,208,552,187</b>	<b>155,348,026,509</b>
1. Cash	111		111,158,552,187	70,848,026,509
2. Cash equivalents	112		64,050,000,000	84,500,000,000
<b>II. Short-term financial investments</b>	<b>120</b>	<b>5</b>	<b>160,065,000,000</b>	<b>65,000,000</b>
1. Held-to-maturity investments	123		160,065,000,000	65,000,000
<b>III. Short-term receivables</b>	<b>130</b>		<b>84,622,464,067</b>	<b>62,721,123,570</b>
1. Short-term trade receivables	131	6	39,946,216,659	34,105,257,366
2. Short-term advances to suppliers	132		33,682,107,963	18,769,437,915
3. Other short-term receivables	136	7	10,858,761,425	8,813,861,809
4. Provision for short-term doubtful debts	137		-	(35,327,600)
5. Deficits in assets awaiting solution	139	8	135,378,020	1,067,894,080
<b>IV. Inventories</b>	<b>140</b>	<b>9</b>	<b>3,401,959,226,624</b>	<b>2,838,689,610,580</b>
1. Inventories	141		3,401,959,226,624	2,838,689,610,580
<b>V. Other short-term assets</b>	<b>150</b>		<b>74,286,658,532</b>	<b>45,756,048,108</b>
1. Short-term prepayments	151	10	69,117,536,788	45,053,483,750
2. Value added tax deductibles	152		28,174,789	9,315,542
3. Taxes and other receivables from the State budget	153	11	5,140,946,955	693,248,816
<b>B. NON-CURRENT ASSETS</b>	<b>200</b>		<b>596,103,931,401</b>	<b>485,407,101,396</b>
<b>I. Long-term receivables</b>	<b>210</b>		<b>42,787,737,738</b>	<b>26,443,208,792</b>
1. Other long-term receivables	216	7	42,787,737,738	26,443,208,792
<b>II. Fixed assets</b>	<b>220</b>		<b>487,243,774,697</b>	<b>415,801,415,193</b>
1. Tangible fixed assets	221	12	205,748,326,607	207,197,873,311
- Cost	222		396,615,581,684	370,598,131,345
- Accumulated depreciation	223		(190,867,255,077)	(163,400,258,034)
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)
<b>III. Long-term assets in progress</b>	<b>240</b>		<b>9,665,078,966</b>	<b>7,532,817,898</b>
1. Long-term construction in progress	242	14	9,665,078,966	7,532,817,898
<b>IV. Long-term financial investments</b>	<b>250</b>		<b>-</b>	<b>-</b>
1. Equity investments in other entities	253	5	395,271,613,400	395,271,613,400
2. Provision for impairment of long-term financial investments	254	5	(395,271,613,400)	(395,271,613,400)
<b>V. Other long-term assets</b>	<b>260</b>		<b>56,407,340,000</b>	<b>35,629,659,513</b>
1. Long-term prepayments	261	10	53,968,320,576	32,706,575,539
2. Deferred tax assets	262	15	2,439,019,424	2,923,083,974
<b>TOTAL ASSETS (270=100+200)</b>	<b>270</b>		<b>4,492,245,832,811</b>	<b>3,587,986,910,163</b>

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

**CONSOLIDATED BALANCE SHEET (Continued)**  
As at 31 December 2017

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
<b>C. LIABILITIES</b>	<b>300</b>		<b>1,542,697,241,029</b>	<b>2,087,660,199,499</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>1,488,758,034,029</b>	<b>2,021,660,998,255</b>
1. Short-term trade payables	311	16	278,898,463,294	325,730,741,078
2. Short-term advances from customers	312		37,773,098,354	56,039,039,794
3. Taxes and amounts payable to the State budget	313	11	117,206,887,902	87,438,899,372
4. Payables to employees	314		99,466,563,099	27,859,516,199
5. Short-term accrued expenses	315	17	4,629,017,766	6,354,714,739
6. Other current payables	319	18	52,071,661,615	27,608,104,037
7. Short-term loans	320	19	846,278,850,200	1,448,954,945,047
8. Bonus and welfare funds	322		52,433,491,799	41,675,037,989
<b>II. Long-term liabilities</b>	<b>330</b>		<b>53,939,207,000</b>	<b>65,999,201,244</b>
1. Other long-term payables	337	18	628,026,000	628,026,000
2. Long-term loans	338	21	46,234,864,000	58,994,000,000
3. Long-term provisions	342	20	7,076,317,000	6,377,175,244
<b>D. EQUITY</b>	<b>400</b>		<b>2,949,548,591,782</b>	<b>1,500,326,710,664</b>
<b>I. Owners' equity</b>	<b>410</b>	<b>22</b>	<b>2,949,548,591,782</b>	<b>1,500,326,710,664</b>
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		771,686,502,406	373,500,473,746
- Retained earnings accumulated to the prior year end	421a		154,931,379,346	-
- Retained earnings of the current year	421b		616,755,123,060	373,500,473,746
<b>TOTAL RESOURCES (440=300+400)</b>	<b>440</b>		<b>4,492,245,832,811</b>	<b>3,587,986,910,163</b>

