



CÔNG TY CP VÀNG BẠC ĐÁ QUÝ PHÚ NHUẬN  
PHU NHUAN JEWELRY JOINT STOCK COMPANY

# Consolidated Interim Financial Statements

For the three months period ended 31 December 2017

**PHU NHUAN JEWELRY JOINT STOCK COMPANY**  
(Incorporated in the Socialist Republic of Vietnam)

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three months period ended 31 December 2017



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**PHU NHUAN JEWELRY JOINT STOCK COMPANY**

170E Phan Dang Luu Street, Ward 3, Phu Nhuan District  
Ho Chi Minh City, Vietnam

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**1. GENERAL INFORMATION****The Company**

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

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 Company also has two hundred and sixty one (261) stores in different provinces and cities in Vietnam.

**THE BOARDS OF MANAGEMENT, SUPERVISORS AND DIRECTORS**

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

**Board of Directors**

Ms. Cao Thi Ngoc Dung	Chairwoman
Mr. Le Tri Thong	Vice Chairman
Mr. Nguyen Vu Phan	Member
Ms. Nguyen Thi Cuc	Member
Ms. Pham Vu Thanh Giang	Member
Mr. Le Huu Hanh	Member
Ms. Pham Thi My Hanh	Member
Mr. Le Quang Phuc	Member

**Board of Supervisors**

Mr. Nguyen Thanh Du	Head of Board of Supervisors
Ms. Nguyen Ngoc Hue	Member
Mr. Le Anh Duc	Member

**Board of Executives**

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

**LEGAL REPRESENTATIVE**

The legal representative of the Group during the period and at the date of this report is Ms Cao Thi Ngoc Dung.



## CONSOLIDATED BALANCE SHEET

As at 31 December 2017

Unit: VND

	ASSETS	Code	Notes	31/12/2017	31/12/2016
<b>A</b>	<b>CURRENT ASSETS</b>	<b>100</b>		<b>3,896,408,805,576</b>	<b>3,102,579,808,767</b>
<b>I</b>	<b>Cash and cash equivalents</b>	<b>110</b>		<b>335,208,552,187</b>	<b>155,348,026,509</b>
1	Cash	111		111,158,552,187	70,848,026,509
2	Cash equivalents	112		224,050,000,000	84,500,000,000
<b>II</b>	<b>Current financial investment</b>	<b>120</b>		<b>65,000,000</b>	<b>65,000,000</b>
3	Held to maturity investments	123		65,000,000	65,000,000
<b>III</b>	<b>Current accounts receivable</b>	<b>130</b>		<b>84,889,368,233</b>	<b>62,721,123,570</b>
1	Trade receivables	131		39,953,416,659	34,105,257,366
2	Advances to suppliers	132		33,682,107,963	18,769,437,915
6	Other receivables	136		11,118,465,591	8,813,861,809
7	Allowances for doubtful debts (*)	137		-	(35,327,600)
8	Shortage of assets pending resolution	139		135,378,020	1,067,894,080
<b>IV</b>	<b>Inventories</b>	<b>140</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</b>	<b>Other current assets</b>	<b>150</b>		<b>74,286,658,532</b>	<b>45,756,048,108</b>
1	Short-term prepaid expenses	151		69,117,536,788	45,053,483,750
2	Value added tax deductibles	152		28,174,789	9,315,542
3	Tax and other receivables from the State	153		5,140,946,955	693,248,816
<b>B</b>	<b>NON-CURRENT ASSETS</b>	<b>200</b>		<b>596,103,931,401</b>	<b>485,407,101,396</b>
<b>I</b>	<b>Non-current account receivables</b>	<b>210</b>		<b>42,547,737,738</b>	<b>26,443,208,792</b>
6	Other non-current receivables	216		42,547,737,738	26,443,208,792
<b>II</b>	<b>Fixed assets</b>	<b>220</b>		<b>487,243,774,697</b>	<b>415,801,415,193</b>
1	Tangible fixed assets	221		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)
3	Intangible fixed assets	227		281,495,448,090	208,603,541,882
	- Cost	228		286,740,907,873	213,344,195,473
	- Accumulated depreciation (*)	229		(5,245,459,783)	(4,740,653,591)
<b>IV</b>	<b>Non-current assets in progress</b>	<b>240</b>		<b>9,665,078,966</b>	<b>7,532,817,898</b>
2	Construction in progress	242		9,665,078,966	7,532,817,898
<b>V</b>	<b>Long-term investments</b>	<b>250</b>		<b>-</b>	<b>-</b>
3	Other long-term investments	253		395,271,613,400	395,271,613,400
4	Provision for long-term investments (*)	254		(395,271,613,400)	(395,271,613,400)
<b>VI</b>	<b>Other long-term assets</b>	<b>260</b>		<b>56,647,340,000</b>	<b>35,629,659,513</b>
1	Long-term prepaid expenses	261		53,968,320,576	32,706,575,539
2	Deferred tax assets	262		2,439,019,424	2,923,083,974
4	Other long-term assets	268		240,000,000	-
	<b>TOTAL ASSETS</b>	<b>270</b>		<b>4,492,512,736,977</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	Code	Notes	31/12/2017	31/12/2016
<b>C</b>	<b>LIABILITIES</b>	<b>300</b>		<b>1,542,211,467,858</b>	<b>2,087,660,199,499</b>
<b>I</b>	<b>Current liabilities</b>	<b>310</b>		<b>1,523,407,124,858</b>	<b>2,021,660,998,255</b>
1	Trade payables	311		293,536,667,862	325,730,741,078
2	Advances from customers	312		23,134,893,786	56,039,039,794
3	Statutory obligations	313		117,216,526,832	87,438,899,372
4	Payables to employees	314		98,782,440,098	27,859,516,199
5	Accrued expenses	315		4,629,017,766	6,354,714,739
9	Other payables	319		52,260,372,515	27,608,104,037
10	Short-term loans	320		881,413,714,200	1,448,954,945,047
12	Bonus and welfare fund	322		52,433,491,799	41,675,037,989
<b>II</b>	<b>Non-current liabilities</b>	<b>330</b>		<b>18,804,343,000</b>	<b>65,999,201,244</b>
7	Other long-term liabilities	337		628,026,000	628,026,000
8	Long-term loans	338		11,100,000,000	58,994,000,000
12	Long-term provisions	342		7,076,317,000	6,377,175,244
<b>D</b>	<b>EQUITY</b>	<b>400</b>		<b>2,950,301,269,119</b>	<b>1,500,326,710,664</b>
<b>I</b>	<b>Owner's equity</b>	<b>410</b>		<b>2,950,301,269,119</b>	<b>1,500,326,710,664</b>
1	Owner's contributed capital	411		1,081,020,340,000	982,745,770,000
5	Treasury shares (*)	415		(7,090,000)	(7,090,000)
8	Investment and development fund	418		220,087,556,918	144,087,556,918
11	Retained earning	421		772,439,179,743	373,500,473,746
	Retained earnings accumulated to prior year end	421a		154,931,379,346	-
	Retained earnings of the current period	421b		617,507,800,397	373,500,473,746
	<b>TOTAL RESOURCES</b>	<b>440</b>		<b>4,492,512,736,977</b>	<b>3,587,986,910,163</b>


