



PHU NHUAN JEWELRY JOINT STOCK COMPANY

Consolidated interim Financial Statements

for the three-month period ended 31 March 2018

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three months period ended 31 March 2018

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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 seventy nine (279) 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
Mr. Le Huu Hanh	Director of Jewelry Factory
Ms. Dang Thi Lai	Director of Finance-Accounting
Ms Tran Thi Thu Ha	Director of Retail
Ms. 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. Nguyen Anh Hung	Director of Human Resource
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 March 2018

Unit: VND

	ASSETS	Code	Notes	31/03/2018	31/12/2017
A	CURRENT ASSETS	100		3,872,677,138,687	3,896,141,901,410
I	Cash and cash equivalents	110		81,899,944,010	175,208,552,187
1	Cash	111		81,899,944,010	111,158,552,187
2	Cash equivalents	112		-	64,050,000,000
II	Current financial investment	120		65,000,000	160,065,000,000
3	Held to maturity investments	123		65,000,000	160,065,000,000
III	Current accounts receivable	130		108,604,897,949	84,622,464,067
1	Trade receivables	131		52,858,316,685	39,946,216,659
2	Advances to suppliers	132		44,366,799,350	33,682,107,963
6	Other receivables	136		11,323,958,943	10,858,761,425
8	Shortage of assets pending resolution	139		55,822,971	135,378,020
IV	Inventories	140		3,607,975,543,026	3,401,959,226,624
1	Inventories	141		3,607,975,543,026	3,401,959,226,624
V	Other current assets	150		74,131,753,702	74,286,658,532
1	Short-term prepaid expenses	151		63,568,914,271	69,117,536,788
2	Value added tax deductibles	152		140,428,998	28,174,789
3	Tax and other receivables from the State	153		10,422,410,433	5,140,946,955
B	NON-CURRENT ASSETS	200		815,719,289,943	596,103,931,401
I	Non-current account receivables	210		46,243,189,214	42,787,737,738
6	Other non-current receivables	216		46,243,189,214	42,787,737,738
II	Fixed assets	220		668,852,820,114	487,243,774,697
1	Tangible fixed assets	221		208,184,182,822	205,748,326,607
	- Cost	222		408,320,249,245	396,615,581,684
	- Accumulated depreciation (*)	223		(200,136,066,423)	(190,867,255,077)
3	Intangible fixed assets	227		460,668,637,292	281,495,448,090
	- Cost	228		466,255,407,873	286,740,907,873
	- Accumulated depreciation (*)	229		(5,586,770,581)	(5,245,459,783)
IV	Non-current assets in progress	240		34,585,310,216	9,665,078,966
2	Construction in progress	242		34,585,310,216	9,665,078,966
V	Long-term investments	250		-	-
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)
VI	Other long-term assets	260		66,037,970,399	56,407,340,000
1	Long-term prepaid expenses	261		63,598,950,975	53,968,320,576
2	Deferred tax assets	262		2,439,019,424	2,439,019,424
	TOTAL ASSETS	270		4,688,396,428,630	4,492,245,832,811

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

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 March 2018

Unit: VND

	RESOURCES	Code	Notes	31/03/2018	31/12/2017
C	LIABILITIES	300		1,489,492,690,119	1,542,697,241,029
I	Current liabilities	310		1,403,604,033,119	1,488,758,034,029
1	Trade payables	311		275,576,128,719	278,898,463,294
2	Advances from customers	312		44,632,906,145	37,773,098,354
3	Statutory obligations	313		129,889,730,744	117,206,887,902
4	Payables to employees	314		70,449,350,137	99,466,563,099
5	Accrued expenses	315		91,121,991,970	4,629,017,766
8	Short-term unrealized revenue	318		1,368,436,364	-
9	Other payables	319		52,039,611,743	52,071,661,615
10	Short-term loans	320		700,313,899,131	846,278,850,200
12	Bonus and welfare fund	322		38,211,978,166	52,433,491,799
II	Non-current liabilities	330		85,888,657,000	53,939,207,000
7	Other long-term liabilities	337		628,026,000	628,026,000
8	Long-term loans	338		78,184,314,000	46,234,864,000
12	Long-term provisions	342		7,076,317,000	7,076,317,000
D	EQUITY	400		3,198,903,738,511	2,949,548,591,782
I	Owner's equity	410		3,198,903,738,511	2,949,548,591,782
1	Owner's contributed capital	411		1,081,020,340,000	1,081,020,340,000
2	Share premium	412		876,761,282,458	876,761,282,458
5	Treasury shares (*)	415		(7,090,000)	(7,090,000)
8	Investment and development fund	418		220,087,556,918	220,087,556,918
11	Retained earning	421		1,021,041,649,135	771,686,502,406
	<i>Retained earnings accumulated to prior year end</i>	421a		684,781,388,701	154,931,379,346.00
	<i>Retained earnings of the current period</i>	421b		336,260,260,434	616,755,123,060
	TOTAL RESOURCES	440		4,688,396,428,630	4,492,245,832,811