  
Nguyen Thanh Dat  
Preparer

  
Duong Quang Hai  
Chief Accountant

  
Cao Thi Ngoc Dung  
General Director  
12 March 2018



**CONSOLIDATED 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		11,049,024,104,831	8,615,363,154,443
2. Deductions	02		72,187,214,867	50,772,664,226
3. Net revenue from goods sold and services rendered (10=01-02)	10	25	10,976,836,889,964	8,564,590,490,217
4. Cost of goods sold and services rendered	11	26	9,064,872,939,048	7,153,297,291,319
5. Gross profit from goods sold and services rendered (20=10-11)	20		1,911,963,950,916	1,411,293,198,898
6. Financial income	21	28	8,794,872,100	5,265,793,888
7. Financial expenses	22	29	56,475,629,564	181,560,472,623
<i>In which: Interest expense</i>	23		54,981,032,499	73,196,281,440
8. Selling expenses	25	30	774,978,169,326	553,623,183,284
9. General and administration expenses	26	31	187,936,351,549	133,281,909,539
10. Operating profit (30=20+(21-22)-(25+26))	30		901,368,672,577	548,093,427,340
11. Other income	31	32	7,394,867,935	47,317,460,372
12. Other expenses	32	32	1,384,144,655	3,868,981,822
13. Profit from other activities (40=31-32)	40		6,010,723,280	43,448,478,550
14. Loss from associates	45		-	(913,939,311)
15. Accounting profit before tax (50=30+40+45)	50		907,379,395,857	590,627,966,579
16. Current corporate income tax expense	51	33	182,038,883,247	139,964,060,336
17. Deferred corporate income tax expense	52	15	484,064,550	175,856,983
18. Profit after corporate income tax (60=50-51-52)	60		724,856,448,060	450,488,049,260
<i>Attributable to:</i>				
- The Parent Company's shareholders	62		724,856,448,060	450,488,049,260
<b>19. Basic earnings per share</b>	<b>70</b>	<b>34</b>	<b>6,434</b>	<b>4,383</b>

  
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Nguyen Thanh Dat  
Preparer

  
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Duong Quang Hai  
Chief Accountant

  
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Cao Thi Ngoc Dung  
General Director  
12 March 2018





**CONSOLIDATED CASH FLOW STATEMENT**  
For the year ended 31 December 2017

Unit: VND

ITEMS	Codes	Current year	Prior year
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>1. Profit before tax</b>	<b>01</b>	<b>907,379,395,857</b>	<b>590,627,966,579</b>
<b>2. Adjustments for:</b>			
Depreciation and amortization	02	39,339,871,537	34,398,406,238
Provisions	03	663,814,156	81,777,975,537
Foreign exchange (gain)/loss arising from translating foreign currency items	04	(603,950,650)	3,448,968,082
Gain from investing activities	05	(15,184,214,057)	(20,718,880,379)
Interest expense	06	54,981,032,499	73,196,281,440
<b>3. Operating profit before movements in working capital</b>	<b>08</b>	<b>986,575,949,342</b>	<b>762,730,717,497</b>
Changes in account receivables	09	(41,626,904,137)	(26,455,422,977)
Changes in inventories	10	(563,269,616,044)	(703,465,046,963)
Changes in account payables	11	16,952,354,627	170,232,020,319
Changes in prepaid expenses	12	(45,325,798,075)	(6,686,618,355)
Interest paid	14	(55,960,918,599)	(70,946,216,904)
Corporate income tax paid	15	(153,619,666,783)	(160,482,205,140)
Other cash inflows	16	-	7,686,200,383
Other cash outflows	17	(34,241,546,190)	-
<b>Net cash generated by/(used in) operating activities</b>	<b>20</b>	<b>109,483,854,141</b>	<b>(27,386,572,140)</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition of fixed assets	21	(115,444,131,166)	(87,266,757,467)
2. Proceeds from 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	27	2,932,220,359	3,951,477,458
<b>Net cash (used in)/generated by investing activities</b>	<b>30</b>	<b>(264,085,937,170)</b>	<b>145,935,129,991</b>
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Proceeds from share issue and owners' contributed capital	31	975,035,852,458	-
2. Proceeds from borrowings	33	3,091,939,199,843	3,251,108,227,438
3. Repayment of borrowings	34	(3,707,380,368,318)	(3,006,684,533,136)
4. Dividends paid	36	(185,194,405,300)	(245,684,670,000)
<b>Net cash generated by/(used in) financing activities</b>	<b>40</b>	<b>174,400,278,683</b>	<b>(1,260,975,698)</b>
<b>Net increase in cash (50=20+30+40)</b>	<b>50</b>	<b>19,798,195,654</b>	<b>117,287,582,153</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>	<b>155,348,026,509</b>	<b>37,884,639,212</b>
Effect of changes in foreign exchange rates	61	62,330,024	175,805,144
<b>Cash and cash equivalents at the end of the year (70=50+60+61)</b>	<b>70</b>	<b>175,208,552,187</b>	<b>155,348,026,509</b>