**OFF BALANCE SHEET ITEM**

ITEMS	31/12/2017	31/12/2016
Foreign currencies:		
- United States dollar (USD)	83,539	137,582
- Gold taels	6,170	3,850
- Australian Dollar (AUD)	477	495
- Euro Dollar (EUR)	7,670	518

  
 Nguyen Thanh Dat  
 Preparer

  
 Duong Quang Hai  
 Chief Accountant



  
 Cao Thi Ngoc Dung  
 General Director  
 18 January 2018



**INCOME STATEMENT**  
For the three-month period ended 31 December 2017

Unit: VND

ITEMS	Code	Notes	Three-month period ended		Accumulated year	
			31/12/2017	31/12/2016	Current year	Previous year
Gross revenue from sale of goods and services rendered	01		3,246,869,473,258	2,659,446,896,266	11,049,135,182,581	8,615,363,154,443
Deductions	02		25,206,209,897	15,180,517,998	72,187,214,867	50,772,664,226
Net revenue from sale of goods and services rendered	10		3,221,663,263,361	2,644,266,378,268	10,976,947,967,714	8,564,590,490,217
Cost of goods sold and services rendered	11		2,656,414,506,248	2,263,053,842,816	9,064,549,592,798	7,153,297,291,319
<b>Gross profit from sale of goods and services rendered</b>	<b>20</b>		<b>565,248,757,113</b>	<b>381,212,535,452</b>	<b>1,912,398,374,916</b>	<b>1,411,293,198,898</b>
Finance income	21		3,306,166,160	2,981,548,407	8,794,872,100	5,265,793,888
Finance expense	22		9,649,841,367	39,682,953,025	56,475,629,564	181,560,472,623
<i>- In which: interest expense</i>	23		9,564,728,250	18,022,426,145	54,981,032,499	73,196,281,440
Selling expenses	25		222,865,961,047	159,034,218,973	774,942,387,641	553,623,183,284
General and administrative expenses	26		58,899,810,647	40,892,481,110	187,641,771,995	133,281,909,539
<b>Operating profit</b>	<b>30</b>		<b>277,139,310,212</b>	<b>144,584,430,751</b>	<b>902,133,457,816</b>	<b>548,093,427,340</b>
Other income	31		902,981,364	2,597,426,916	7,394,867,935	47,317,460,372
Other expense	32		673,311,399	2,182,884,160	1,418,089,655	3,868,981,822
Other profit	40		229,669,965	414,542,756	5,976,778,280	43,448,478,550
Profit (loss) from associates	45		0	(1)	0	(913,939,311)
<b>Accounting profit before tax</b>	<b>50</b>		<b>277,368,980,177</b>	<b>144,998,973,506</b>	<b>908,110,236,096</b>	<b>590,627,966,579</b>
Current corporate income tax expense	51		55,039,171,263	50,116,809,974	182,017,046,149	139,964,060,336
<b>Net profit after corporate income tax</b>	<b>60</b>		<b>221,845,744,364</b>	<b>94,706,306,549</b>	<b>725,609,125,397</b>	<b>450,488,049,260</b>
Earning per share	70		2,052	964	6,712	4,584