OFF BALANCE SHEET ITEM

ITEMS	31/03/2018	31/12/2017
Foreign currencies:		
- United States dollar (USD)	35,735	137,582
- Gold taels	9,270	3,850
- Australian Dollar (AUD)	473	495
- Euro Dollar (EUR)	505	518


Nguyen Thanh Dat
Preparer


Duong Quang Hai
Chief Accountant

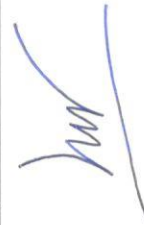

Cao Thi Ngoc Dung
General Director
19 April 2018



INCOME STATEMENT
For the three-month period ended 31 March 2018

Unit: VND

No	ITEMS	Code	Notes	Three-month period ended		Accumulated year	
				31/03/2018	31/03/2017	Current year	Previous year
1	Gross revenue from sale of goods and services rendered	01		4,166,588,283,379	3,148,657,892,414	4,166,588,283,379	3,148,657,892,414
2	Deductions	02		27,135,169,850	17,686,834,699	27,135,169,850	17,686,834,699
3	Net revenue from sale of goods and services rendered	10		4,139,453,113,529	3,130,971,057,715	4,139,453,113,529	3,130,971,057,715
4	Cost of goods sold and services rendered	11		3,369,430,601,006	2,580,113,337,664	3,369,430,601,006	2,580,113,337,664
5	Gross profit from sale of goods and services rendered	20		770,022,512,523	550,857,720,051	770,022,512,523	550,857,720,051
6	Finance income	21		5,994,175,297	1,944,801,676	5,994,175,297	1,944,801,676
7	Finance expense	22		13,983,492,084	18,999,850,096	13,983,492,084	18,999,850,096
8	<i>In which: interest expense</i>	23		13,553,130,698	18,284,670,399	13,553,130,698	18,284,670,399
8	Selling expenses	25		281,595,451,271	183,222,217,210	281,595,451,271	183,222,217,210
9	General and administrative expenses	26		60,606,184,051	39,339,789,040	60,606,184,051	39,339,789,040
10	Operating profit	30		419,831,560,414	311,240,665,381	419,831,560,414	311,240,665,381
11	Other income	31		1,057,572,840	230,857,025	1,057,572,840	230,857,025
12	Other expense	32		134,618,904	396,316,035	134,618,904	396,316,035
13	Other profit	40		922,953,936	(165,459,010)	922,953,936	(165,459,010)
14	Profit (loss) from associates	45		0	0	0	0
14	Accounting profit before tax	50		420,754,514,350	311,075,206,371	420,754,514,350	311,075,206,371
15	Current corporate income tax expense	51		84,494,253,916	62,336,109,292	84,494,253,916	62,336,109,292
17	Net profit after corporate income tax	60		336,260,260,434	248,739,097,079	336,260,260,434	248,739,097,079
19	Earning per share	70		3,111	2,531	3,111	2,531