  
Nguyen Thanh Dat  
Preparer

  
Duong Quang Hai  
Chief Accountant

  
Cao Thi Ngoc Dung  
General Director  
12 March 2018



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**1. GENERAL INFORMATION**

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

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

The number of employees at parent Company 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 Parent 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, the Parent 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 Parent Company's subsidiaries were:

- 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. The charter capital of CFC is of VND 10,000,000,000. The voting power of Parent Company as at 31 December 2017 is 100% (as at 31 December 2016: same). 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. The voting power of Parent Company as at 31 December 2017 is 100% (as at 31 December 2016: same).

As at 31 December 2017, the Parent Company also had 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 consolidated financial statements**

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

**2. ACCOUNTING CONVENTION AND FINANCIAL YEAR**

**Accounting convention**

The accompanying consolidated 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 consolidated financial statements are not intended to present the financial position, consolidated results of operations and consolidated 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 consolidated financial statements, are as follows:

**Estimates**

The preparation of 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 consolidated financial statements and the reported amounts of revenues and expenses during the financial year. Although these accounting estimates are based on the Board of Directors' best knowledge, actual results may differ from those estimates.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Parent Company and enterprises controlled by the Parent Company (its subsidiaries) up to 31 December each year. 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Company.

Intragroup transactions and balances are eliminated in full on consolidation.

**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 comprise investments that the Company has the positive intent or ability to hold to maturity, including term deposits (commercial bills), bonds, preference shares which the issuer shall redeem at a certain date in the future, loans held to maturity to earn periodic interest.

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### Other long-term investments

Other long-term investments are investments in other entities which the Company owns less than 20% voting rights and does not have significant influence, with maturity over 1 year. The other long-term investments are recorded at the starting date of acquisition and the initial value are determined based on the cost and other cost related to the investments. In the next fiscal year, the other long-term investments is determined at cost less the impairment in value of investments.

### Provisions for impairment of investments

Provisions for impairment of investments in subsidiaries are 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 consolidated 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

Loss or gain 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 consolidated 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 income statement on a straight-line basis over the term of the relevant lease.

### **Intangible assets and amortisation**

Intangible assets represent the value of 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 in the consolidated balance sheet when the Company received the certificate of land use rights. The history cost of the land use rights comprises all directly attributable costs of bringing the land lot to the condition available for intended use and is not amortized because the 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 is applied on the same basis as other assets, commences when the assets are ready for their intended use.

### **Prepayments**

Prepayments include short-term prepayments or long-term prepayment in the consolidated balance sheet and are amortised over the period for which the amounts are paid or the period in which economic benefits are generated in relation to these expenses.

Long-term prepaid expenses comprise:

- Prepaid rental which includes land and shop rental prepaid for many years under operating leases contracts and is amortized over the lease term;
- Tools and consumables with large value issued in use which can be used for more than one year; and
- Others which are amortized to the consolidated 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 recognised 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 recognised when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several years, revenue is recognised in each period by reference to the percentage of completion of the transaction at the consolidated balance sheet date of that year. 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 consolidated 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.

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### **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 consolidated financial statements at the end of each financial year. The increase or decrease in the accrued amount shall be recorded in the consolidated income statement.

### **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 consolidated 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's best estimate of the expenditure required to settle the obligation as at the consolidated 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 reported in the consolidated 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 consolidated 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 utilised.