  
Nguyen Thanh Dat  
Preparer

  
Duong Quang Hai  
Chief Accountant



Sao Thi Ngoc Dung  
General Director  
18 January 2018




**CONSOLIDATED CASH FLOW STATEMENT**  
*For the three-month period ended 31 December 2017*


Unit: VND

No	ITEMS	Codes	Accumulated year	
			Current year	Previous year
<b>I</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1	Profit before tax	01	908,110,236,096	590,627,966,579
2	Adjustment for			
	- Depreciation and amortization	02	39,339,871,537	34,398,406,238
	- Provisions (reversal or provisions)	03	-	81,777,975,537
	- Exchange losses arising from evaluation of monetary items denominated in foreign currencies	04	213,731,462	3,448,968,082
	- (Gain)/loss from investing activities	05	(9,504,360,124)	(20,718,880,379)
	- Interest expense	06	54,981,032,499	73,196,281,440
3	Operating profit before changes in working capital	08	993,140,511,470	762,730,717,497
	- (Increase)/Decrease in receivables	09	(41,342,092,914)	(26,455,422,977)
	- Increase in inventories	10	(563,269,616,044)	(703,465,046,963)
	- Increase in payables	11	(27,159,693,958)	170,232,020,319
	- Increase in prepaid expenses	12	(45,485,798,075)	(6,686,618,355)
	- Interest paid	14	(56,558,781,616)	(70,946,216,904)
	- Corporate income tax paid	15	(153,623,806,783)	(160,482,205,140)
	- Other cash inflows from operating activities	16	1,510,774,852	7,686,200,383
	<b>Net cash flows (used in) from operating activities</b>	<b>20</b>	<b>107,211,496,932</b>	<b>(27,386,572,140)</b>
<b>II</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1	Acquisition and construction of fixed assets	21	(114,997,074,389)	(87,266,757,467)
2	Proceeds from sale, disposals of fixed assets	22	8,425,643,637	164,944,000,000
6	Cash recovered from investments in other entities	26	-	64,306,410,000
7	Interest earned and dividends received	27	4,207,110,606	3,951,477,458
	<b>Net cash flows (used in) from investing activities</b>	<b>30</b>	<b>(102,364,320,146)</b>	<b>145,935,129,991</b>
<b>III</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1	Proceeds from issuing stocks and capital	31	975,035,852,458	-
3	Drawdown of borrowings	33	3,108,114,032,965	3,251,108,227,438
4	Repayment of borrowings	34	(3,722,975,946,742)	(3,006,684,533,136)
6	Dividends paid	36	(185,194,405,300)	(245,684,670,000)
	<b>Net cash flows (used in) from financing activities</b>	<b>40</b>	<b>174,979,533,381</b>	<b>(1,260,975,698)</b>
	Net decrease in cash and cash equivalents	50	179,826,710,167	117,287,582,153
	<b>Cash and cash equivalents at beginning of period</b>	<b>60</b>	<b>155,348,026,509</b>	<b>37,884,639,212</b>
	Effect of exchange rate fluctuations on cash and cash equivalents	61	33,815,511	175,805,144
	<b>Cash and cash equivalents at ending of period</b>	<b>70</b>	<b>335,208,552,187</b>	<b>155,348,026,509</b>

  
\_\_\_\_\_  
Nguyen Thanh Dat  
Preparer

  
\_\_\_\_\_  
Duong Quang Hai  
Chief Accountant



  
\_\_\_\_\_  
Cao Thi Ngoc Dung  
General Director  
18 January 2018

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



## **I. CORPORATE INFORMATION**

Phu Nhuan Jewelry Joint Stock Company (the "Group") 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 Group was listed on Ho Chi Minh Stock Exchange on 23 March 2009 under the stock listing License No. 129/SSC-GPNY issued by the General Director of Ho Chi Minh Stock Exchange on 26 December 2008.

The current principal activities of the Group are to trade gold, silver, jewelry, gemstones, and to import and export gold jewelry, silver and gemstones.

The Group's head office is located at the 170E, Phan Dang Luu Street, Phu Nhuan District, Ho Chi Minh City, Vietnam. In addition, the Group also has two hundred and sixty-one (261) stores in different provinces and cities in Vietnam.

The number of employees as at 31 December 2017 was 5,060 (as at 31 December 2016: 3,951).

### ***Corporate structure***

The Group's corporate structure includes two subsidiaries, as follows:

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 art and craft products, and to import and export art and craft products.

PNJ Laboratory Company Limited ("PNJL"), 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. PNJL'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.

## **II. Basis of preparation**

### **2.1 Accounting standards and system**

The consolidated financial statements of the Group and its subsidiaries ("the Group"), expressed in Vietnam dong ("VND"), are prepared in accordance with Vietnamese Enterprise Accounting System and Vietnamese Accounting Standards (VAS) issued by the Ministry of Finance as per:

- ▶ Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 1);
- ▶ Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- ▶ Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);
- ▶ Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4); and
- ▶ Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 5)

### **2.2 Applied accounting documentation system**

The Group's applied accounting documentation system is the General Journal system.

**2.3 Fiscal year**

The Group's fiscal year applicable for the preparation of its consolidated financial statements starts on 1 January and ends on 31 December.

**2.4 Accounting currency**

The consolidated financial statements are prepared in VND which is also the Group's accounting currency.

**2.5 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries for the year ended 31 December 2017.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continued to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-company balances, income and expenses and unrealized gains or losses resulting from intra-company transactions are eliminated in full.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented in the consolidated income statement and within equity in the consolidated balance sheet, consolidated from parent shareholders' equity.

**III. SUMMARY of SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Changes in accounting policies**

The accounting policies of the Group have used to prepare the consolidated financial statements which consistent with applicable policies were used to prepare the consolidated financial statements for the financial year ended 31 December 2017, except for the change in accounting policy related to the exchange rate.

In the fiscal year ended 31 December 2017. In addition to continue to apply Vietnam Accounting Standard No. 10 - Effects of changes in exchange rates ("VAS 10") as in the previous year. The Group began implementing Circular No. 179/2012 / TT-BTC regulations on recognition, assessment, treatment differences in the exchange rate set by the Ministry of Finance now issued October 24, 2012 ("Circular 179").