Nguyen Thanh Dat
Preparer



Duong Quang Hai
Chief Accountant



Cao Thi Ngoc Dung
General Director
19 April 2018

CONSOLIDATED CASH FLOW STATEMENT
For the three-month period ended 31 March 2018

Unit: VND

No	ITEMS	Codes	Accumulated year	
			Current year	Previous year
I	CASH FLOWS FROM OPERATING ACTIVITIES			
1	Profit before tax	01	420,754,514,350	311,075,206,371
2	Adjustment for			
	- Depreciation and amortization	02	9,947,182,144	9,543,380,373
	denominated in foreign currencies		-	
	- (Gain)/loss from investing activities	05	(5,894,368,533)	(1,348,212,636)
	- Interest expense	06	13,553,130,698	18,284,670,399
3	Operating profit before changes in working capital	08	438,360,458,659	337,555,044,507
	- (Increase)/Decrease in receivables	09	(12,071,458,695)	(25,512,575,123)
	- Increase in inventories	10	(206,016,316,402)	(8,097,088,186)
	- Increase in payables	11	40,949,743,548	(17,210,524,577)
	- Increase in prepaid expenses	12	(4,082,007,882)	(3,767,112,454)
	- Interest paid	14	(13,621,293,461)	(19,695,265,574)
	- Corporate income tax paid	15	(87,145,313,529)	(58,726,097,063)
	- Other cash inflows from operating activities	16	-	58,338,866
	- Other cash outflows from operating activities	17	(1,082,640,170)	-
	Net cash flows (used in) from operating activities	20	155,291,172,068	204,604,720,396
II	CASH FLOWS FROM INVESTING ACTIVITIES			
1	Acquisition and construction of fixed assets	21	(216,476,458,811)	(8,745,719,979)
2	Proceeds from sale, disposals of fixed assets	22	100,000,000	4,000,000
4	Receipt from collection loans of other entities	24	160,000,000,000	
7	Interest earned and dividends received	27	5,894,368,533	1,348,212,636
	Net cash flows (used in) from investing activities	30	(50,482,090,278)	(7,393,507,343)
III	CASH FLOWS FROM FINANCING ACTIVITIES			
3	Drawdown of borrowings	33	1,147,089,495,620	740,096,780,632
4	Repayment of borrowings	34	(1,261,451,068,707)	(965,994,299,794)
6	Dividends paid	36	(83,756,116,880)	
	Net cash flows (used in) from financing activities	40	(198,117,689,967)	(225,897,519,162)
	Net decrease in cash and cash equivalents	50	(93,308,608,177)	(28,686,306,109)
	Cash and cash equivalents at beginning of period	60	175,208,552,187	155,348,026,509
	Cash and cash equivalents at ending of period	70	81,899,944,010	126,661,720,400



Nguyen Thanh Dat
Preparer



Duong Quang Hai
Chief Accountant





Cao Thi Ngoc Dung
General Director
19 April 2018

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 seventy-nine (279) stores in different provinces and cities in Vietnam.

The number of employees as at 31 March 2018 was 5,170 (as at 31 December 2017: 5,060).

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 period of 1Q2018 ended 31 March 2018.

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

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.
Finished goods and work-in process	- 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 period 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.

3.11 Payables and accruals

Payables and accrued expenses are recognized for future amounts paid in respect of goods and services received regardless of whether the Group has received the supplier's invoice.

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 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.

3.14 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.

3.15 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.

3.16 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.

3.17 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.

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

IV. EVENTS AND MATERIAL TRANSACTIONS

1. CASH AND CASH EQUIVALENTS

	31/03/2018	VND 31/12/2017
Cash on hand	50,047,932,399	62,618,514,523
Cash at banks	26,567,392,493	41,098,189,621
Cash in transit	5,284,619,118	7,441,848,043
Cash equivalents	-	64,050,000,000
TOTAL	81,899,944,010	175,208,552,187

2. FINANCIAL INVESTMENT

	31/03/2018	VND 31/12/2017
a. Current		
Deposit	65,000,000	160,065,000,000
_An Binh Commercial Joint Stock Bank	65,000,000	65,000,000
_Orient Commercial Joint Stock Bank	-	40,000,000,000
_Viet Capital Commercial Joint Stock Bank	-	80,000,000,000
_South East Asia Commercial Joint Stock Bank	-	40,000,000,000
TOTAL	65,000,000	160,065,000,000
b. Non - Current		
Long-term investments	-	-
_Dong A Bank JSC (EAB)	395,271,613,400	395,271,613,400
_Provision for long-term investments (EAB) (*)	(395,271,613,400)	(395,271,613,400)
TOTAL	-	-

As at 31 March 2018, Dong A Joint Stock Commercial Bank was still under special control by State Bank of Vietnam and shares are not transferable.
The "Group" holds 38,496,250 EAB shares corresponding EAB ownership ratio (ratio of voting rights) is 7.69%

3. SHORT-TERM TRADE RECEIVABLES

	31/03/2018	VND 31/12/2017
FH Trautz GmbH	6,206,721,213	6,579,765,533
DC&D Company	9,099,027,968	3,934,729,248
Others	37,552,567,504	29,431,721,878
TOTAL	52,858,316,685	39,946,216,659