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**

	Closing balance VND	Opening balance VND
Cash on hand	62,618,514,523	46,916,373,423
Cash in bank	41,098,189,621	19,475,220,750
Cash in transit	7,441,848,043	4,456,432,336
Cash equivalents (*)	64,050,000,000	84,500,000,000
	<b><u>175,208,552,187</u></b>	<b><u>155,348,026,509</u></b>

(\*) Cash equivalents represent deposits with periods 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	160,065,000,000	-	160,065,000,000	65,000,000	-	65,000,000
- Time deposit	160,065,000,000	-	160,065,000,000	65,000,000	-	65,000,000
b. Investments in other entities						
- Investments in other entities	395,271,613,400	(395,271,613,400)	-	395,271,613,400	(395,271,613,400)	-
Dong A Joint Stock Commercial Bank ("DAB")	<u>395,271,613,400</u>	<u>(395,271,613,400)</u>	<u>-</u>	<u>395,271,613,400</u>	<u>(395,271,613,400)</u>	<u>-</u>
	<b><u>555,336,613,400</u></b>	<b><u>(395,271,613,400)</u></b>	<b><u>160,065,000,000</u></b>	<b><u>395,336,613,400</u></b>	<b><u>(395,271,613,400)</u></b>	<b><u>65,000,000</u></b>

**5.a. Held-to-maturity investments**

As at 31 December 2017, short-term held-to-maturity investments included six months 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 consolidation balance sheet date.

Detailed information about this company as at 31 December 2017 was as follows:

Company name	Place of Incorporation and operation	Proportion of ownership interest (%)	Proportion of voting power held (%)	Principal activity
Dong A Joint Stock Commercial Bank ("DAB")	Ho Chi Minh City	7.69	7.69	Business operations related to financial and banking activities

**6. SHORT-TERM TRADE RECEIVABLES**

	Closing balance VND	Opening balance VND
FH Trautz GmBh	6,579,765,533	8,044,011,168
DC&D Company	3,934,729,248	3,448,548,729
Others	29,431,721,878	22,612,697,469
	<b><u>39,946,216,659</u></b>	<b><u>34,105,257,366</u></b>

**7. OTHER RECEIVABLES**

	Closing balance VND	Opening balance VND
a. Short-term receivables		
- Advances to employees	769,950,291	705,372,244
- Others	10,088,811,134	8,108,489,565
	<b>10,858,761,425</b>	<b>8,813,861,809</b>
b. Long-term receivables		
- Deposits for renting the stores	42,787,737,738	26,443,208,792
	<b>42,787,737,738</b>	<b>26,443,208,792</b>

**8. DEFICITS IN ASSETS AWAITING SOLUTION**

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

**9. INVENTORIES**

	Closing balance VND	Opening balance 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	37,983,205,995	25,257,327,045
Works in progress	241,475,582,475	284,243,247,575
Finished goods	336,815,539,305	233,956,735,746
Merchandise	2,464,718,787,076	1,998,687,743,477
Goods on consignment	51,001,611,740	62,864,818,682
	<b>3,401,959,226,624</b>	<b>2,838,689,610,580</b>

As at 31 December 2017, inventories of VND 642,916,000,000 (as at 31 December 2016: VND 1,690,467,990,000) were used as collateral for short-term loans obtained from commercial banks (Note 19).

**10. PREPAYMENTS**

	Closing balance VND	Opening balance VND
a. Short-term prepayments		
- Stores rental	10,582,202,902	4,941,083,841
- Tools and supplies	44,714,948,449	29,305,830,517
- Others	13,820,385,437	10,806,569,392
	<b>69,117,536,788</b>	<b>45,053,483,750</b>
b. Long-term prepayments		
- Office and Stores renovation cost	24,269,615,250	16,258,714,354
- Stores rental	1,213,200,000	898,700,471
- Tools and supplies	23,740,082,367	14,116,115,437
- Marketing expense	938,937,048	1,433,045,277
- Others	3,806,485,911	-
	<b>53,968,320,576</b>	<b>32,706,575,539</b>



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

	Opening balance	Receivable/Payable during the year	Received/Paid during the year	Closing balance
	VND	VND	VND	VND
<b>a. Receivables</b>				
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
Corporate income tax	51,073,486	-	-	51,073,486
Others	5,000,000	(158,221,052)	155,721,052	2,500,000
	<b>693,248,816</b>	<b>(84,353,123,803)</b>	<b>88,800,821,942</b>	<b>5,140,946,955</b>
<b>b. Payables</b>				
Value added tax	18,226,534,806	213,447,241,796	(206,929,114,294)	24,744,662,308
Corporate income tax	58,348,994,700	182,038,883,247	(153,619,666,783)	86,768,211,164
Personal income tax	2,972,776,424	14,150,098,214	(16,108,762,903)	1,014,111,735
Others	7,890,593,442	1,370,721,883	(4,581,412,630)	4,679,902,695
	<b>87,438,899,372</b>	<b>411,006,945,140</b>	<b>(381,238,956,610)</b>	<b>117,206,887,902</b>