According to Circular 179, at the end of the year, the assets and liabilities denominated in foreign currencies are converted into VND at the buying rate of the commercial banks where the Group opened the account. In 2017, the Group used the average exchange rate at the end of bank accounting year to accomplish this conversion.

**3.2 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash at banks, gold, and short-term, highly liquid investments with an original maturity of less than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

**3.3 Receivables**

Receivables are presented in the consolidated financial statements at the carrying amounts due from customers and other debtors, after provision for doubtful debts.

The provision for doubtful debts represents amounts of outstanding receivables at the balance sheet date which are doubtful of being recovered. Increases and decreases to the provision balance are recorded as general and administrative expense in the consolidated income statement.



**3.4 Inventories**

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net reliable value.

Net reliable value represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

The perpetual method is used to record inventories, which are valued as follows:

Merchandises, consumables, and raw materials	- cost of purchase on a weighted average basis.
<u>Finished goods and work-in process</u>	- Cost of direct materials and labor plus attributable manufacturing overheads based on the normal operating capacity on a weighted average basis.

*Provision for obsolete inventories*

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

Increases and decreases to the provision balance are recorded into the cost of goods sold account in the consolidated income statement.

**3.5 Fixed assets**

Tangible and intangible fixed assets are stated at cost less accumulated depreciation or amortization.

The cost of a fixed asset comprises its purchase price and any directly attributable costs of bringing the fixed asset to working condition for its intended use.

Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the consolidated income statement as incurred.

When fixed assets are sold or retired, their cost and accumulated depreciation or amortization are removed from the consolidated balance sheet and any gain or loss resulting from their disposal is included in the consolidated income statement.

*Land use rights*

Land use right is recorded as an intangible fixed asset on the consolidated balance sheet when the Group obtained the land use right certificates. The costs of land use right comprise all directly attributable costs of bringing the land lot to the condition available for intended use.

**3.6 Depreciation and amortization**

Depreciation of tangible fixed assets and amortization of intangible fixed assets are calculated on a straight-line method over the estimated useful life of each asset as follows:

	Years
Buildings and structures	3 - 25 years
Machinery and equipment	3 - 15 years
Motor vehicles	4 - 10 years
Office equipment	3 - 8 years
Computer software	3 years

The useful lives of the fixed assets and depreciation and amortization rates are reviewed periodically to ensure that the method and the period of the depreciation and amortisation are consistent with the expected pattern of economic benefits that will be derived from the use of fixed assets.

**3.7 Borrowing costs**

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds and are recorded as expense during the period in which they are incurred.

**3.8 Prepayment expenses**

Prepaid expenses are reported as short-term or long-term prepaid expenses on the consolidated interim balance sheet and are amortized over the period for which the amounts 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 prepaid expense and are amortised to the consolidated income statement.

- ▶ Prepaid rental includes land and shop rental prepaid for many years under operating lease contracts and are amortized over the lease term;
- ▶ Tools and consumables with large value issued in use and can be used for more than one year; and
- ▶ Others are amortized to the consolidated interim income statement over 2 to 3 years.

**3.9 Investments in associates**

The Group's investment in its associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence that is neither subsidiaries nor joint ventures. The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, the investment is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill arising on acquisition of the associate is included in the carrying amount of the investment and is amortized over a 10-year year. The consolidated income statement reflects the share of the post-acquisition results of operation of the associate.

The share of post-acquisition profit (loss) of the associates is presented on face of the consolidated income statement and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

The financial statements of the associates are prepared for the same reporting year and use the same accounting policies as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

**3.10 Investments in securities and other investments**

Investments in securities and other investments are stated at their acquisition costs. Provision is made for any diminution in value of the investments at the balance sheet date in accordance with the guidance under the Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009. Increases and decreases to the provision balance are recorded as finance expenses in the consolidated income statement.

**3.11 Payables and accruals**

Payables and accruals are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Group.

**3.12 Payable Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event it is probable that an outflow resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation.



**3.13 Foreign currency transactions**

The Group still follows the guidance under VAS 10 related to operations in foreign currencies and are consistently applied in the previous year. Besides VAS 10, starting from 2012. The Group adopted the Circular No.179 for foreign currency transactions as described in Note 3.1.

Transactions in currencies other than the Group's reporting currency of VND are recorded at the exchange rates ruling at the date of the transaction. At the end of the year, monetary assets and liabilities denominated in foreign currencies are translated at buying exchange rate announced by the commercial bank where the Group maintains bank accounts ruling at the balance sheet date. All realized and unrealized foreign exchange differences are taken to the consolidated income statement.

**3.14 Treasury shares**

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss upon purchase, sale, issue or cancellation of the Group's own equity instruments.

**3.15 Appropriation of net profits**

Net profit after tax is available for appropriation to shareholders after approval in the shareholders' meeting, and after making appropriation to reserve funds in accordance with the Group's Charter and Vietnam's regulatory requirements.

The Group maintains the following reserve funds which are appropriated from the Group's net profit as proposed by the Board of Directors and subject to approval by shareholders at the annual general meeting.

▶ Investment and development funds

This fund is set aside for use in the Group's expansion of its operation or in-depth investments.

▶ Bonus and welfare funds

This fund is set aside for the purpose of pecuniary rewarding and encouraging, common benefits and improvement of the employees' benefits, and presented as a liability on the consolidated balance sheet.

**3.16 Earnings per share**

Basic earnings per share amounts are calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Group (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit after tax attributable to ordinary equity holders of the Group (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

**3.17 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods.

*Services rendered*

Revenue is recognised when the service has been rendered.