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

4. OTHER RECEIVABLES

	31/03/2018	VND 31/12/2017
a. Current		
_Advance to employees	3,633,277,779	769,950,291
_Due from pawnshop	3,400,000,000	-
_Others	4,290,681,164	10,088,811,134
TOTAL	11,323,958,943	10,858,761,425
b. Non-Current		
_Deposit for long-term renting stores	46,243,189,214	42,787,737,738
TOTAL	46,243,189,214	42,787,737,738

5. PREPAYMENTS

	31/03/2018	VND 31/12/2017
a. Current		
Tools and supplies	45,163,702,092	44,714,948,449
Stores rental	10,485,763,416	12,064,562,902
Uniform expense	120,143,422	3,197,043,988
Office and store renovation expenses	4,003,957,002	5,358,794,675
Others	3,795,348,339	3,782,186,774
TOTAL	63,568,914,271	69,117,536,788
b. Non-Current	31/03/2018	31/12/2017
Tools and supplies	29,852,411,626	23,740,082,367
Stores rental	2,101,220,000	1,213,200,000
Office and store renovation expenses	29,528,692,234	24,269,615,250
Others	2,116,627,115	4,745,422,959
TOTAL	63,598,950,975	53,968,320,576

6. INVENTORIES

	31/03/2018	VND 31/12/2017
Goods in transit	61,869,083,354	74,485,287,071
Raw materials	247,241,753,921	195,479,212,962
Tools and supplies	36,611,789,710	37,983,205,995
Work in Process	269,636,918,379	241,475,582,475
Finished goods	215,034,130,675	336,815,539,305
Merchandise goods	2,705,572,589,352	2,464,718,787,076
Goods on consignment	72,009,277,635	51,001,611,740
TOTAL	3,607,975,543,026	3,401,959,226,624

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

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8. FIXED ASSETS:		VND				
8.1 TANGIBLE FIXED ASSETS		Buildings and structures	Machinery and equipment	Motor vehicles	Office equipments	TOTAL
Cost:						
31/12/2017		135,768,102,826	189,480,679,605	23,459,146,196	47,907,653,057	396,615,581,684
Additions		1,985,500,000	8,085,192,692	-	1,971,034,869	12,041,727,561
Disposal		-	-	(337,060,000)	-	(337,060,000)
31/03/2018		137,753,602,826	197,565,872,297	23,122,086,196	49,878,687,926	408,320,249,245
Accumulated depreciation:						
31/12/2017		(31,462,829,253)	(117,063,423,849)	(8,044,030,482)	(34,296,971,493)	(190,867,255,077)
Depreciation for the year		(1,473,936,798)	(6,060,263,513)	(653,193,652)	(1,418,477,383)	(9,605,871,346)
Disposal		-	-	337,060,000	-	337,060,000
31/03/2018		(32,936,766,051)	(123,123,687,362)	(8,360,164,134)	(35,715,448,876)	(200,136,066,423)
Net carrying amount						
31/12/2017		104,305,273,573	72,417,255,756	15,415,115,714	13,610,681,564	205,748,326,607
31/03/2018		104,816,836,775	74,442,184,935	14,761,922,062	14,163,239,050	208,184,182,822

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

8.2 INTANGIBLE FIXED ASSETS

VND

	<i>Indefinite land use rights</i>	<i>Computer software</i>	<i>Total</i>
Cost:			
31/12/2017	279,662,657,290	7,078,250,583	286,740,907,873
Additions	179,514,500,000	-	179,514,500,000
Disposal	-	-	-
31/03/2018	459,177,157,290	7,078,250,583	466,255,407,873
Accumulated amortization:			
31/12/2017	-	(5,245,459,783)	(5,245,459,783)
Amortization for the year	-	(341,310,798)	(341,310,798)
Disposal	-	-	-
31/03/2018	-	(5,586,770,581)	(5,586,770,581)
Net carrying amount			
31/12/2017	279,662,657,290	1,832,790,800	281,495,448,090
31/03/2018	459,177,157,290	1,491,480,002	460,668,637,292

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

9. CONSTRUCTION IN PROCESS

VND

	<i>31/03/2018</i>	<i>31/12/2017</i>
Shop-House Vincom -Thanh Hoa	9,468,078,966	9,468,078,966
House and land use right Nguyen An Ninh - Binh Duong	24,920,231,250	-
Others	197,000,000	197,000,000
TOTAL	34,585,310,216	9,665,078,966