**12. INCREASES, DECREASES IN TANGIBLE FIXED ASSETS**

	Buildings and structures	Machinery and equipment	Office equipment	Motor vehicles	Total
	VND	VND	VND	VND	VND
<b>COST</b>					
Opening balance	128,935,217,684	183,739,233,141	39,989,830,466	17,933,850,054	370,598,131,345
Additions	6,832,885,142	15,263,066,223	7,083,169,180	7,373,403,553	36,552,524,098
Disposals	-	(9,521,619,759)	(977,990,000)	(35,464,000)	(10,535,073,759)
Reclassification	-	32,855,000	-	(32,855,000)	-
Closing balance	<b>135,768,102,826</b>	<b>189,513,534,605</b>	<b>46,095,009,646</b>	<b>25,238,934,607</b>	<b>396,615,581,684</b>
<b>ACCUMULATED DEPRECIATION</b>					
Opening balance	25,949,273,003	104,678,631,136	27,217,958,525	5,554,395,370	163,400,258,034
Charge for the year	5,514,403,393	22,486,395,163	2,709,989,649	7,263,840,140	37,974,628,345
Disposals	-	(9,494,177,302)	(977,990,000)	(35,464,000)	(10,507,631,302)
Reclassification	-	32,855,000	-	(32,855,000)	-
Closing balance	<b>31,463,676,396</b>	<b>117,703,703,997</b>	<b>28,949,958,174</b>	<b>12,749,916,510</b>	<b>190,867,255,077</b>
<b>NET BOOK VALUE</b>					
Closing balance	<b>104,304,426,430</b>	<b>71,809,830,608</b>	<b>17,145,051,472</b>	<b>12,489,018,097</b>	<b>205,748,326,607</b>
Opening balance	<b>102,985,944,681</b>	<b>79,060,602,005</b>	<b>12,771,871,941</b>	<b>12,379,454,684</b>	<b>207,197,873,311</b>

As presented in Note 19 and 21, 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 tangible fixed assets as at 31 December 2017 comprises fully depreciated fixed assets which are still in use with the total amount of VND 74,972,943,248 (as at 31 December 2016: VND 72,857,449,096).

**13. INCREASES, DECREASES IN INTANGIBLE ASSETS**

	Land use rights VND	Computer software VND	Total VND
<b>COST</b>			
Opening balance	205,405,507,890	7,938,687,583	213,344,195,473
Additions	76,759,346,000	-	76,759,346,000
Disposals	<u>(2,502,196,600)</u>	<u>(860,437,000)</u>	<u>(3,362,633,600)</u>
Closing balance	<u>279,662,657,290</u>	<u>7,078,250,583</u>	<u>286,740,907,873</u>
<b>ACCUMULATED AMORTIZATION</b>			
Opening balance	-	4,740,653,591	4,740,653,591
Charge for the year	-	1,365,243,192	1,365,243,192
Disposals	-	<u>(860,437,000)</u>	<u>(860,437,000)</u>
Closing balance	-	<u>5,245,459,783</u>	<u>5,245,459,783</u>
<b>NET BOOK VALUE</b>			
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 19 and 21, 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 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: VND 1,112,471,613).

**14. CONSTRUCTION IN PROGRESS**

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

**15. DEFERRED TAX ASSETS**

The deferred tax assets recorded by the Company and changes of these items in this year and prior years are as follows:

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



**16. SHORT-TERM TRADE PAYABLES**

	Closing balance		Opening balance	
	Amount VND	Amount able to be paid off VND	Amount VND	Amount able to be paid off VND
Forte Jewellery (HK) Limited Company	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	-	-
Quang Vinh Nguyen Import-Export Ltd Co.	39,082,098,777	39,082,098,777	-	-
Sherenuj Fareast Limited Company	27,539,371,113	27,539,371,113	54,758,478,557	54,758,478,557
Other suppliers	106,656,260,762	106,656,260,762	179,125,448,326	179,125,448,326
	<b>278,898,463,294</b>	<b>278,898,463,294</b>	<b>325,730,741,078</b>	<b>325,730,741,078</b>