*Interest*

Revenue is recognised as the interest accrues unless collectability is in doubt.

*Dividends*

Income is recognised when the Group's entitlement as an investor to receive the dividend is established.

**3.18 Taxation**

*Current income tax*

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted as at the balance sheet date.

*Deferred income tax*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for interim financial reporting purposes.

**IV. EVENTS AND MATERIAL TRANSACTIONS**

**1. CASH AND CASH EQUIVALENTS**

	VND	
	31/12/2017	31/12/2016
Cash on hand	62,618,514,523	44,480,482,828
Cash at banks	41,098,189,621	21,879,731,345
Cash in transit	7,441,848,043	4,487,812,336
Cash equivalents	224,050,000,000	84,500,000,000
<b>TOTAL</b>	<b>335,208,552,187</b>	<b>155,348,026,509</b>

**2. SHORT-TERM TRADE RECEIVABLES**

	VND	
	31/12/2017	31/12/2016
Due from third parties	39,953,416,659	34,105,257,366
Provisions for doubtful debt		
<b>TOTAL</b>	<b>39,953,416,659</b>	<b>34,105,257,366</b>

**3. OTHER RECEIVABLES**

	VND	
	31/12/2017	31/12/2016
Due from third parties	11,118,465,591	8,813,861,809
Due from a related party	-	-
<b>TOTAL</b>	<b>11,118,465,591</b>	<b>8,813,861,809</b>
Provision for doubtful debts	(0)	(35,327,600)
<b>NET</b>	<b>11,118,465,591</b>	<b>8,778,534,209</b>



4. PROVISION FOR DOUBTFUL DEBTS

	VND	
	2017	2016
Provision for doubtful debts for beginning of year	(0)	(35,327,600)
<i>Deduction: recovery from doubtful debt</i>	-	-
<i>Deduction: transfer from subsidiary</i>	-	-
Provision for doubtful debts for ending of year	<u>(0)</u>	<u>(35,327,600)</u>

5. INVENTORIES

	VND	
	31/12/2017	31/12/2016
Merchandise goods	2,464,465,182,076	2,040,399,231,035
Goods on consignment	51,255,216,740	20,350,074,590
Raw materials	195,479,212,962	147,661,925,780
Work in process	241,475,582,475	284,243,247,575
Finished goods	336,815,539,305	233,956,735,746
Tools and supplies	37,983,205,995	26,060,583,579
Goods in transit	74,485,287,071	86,017,812,275
<b>TOTAL</b>	<b><u>3,401,959,226,624</u></b>	<b><u>2,838,689,610,580</u></b>

6. PREPAYMENTS

	VND	
	31/12/2017	31/12/2016
a. Current		
Rental expense	12,064,562,902	6,660,179,869
Uniform expense	3,197,043,988	6,242,736,500
Tools and supplies	44,714,948,449	27,586,734,489
Store renovation cost, others	9,140,981,449	4,563,832,892
<b>TOTAL</b>	<b><u>69,117,536,788</u></b>	<b><u>45,053,483,750</u></b>

	VND	
	31/12/2017	31/12/2016
b, Non- Current		
Rental expense	1,213,200,000	898,700,471
Advertisement	938,937,048	1,433,045,277
Tools and supplies	24,820,068,000	10,507,552,360
Other expenses	26,996,115,528	19,867,277,431
<b>TOTAL</b>	<b><u>53,968,320,576</u></b>	<b><u>32,706,575,539</u></b>

7. LONG-TERM INVESTMENTS

	VND			
	31/12/2017		31/12/2016	
<i>Company</i>	<i>Ending period</i>		<i>Begin period</i>	
	<i>Number of shares</i>	<i>In value</i>	<i>Number of shares</i>	<i>In value</i>
Dong A Joint Stock Commercial Bank (DAB)	38,496,250	395,271,613,400	38,496,250	395,271,613,400
<b>TOTAL</b>		<b><u>395,271,613,400</u></b>		<b><u>395,271,613,400</u></b>
Provisions for long-term investment		(395,271,613,400)		(395,271,613,400)
<b>NET</b>		<b><u>0</u></b>		<b><u>0</u></b>

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

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8. FIXED ASSETS:

8.1 TANGIBLE FIXED ASSETS

VND

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Total
<b>Cost:</b>					
31/12/2016	128,935,217,684	183,739,233,141	18,590,288,516	39,333,392,004	370,598,131,345
Additions	6,832,885,142	15,263,066,223	5,846,847,680	8,609,725,053	36,552,524,098
Disposal	-	(9,521,619,759)	(977,990,000)	(35,464,000)	(10,535,073,759)
31/12/2017	135,768,102,826	189,480,679,605	23,459,146,196	47,907,653,057	396,615,581,684
<b>Accumulated depreciation:</b>					
31/12/2016	(25,948,425,860)	(104,071,205,988)	(6,847,091,236)	(26,533,534,950)	(163,400,258,034)
Depreciation for the year	(5,514,403,393)	(22,486,395,163)	(2,174,929,246)	(7,798,900,543)	(37,974,628,345)
Disposal	-	9,494,177,302	977,990,000	35,464,000	10,507,631,302
31/12/2017	(31,462,829,253)	(117,063,423,849)	(8,044,030,482)	(34,296,971,493)	(190,867,255,077)
<b>Net carrying amount:</b>					
31/12/2016	102,986,791,824	79,668,027,153	11,743,197,280	12,799,857,054	207,197,873,311
31/12/2017	104,305,273,573	72,417,255,756	15,415,115,714	13,610,681,564	205,748,326,607

Buildings and machineries pledged to obtain loans from commercial banks (Note 10).



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**8.2 INTANGIBLE FIXED ASSETS**

	VND		
	<i>Indefinite land use rights</i>	<i>Computer Software</i>	<i>Total</i>
<b>Cost:</b>			
31/12/2016	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)
31/12/2017	279,662,657,290	7,078,250,583	286,740,907,873
<b>Accumulated Amortization:</b>			
31/12/2016	-	(4,740,653,591)	(4,740,653,591)
Amortization for the year	-	(1,365,243,192)	(1,365,243,192)
Disposal	-	860,437,000	860,437,000
31/12/2017	-	(5,245,459,783)	(5,245,459,783)
<b>Net carrying amount:</b>			
31/12/2016	205,405,507,890	3,198,033,992	208,603,541,882
31/12/2017	279,662,657,290	1,832,790,800	281,495,448,090

As presented in Note 10 Land use rights were pledged to obtain loans from commercial banks.

**9. CONSTRUCTION IN PROCESS**

	VND	
	31/12/2017	31/12/2016
Transfer land use rights	9,468,078,966	7,337,817,898
Open and renovation stores	197,000,000	195,000,000
<b>TOTAL</b>	<b><u>9,665,078,966</u></b>	<b><u>7,532,817,898</u></b>

**10. LOAN AND FINANCIAL LEASING:**

**SHORT-TERM LOANS**

	VND	
	31/12/2017	31/12/2016
Short-term loans from banks	636,302,797,462	1,177,072,577,649
Short-term loans from individuals	241,410,916,738	239,988,367,398
Current portion of long-term loans	3,700,000,000	31,894,000,000
<b>TOTAL</b>	<b><u>881,413,714,200</u></b>	<b><u>1,448,954,945,047</u></b>

Details of short-term loans with floating rate from commercial banks to finance the Group's working capital requirements are as follows

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

BANKS	AMOUNT	MATURITY DATE	INTEREST	COLLATERAL
<b>SHORT TERM LOANS IN VND</b>	<b>548,694,516,907</b>			
CTBC Bank Company Limited – HCM Branch	67,000,000,000	From 07 January to 05 June 2018	4.5%	Inventories
Vietnam Joint Stock Commercial Bank for Industry and Trade - Branch 1	158,143,056,204	From 10 March to 22 June 2018	5.5%	Inventories
Vietnam Maritime Commercial Stock Bank	20,627,068,000	From 01 January to 12 January 2018	5.0%	Unsecured
Shinhan Bank Vietnam Limited – HCM Branch	60,000,000,000	From 16 January to 07 February 2018	4.5%	Unsecured
Joint Stock Company Bank for Foreign Trade of Vietnam	242,924,392,703	From 07 March to 30 May 2018	5.0%	Land use right at 46 Ngo Quyen, 359 Phan Chu Trinh and machinery with amount of VND 50,000,000,000
<b>SHORT TERM LOANS IN USD</b>	<b>87,608,280,555</b>			
Joint Stock Company Bank for Foreign Trade of Vietnam (\$ 1,950,331)	44,340,782,560	From 07 May to 27 May 2018	2.8%	Land use right at 46 Ngo Quyen, 359 Phan Chu Trinh and machinery with amount of VND 50,000,000,000
Joint Stock Commercial Bank for Investment and Development of Vietnam (\$ 1,903,123)	43,267,497,995	From 08 March to 15 March 2018	2.6%	Inventories
<b>OTHER INDIVIDUALS</b>	<b>241,410,916,738</b>			Unsecured
<b>CURRENT PORTION OF LONG TERM LIABILITIES</b>	<b>3,700,000,000</b>			
<b>TOTAL SHORT TERM LOANS</b>	<b>881,413,714,200</b>			

**LONG-TERM LOANS**

	VND	
	31/12/2017	31/12/2016
Long-term loan from banks	11,100,000,000	58,994,000,000
<b>TOTAL</b>	<b>11,100,000,000</b>	<b>58,994,000,000</b>

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



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

BANKS	AMOUNT	MATURITY DATE	INTEREST	COLLATERAL
<b>LONG TERM LOANS IN VND</b>	<b>14,800,000,000</b>			
Vietnam bank for Agriculture and Rural Development - Branch 4	14,800,000,000	22 January 2021	7.0%	02 Shop House No.PG1-05 and PG1-05A at No.209, 30/4 Street, Xuan Khanh Ward, Ninh Kieu District, Can Tho City
<b><u>In which:</u></b>				
<b><u>CURRENT PORTION OF LONG TERM LIABILITIES</u></b>	<b>3,700,000,000</b>			
Vietnam bank for Agriculture and Rural Development - Branch 4	3,700,000,000			
<b>TOTAL LONG TERM LOANS</b>	<b>11,100,000,000</b>			

**11. SHORT-TERM TRADE PAYABLES**

	VND	
	31/12/2017	31/12/2016
Due to third parties	293,536,667,862	325,730,741,078
Due to related parties	-	-
<b>TOTAL</b>	<b>293,536,667,862</b>	<b>325,730,741,078</b>

**12. STATUTORY OBLIGATIONS**

	VND	
	31/12/2017	31/12/2016
Corporate income tax	86,780,319,066	58,348,994,700
Value-added tax	24,828,137,762	18,310,010,260
Others	5,608,070,004	10,779,894,412
<b>TOTAL</b>	<b>117,216,526,832</b>	<b>87,438,899,372</b>