**17. SHORT TERM ACCRUED EXPENSE**

	Closing balance VND	Opening balance VND
Advertising expense	1,097,205,407	950,892,732
Interest expenses	2,542,358,151	3,522,244,251
Store rental	669,390,900	1,621,370,756
Others	320,063,308	260,207,000
	<b>4,629,017,766</b>	<b>6,354,714,739</b>

**18. OTHER PAYABLES**

	Closing balance VND	Opening balance VND
a. Current payables	52,071,661,615	27,608,104,037
- Surpluses in assets awaiting solution	-	533,501,183
- Trade union fee	1,385,491,996	962,909,881
- Social insurance	56,188,969	7,942,084
- Unemployment insurance	-	342,266
- Payables to the Board of Management and the Board of Directors bonus	12,200,000,000	-
- Payables to Board of Management fund	3,208,939,568	494,729,568
- Payables to 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 shareholders	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	10,270,499,801	8,550,249,802
b. Long-term payables	628,026,000	628,026,000
- Others	628,026,000	628,026,000
	<b>52,699,687,615</b>	<b>28,236,130,037</b>

19. SHORT-TERM LOANS

	Opening balance		In the year		Closing balance	
	Amount VND	Amount able to be paid off VND	Increase VND	Decrease VND	Amount VND	Amount able to be paid off 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 Commercial Bank for Foreign trade of Vietnam	260,503,558,537	260,503,558,537	572,188,410,854	(545,426,794,128)	287,265,175,263	287,265,175,263
CTBC Bank Company Limited	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
Other Individuals	239,988,367,398	239,988,367,398	425,807,169,724	(459,519,484,384)	206,276,052,738	206,276,052,738
Current portion of long-term loans (see Note 21)	31,894,000,000	31,894,000,000	47,894,000,000	(76,088,000,000)	3,700,000,000	3,700,000,000
	<b>1,448,954,945,047</b>	<b>1,448,954,945,047</b>	<b>3,105,756,191,561</b>	<b>(3,708,432,286,408)</b>	<b>846,278,850,200</b>	<b>846,278,850,200</b>

Detail of short-term loans at commercial banks with floating interest rates to accommodate the Company's working capital are presented as follows:

Bank name	Closing balance VND	Maturity date	Interest rate % p.a	Collateral
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 Commercial 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
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	3,700,000,000			
	<b>846,278,850,200</b>			

20. LONG-TERM PROVISION

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

21. LONG-TERM LOANS

	Opening balance		In the period		Closing balance	
	Amount VND	Amount able to be paid off VND	Increase VND	Decrease VND	Amount VND	Amount able to be paid off 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 Rural 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
	<b>90,888,000,000</b>	<b>90,888,000,000</b>	<b>35,134,864,000</b>	<b>(76,088,000,000)</b>	<b>49,934,864,000</b>	<b>49,934,864,000</b>

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Terms and conditions of the loans are detailed as follows:

<u>Bank name</u>	<u>Closing balance</u> VND	<u>Interest rate</u> %/ year	<u>Maturity date</u>	<u>Collateral</u>
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	<u>35,134,864,000</u> <b>49,934,864,000</b>	2.5-7.6	2019	Unsecured

Long-term liabilities are redeemable as the following schedule:

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
On demand or 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	<u>7,400,000,000</u>	<u>34,090,000,000</u>
	<b>49,934,864,000</b>	<b>90,888,000,000</b>
Less: Amount due for settlement within 12 months (shown under Note 19)	<u>3,700,000,000</u>	<u>31,894,000,000</u>
<b>Amount due for settlement after 12 months</b>	<b><u>46,234,864,000</u></b>	<b><u>58,994,000,000</u></b>