**13. PAYABLE EXPENSES**

	VND	
	31/12/2017	31/12/2016
Interest expense	2,542,358,151	3,522,244,251
Rental expense	669,390,900	-
Others advertisement and promotion	1,417,268,715	2,832,470,488
<b>TOTAL</b>	<b>4,629,017,766</b>	<b>6,354,714,739</b>

**14. OTHER PAYABLES**

	VND	
	31/12/2017	31/12/2016
Other Payables	52,260,372,515	27,608,104,037
<b>TOTAL</b>	<b>52,260,372,515</b>	<b>27,608,104,037</b>

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

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15. OWNES' EQUITY

15.1 Movement in owners' equity

VND

For the three-month period ended 31 December 2016

	Share capital	Share premium	Treasury shares	Investment and development fund	Undistributed earnings	Total
01/01/2016	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
Dividends declared	-	-	-	-	(245,684,670,000)	(245,684,670,000)
Board of Management and Board of Directors funds	-	-	-	-	(4,500,000,000)	(4,500,000,000)
Transfer to bonus and welfare funds	-	-	-	-	(15,230,000,000)	(15,230,000,000)
Adjust Profit Appropriations	-	-	-	(75,560,053,865)	75,560,053,865	-
<b>31/12/2016</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>

For the three month period ended 31 December 2017

	Share capital	Share premium	Treasury shares	Investment and development fund	Undistributed earnings	Total
01/01/2017	982,745,770,000	-	(7,090,000)	144,087,556,918	373,500,473,746	1,500,326,710,664
Profit for the period	-	-	-	-	725,609,125,397	725,609,125,397
Dividends declared	-	-	-	-	(186,720,419,400)	(186,720,419,400)
Issue Private Placement	98,274,570,000	876,761,282,458	-	-	975,035,852,458	1,950,301,269,119
Investment and development funds appropriation	-	-	-	76,000,000,000	(76,000,000,000)	-
Board of management and Board of Supervisor funds	-	-	-	-	(6,750,000,000)	(6,750,000,000)
Board of Directors funds	-	-	-	-	(12,200,000,000)	(12,200,000,000)
Transfer to bonus and welfare funds	-	-	-	-	(45,000,000,000)	(45,000,000,000)
<b>31/12/2017</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>772,439,179,743</b>	<b>2,950,301,269,119</b>



15.2 Capital transactions with owners and distribution of dividends

	VND	
	<i>Current period</i>	<i>Previous period</i>
<b>Contributed share capital</b>		
Beginning balance	982,745,770,000	982,745,770,000
Increase	98,274,570,000	-
Ending balance	<b>1,081,020,340,000</b>	<b>982,745,770,000</b>

15.3 Share – Ordinary shares

	VND	
	<i>31/12/2017</i>	<i>31/12/2016</i>
	<i>Number of shares</i>	<i>Number of shares</i>
<b>Shares authorized to be issued</b>	<b>108,102,034</b>	<b>98,274,577</b>
Shares issued and fully paid		
<i>Ordinary shares</i>	108,102,034	98,274,577
Treasury shares		
<i>Ordinary shares</i>	(709)	(709)
Shares in circulation		
<i>Ordinary shares</i>	<b>108,101,325</b>	<b>98,273,868</b>

An ordinary share has par value of VND 10,000

15.4 Earnings per share

The following table shows the income and share data used in the basic and diluted earnings per share calculations:

	VND	
	<i>Current period</i>	<i>Previous period</i>
Net profit attributable to ordinary equity holders of the Group	277,368,980,177	144,998,973,506
Weighted average number of ordinary shares during the year for basic earnings per share	108,101,325	98,273,868
Basic and diluted earnings per share	-	-
Net profit attributable to ordinary equity holders of the Group	<b>108,101,325</b>	<b>98,273,868</b>
<b>Earnings per share (VND/share)</b>	<b>2,052</b>	<b>964</b>
<b>Diluted earning</b>		

16. REVENUE

16.1 REVENUE FROM GOOD SOLD AND SERVICES RENDERED

	VND	
	Current period	Previous period
<b>Gross revenue</b>	<b>3,246,869,473,258</b>	<b>2,659,446,896,266</b>
<i>Of which:</i>		
<i>Sale of gold, silver and jewelry</i>	3,232,554,840,992	2,647,055,614,895
<i>Sale of accessories</i>	5,701,109,856	5,334,472,264
<i>Rendering of services</i>	8,613,522,410	7,056,809,107
<i>Investment properties</i>	-	-
<b>Less</b>		
<i>Sale returns</i>	(25,206,209,897)	(15,180,517,998)
<i>Sale discount</i>	-	-
<i>Indirect taxes</i>	-	-
<b>Net revenue</b>	<b><u>3,221,663,263,361</u></b>	<b><u>2,644,266,378,268</u></b>
<i>Of which:</i>		
<i>Sale of gold, silver and jewelry</i>	3,207,348,631,095	2,631,878,196,897
<i>Sale of accessories</i>	5,701,109,856	5,331,372,264
<i>Rendering of services</i>	8,613,522,410	7,056,809,107

16.2 FINANCIAL INCOME

	VND	
	Current period	Previous period
Dividends earned	-	-
Interest income	2,331,891,491	2,904,126,047
Foreign exchange gain	974,274,669	77,422,360
Others	-	-
<b>TOTAL</b>	<b><u>3,306,166,160</u></b>	<b><u>2,981,548,407</u></b>

17. COST OF GOODS SOLD AND SERVICES RENDERED

	VND	
	Current period	Previous period
Cost of gold, silver and gemstone	2,650,532,840,103	2,259,414,751,466
Cost of accessories	5,881,666,145	3,639,091,350
<b>TOTAL</b>	<b><u>2,656,414,506,248</u></b>	<b><u>2,263,053,842,816</u></b>

18. FINANCIAL EXPENSES

	VND	
	Current period	Previous period
Finance expense	9,564,728,250	18,022,426,145
Realized foreign exchange loss	6,188,487	4,718,602,400
Provision for long-term investment	-	16,941,924,480
Others	78,924,630	-
<b>TOTAL</b>	<b><u>9,649,841,367</u></b>	<b><u>39,682,953,025</u></b>



19. PRODUCTION COST BY NATURE

	VND	
	<i>Current period</i>	<i>Previous period</i>
Raw materials	23,067,878,149	13,720,890,341
Labor costs	145,706,857,456	86,576,013,199
Depreciation and amortization	4,384,809,958	3,792,520,167
Expenses for external services	50,517,364,323	59,911,746,720
Other expenses	58,088,861,808	35,925,529,656
<b>TOTAL</b>	<b><u>281,765,771,694</u></b>	<b><u>199,926,700,083</u></b>

20. CORPORATE INCOME TAX

The Group has the obligation to pay corporate income tax ("CIT") at the rate of 20% of taxable profits.

The tax returns filed by Company are subject to examination by the tax authorities. As the application of tax laws and regulations is susceptible to varying interpretations, the amounts reported in the consolidated interim financial statements could change at a later date upon final determination by the tax authorities.

21. Current CIT

	VND	
	<i>Current period</i>	<i>Previous period</i>
Current CIT expense	55,039,171,263	50,116,809,974
<b>TOTAL</b>	<b><u>55,039,171,263</u></b>	<b><u>50,116,809,974</u></b>

22. OPERATING LEASE COMMITMENTS

The Group leases outlets under operating lease arrangements, Future rental amounts due under such operating leases after 31 December 2017 were as follows:

	VND	
	<i>31/12/2017</i>	<i>31/12/2016</i>
Within 1 year	88,405,812,273	14,147,525,032
From 1 to 5 years	235,914,790,510	90,213,735,876
Over 5 years	119,059,092,000	241,897,121,767
<b>TOTAL</b>	<b><u>443,379,694,783</u></b>	<b><u>346,258,382,675</u></b>

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to market risk, credit risk and liquidity risk.

Risk management transaction is indispensable for the entire business operations of the Group. The Group has developed control system to ensure reasonable balance between the cost of incurred risk and the cost of risk management. The Board of Directors continually

monitors the risk management processes of the Group to ensure an appropriate balance between risk management and risk control.

Management reviews and agrees policies for managing each of these risks which are summarized below.

***Market risk***

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans.

***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rate relates primarily to the Group's loans with floating interest rates.

The Group manages its interest rate risk by keeping close watch on relevant market situation, in order to contemplate and adapt its leverage level as well as financing strategies to the prevailing situation.

***Foreign currency risk***

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

Risks due to changes in exchange rates of the Group is insignificant.

***Equity price risk***

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainty about future values of the investment securities. The Group manages equity price risk by placing a limit on equity investments. The Group's Board of Directors reviews and approves all equity investment decisions.

***Commodity price risk***

The Group exposes to commodity price risk in relation to purchase of certain commodities. The Group manages its commodity prices risk by keeping close watch on relevant information and situation of commodity market in order to properly manage timing of purchases, production plans and inventories level. The Group does not employ any derivative financial instruments to hedge its commodity price risk.

***Credit risk***

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks.

***Trade receivables***

Customer credit risk is managed by the Group based on its established policy, procedures and control. The Group's exposure to credit risk in relation with receivables is mainly influenced by the individual characteristics of each customer. The Group mostly has cash sale which are not exposure to the credit risk.

Outstanding customer receivables are regularly monitored. The requirement for impairment is analyzed at each reporting date on an individual basis for major clients. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.



*Bank deposits*

The Group's bank balances are mainly maintained with well-known banks in Vietnam, Credit risk from balances with banks is managed in accordance with the Group's policy, The Group's maximum exposure to credit risk for the components of the consolidated balance sheet at each reporting dates are the carrying amounts as illustrated. The Group evaluates the concentration of credit risk in respect to bank deposit as low.

*Liquidity risk*

The liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligation due to shortage of funds, The Group's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities.

The Group monitors its liquidity risk by maintaining a level of cash, cash equivalents and bank loans deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

*Collateral*

The Group has pledged its fixed assets, inventories in order to fulfil the collateral requirements for loans obtained from commercial banks

The Group did not hold any collateral at 31 December 2016 and 31 December 2017,

**24, FACTORS EFFECT TO FINANCIAL INCOME IN THE PERIOD**

In 2017, with positive macroeconomic stability, positive signals from the market, PNJ affirmed the advantages of the retail system: opening 54 new stores, PNJ brand name jewelry, delicate and quality, elite team of staff, dynamic and creative,

Implementing the strategy of expanding the retail system, 4Q2017 PNJ reached VND 3,247 billion in revenue, up 22% compare to the same period 2016, with the key is retail jewelry sales,


With the expansion retail network, operating expenses were VND282 billion, up 41% yoy

Interest expense was VND9.5 billion, count down 47% yoy due to significant reducing in short-term borrowings.

In 2017, PNJ achieved:

- Net revenue was VND 10,976 billion, completing 115% of the plan and up 28% to the same period.
- Consolidated profit before tax was VND908 billion, fulfilling 120% of the plan and up 54% to the same period.

  
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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  
18 January 2018