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

## 22. OWNERS' EQUITY

	Owners' contributed capital VND	Share premium VND	Treasury shares VND	Investment and development fund VND	Retained earnings VND	Total VND
<b>Movement in owners' equity</b>						
Prior year's opening balance	982,745,770,000	-	(7,090,000)	219,647,610,783	112,867,040,621	1,315,253,331,404
Profit for the year	-	-	-	-	450,488,049,260	450,488,049,260
Dividend paid	-	-	-	-	(245,684,670,000)	(245,684,670,000)
Board of Management and Board of Supervisors funds	-	-	-	-	(2,000,000,000)	(2,000,000,000)
Investment and development fund reversal	-	-	-	(75,560,053,865)	75,560,053,865	-
Transfer to bonus and welfare funds	-	-	-	-	(15,230,000,000)	(15,230,000,000)
Board of Directors funds	-	-	-	-	(2,500,000,000)	(2,500,000,000)
<b>Current year's opening balance</b>	<b>982,745,770,000</b>	<b>-</b>	<b>(7,090,000)</b>	<b>144,087,556,918</b>	<b>373,500,473,746</b>	<b>1,500,326,710,664</b>
Capital increase	98,274,570,000	876,761,282,458	-	-	-	975,035,852,458
Profit for the year	-	-	-	-	724,856,448,060	724,856,448,060
Investment and development fund appropriation	-	-	-	76,000,000,000	(76,000,000,000)	-
Dividend paid	-	-	-	-	(186,720,419,400)	(186,720,419,400)
Board of Management and Board of Supervisors funds	-	-	-	-	(6,750,000,000)	(6,750,000,000)
Transfer to bonus and welfare funds	-	-	-	-	(45,000,000,000)	(45,000,000,000)
Board of Management and Board of Directors bonus	-	-	-	-	(12,200,000,000)	(12,200,000,000)
<b>Current year's closing balance</b>	<b>1,081,020,340,000</b>	<b>876,761,282,458</b>	<b>(7,090,000)</b>	<b>220,087,556,918</b>	<b>771,686,502,406</b>	<b>2,949,548,591,782</b>

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.

**Shares - 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	4.84%	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><b>1,081,020,340,000</b></u>	<u><b>100%</b></u>	<u><b>982,745,770,000</b></u>	<u><b>100%</b></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.

**23. OFF BALANCE SHEET ITEMS**

**Foreign currencies:**

	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).

**24. 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 lower than 1% (2016: lower than 1%). Revenue and cost of sales from operating activities are presented in Note 25 and Note 26 of the Notes to the consolidated financial statements. In respect of geographical segments, the Company merely operates within Vietnam (export activities take up 1.18% of total revenue). Accordingly, the Board of Directors assessed and believed that no segment reporting prepared in the consolidated 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.

**25. NET REVENUE FROM GOODS SOLD AND SERVICES RENDERED**

	Current year VND	Prior year VND
Sales from gold, silver and jewelry	11,202,683,725,240	8,738,329,531,046
Rendering services	30,486,341,492	18,883,247,365
Sales from accessories	23,646,064,868	10,337,013,944
Value added tax applying direct method	<u>(207,792,026,769)</u>	<u>(152,186,637,912)</u>
	<b><u>11,049,024,104,831</u></b>	<b><u>8,615,363,154,443</u></b>
Goods returned	<u>(72,187,214,867)</u>	<u>(50,772,664,226)</u>
	<b><u>10,976,836,889,964</u></b>	<b><u>8,564,590,490,217</u></b>

**26. COST OF GOODS SOLD AND SERVICES RENDERED**

	Current year VND	Prior year VND
Cost of gold, silver and jewelry sold	9,043,331,427,715	7,135,476,919,591
Cost of services rendered	6,433,172,292	4,860,038,761
Cost of accessories	<u>15,108,339,041</u>	<u>12,960,332,967</u>
	<b><u>9,064,872,939,048</u></b>	<b><u>7,153,297,291,319</u></b>

**27. PRODUCTION AND OPERATING COST BY NATURE**

	Current year VND	Prior year VND
Raw materials	10,404,904,576,757	7,528,678,149,605
Labour	678,404,766,630	456,482,505,755
Depreciation and amortisation	39,339,871,537	34,398,406,238
Outside services	177,857,352,737	135,612,428,977
Other monetary expenses	<u>317,257,888,341</u>	<u>242,647,709,316</u>
	<b><u>11,617,764,456,002</u></b>	<b><u>8,397,819,199,891</u></b>

**28. FINANCIAL INCOME**

	Current year VND	Prior year VND
Interest income	2,932,220,359	4,426,139,412
Realized foreign exchange gain	3,244,355,462	838,154,476
Others	<u>2,618,296,279</u>	<u>1,500,000</u>
	<b><u>8,794,872,100</u></b>	<b><u>5,265,793,888</u></b>



**29. FINANCIAL EXPENSES**

	Current year VND	Prior year VND
Interest expense	54,981,032,499	73,196,281,440
Provision for impairment of investments	-	81,777,975,537
Loss from disposal of investments	-	19,667,937,077
Foreign exchange loss	1,311,178,803	5,002,263,571
Others	183,418,262	1,916,014,998
	<b><u>56,475,629,564</u></b>	<b><u>181,560,472,623</u></b>

**30. SELLING EXPENSES**

	Current year VND	Prior year VND
Management materials	17,623,337,843	13,867,938,450
Management staff	349,843,698,389	236,023,873,950
Office equipment	43,594,975,188	34,553,516,161
Depreciation and amortisation	6,221,947,014	5,778,008,231
Out-sourced services	164,205,529,517	125,515,597,710
Other monetary expenses	193,488,681,375	137,884,248,782
	<b><u>774,978,169,326</u></b>	<b><u>553,623,183,284</u></b>

**31. GENERAL AND ADMINISTRATION EXPENSES**

	Current year VND	Prior year VND
Management materials	1,292,246,253	41,247,500
Management staff	120,247,230,674	77,044,830,973
Office equipment	6,334,402,758	4,873,111,005
Depreciation and amortisation	10,136,765,231	9,271,901,805
Taxes, fees and charges	266,397,105	125,000,000
Out-sourced services	7,296,783,734	4,863,483,409
Other monetary expenses	42,362,525,794	37,062,334,847
	<b><u>187,936,351,549</u></b>	<b><u>133,281,909,539</u></b>

**32. PROFIT FROM OTHER ACTIVITIES**

	Current year VND	Prior year VND
Proceeds from disposals of fixed assets	5,923,447,037	43,530,740,536
Other income	1,471,420,898	3,786,719,836
	<b><u>7,394,867,935</u></b>	<b><u>47,317,460,372</u></b>
Expense for disposals of tools	85,698,127	162,274,339
Other expenses	1,298,446,528	3,706,707,483
	<b><u>1,384,144,655</u></b>	<b><u>3,868,981,822</u></b>
<b>Profit from other activities</b>	<b><u>6,010,723,280</u></b>	<b><u>43,448,478,550</u></b>

**33. CURRENT CORPORATE INCOME TAX EXPENSE**

	Current year VND	Prior year VND
<b>Corporate income tax expense</b>		
Corporate income tax based on taxable income in the current year	182,004,938,247	139,964,060,336
Adjustments for corporate income tax expenses in previous years to the current year	33,945,000	-
	<b><u>182,038,883,247</u></b>	<b><u>139,964,060,336</u></b>
<b>Deferred corporate expense tax expense</b>		
Deferred corporate expense tax incurred from taxable temporary differences	484,064,550	175,856,983
	<b><u>484,064,550</u></b>	<b><u>175,856,983</u></b>

The Company is obliged to pay corporate income tax at the rate of 20% (2016: 20%) of its taxable income.

**34. BASIC EARNINGS PER SHARE**

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Parent Company is based on the following data:

	Current year VND	Prior year VND
Earnings for the purposes of calculating basic earnings per share	724,856,448,060	450,488,049,260
Estimated bonus and welfare fund; funds for Board of Management	(63,950,000,000)	(19,730,000,000)
<b>Earnings for the purpose of calculating basic earnings per share</b>	<b>660,906,448,060</b>	<b>430,758,049,260</b>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	102,716,417	98,273,868
<b>Basis earnings per share</b>	<b>6,434</b>	<b>4,383</b>

**35. OPERATING LEASE COMMITMENTS**

	Current year VND	Prior year VND
Minimum lease payments under operating leases recognised in the consolidated income statement	144,942,409,444	111,382,637,890

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

	Closing balance VND	Opening balance VND
Within one year	84,990,950,626	73,251,900,689
In the second to fifth year inclusive	260,336,436,396	181,246,335,494
After five years	87,914,018,984	96,004,469,000
	<b>433,241,406,006</b>	<b>350,502,705,183</b>

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

**36. RELATED PARTY TRANSACTIONS AND BALANCES**

**List of related parties:**

<u>Related parties</u>	<u>Relationship</u>
Dong A Joint Stock Commercial Bank	Related party

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

	Current year VND	Prior year VND
<b>Purchase of goods and services</b>		
Dong A Joint Stock Commercial Bank	-	68,624
<b>Financial expense</b>		
Dong A Joint Stock Commercial Bank	1,066,190,584	2,068,435,000

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

	Current year VND	Prior year VND
Salaries and bonus	<u>22,043,447,916</u>	<u>6,234,236,614</u>

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

	Closing balance VND	Opening balance VND
<b>Long-term loan</b>		
Dong A Joint Stock Commercial Bank	<u>-</u>	<u>26,370,000,000</u>

**37. SUPPLEMENTAL DISCLOSURES OF 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 at 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.

Dividend paid during the year included an amount of VND 1,350,050,545, representing the dividend incurred at the beginning of the year and excluded VND 2,876,064,645, representing the dividend incurred during the year that has not yet been paid. Consequently, changes in accounts payable 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