10. LOAN AND FINANCIAL LEASING:

VND

	<i>31/03/2018</i>	<i>31/12/2017</i>
a. Current		
Loans from commercial bank	513,179,255,721	636,302,797,462
Loans from individuals	183,434,643,410	206,276,052,738
Current portion of long-term liabilities	3,700,000,000	3,700,000,000
TOTAL	700,313,899,131	846,278,850,200
b. Non-current		
Loans from commercial bank	11,100,000,000	11,100,000,000
Loans from individuals	67,084,314,000	35,134,864,000
TOTAL	78,184,314,000	46,234,864,000

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

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BANK	AMOUNT	MATURITY DATE	INTEREST RATE	COLLATERAL
SHORT-TERM LOANS IN VND	404,190,797,660			
CTBC Bank Co.,Ltd - HCMC Branch	67,000,000,000	From 05 June to 19 July 2018	4.5%	Inventories
Vietnam Joint Stock Commercial Bank for Industry and Trade - Branch 1	195,016,931,134	From 19 June to 02 July 2018	5.2% - 5.3%	Inventories
Shihan Bank Vietnam Limited - HCM Branch	40,000,000,000	From 16 April to 07 May 2018	5.0% - 5.3%	Unsecured
Joint Stock Company Bank for Foreign Trade of Vietnam	93,166,158,526	From 04 May to 07 May 2018	5.0%	Land use right at 46 Ngo Quyen, 359 Phan Chu Trinh and machinery with
Military Commercial Joint Stock Bank	9,007,708,000	6-May-18	5.2%	Unsecured
Short-term loans in USD	108,988,458,061			
Joint Stock Company Bank for Foreign Trade of Vietnam (USD 1,800,331)	41,083,560,722	From 07 May to 27 May 2018	2.8%	Land use right at 46 Ngo Quyen, 359 Phan Chu Trinh and machinery with
Bank for Investment and Development of Vietnam JSC - Hoc Mon Branch (USD 625,475)	14,279,516,418	Form 06 May to 07 May 2018	2.6%	Inventories
Orient Commercial Joint Stock Bank (USD 1,522,852)	34,751,486,519	From 12 July to 18 July 2018	3.0%	Unsecured
Southeast Asia Commercial Joint Stock Bank - Tan Binh Branch (USD 827,076)	18,873,894,402	From 29 April to 08 May 2018	3.0%	House at 123 Hung Vuong, Da Nang and Inventories
OTHER INDIVIDUALS	183,434,643,410		7.6%	Unsecured
CURRENT PORTION OF LONG-TERM LIABILITIES	3,700,000,000			
TOTAL SHORT-TERM LOANS	700,313,899,131			

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

BANK	AMOUNT	MATURITY DATE	INTEREST RATE	COLLATERAL
LONG-TERM LOANS IN VND	14,800,000,000			
Vietnam bank for Agriculture and Rural Development - Branch 4	14,800,000,000	22-Jan-21	9.0%	02 Shop House: No.PG1-05 and PG1-05A at No.209, 30/4 Street, Xuan Khanh Ward, Ninh Kieu Dist, Can Tho City
<i>In which: Current portion of long-term liabilities</i>	3,700,000,000			
<i>Vietnam bank for Agriculture and Rural Development - Branch 4</i>	3,700,000,000			
OTHER INDIVIDUALS	67,084,314,000		7.6%	Unsecured
TOTAL LONG-TERM LOANS	78,184,314,000			

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

11. SHORT-TERM TRADE PAYABLES

	31/03/2018	VND 31/12/2017
Forte Jewellery (HK) Co., Ltd	39,927,795,290	65,477,465,822
Lien Nguyen Co.,Ltd	93,481,820	40,143,266,820
Quang Vinh Nguyen Import - Export Co.,Ltd	6,640,446,777	39,082,098,777
Shrenuj Fareast Co.,Ltd	33,039,223,092	27,539,371,113
Others	195,875,181,740	106,656,260,762
TOTAL	275,576,128,719	278,898,463,294

12. TAXES AND OTHER RECEIVABLES FROM PAYABLES TO THE STATE BUDGET

	Opening Period	Receivable / Payable in the period	Received/ Paid in the period	Closing Period
a. Receivables				
Valued added tax from import	5,040,800,081	37,173,550,496	31,960,140,013	10,254,210,564
Deductible value added tax	28,174,789	120,158,551	7,904,342	140,428,998
Import-Export tax	46,573,388	1,368,430,755	1,299,877,760	115,126,383
Others	53,573,486	2,000,000	2,500,000	53,073,486
TOTAL	5,169,121,744	38,664,139,802	33,270,422,115	10,562,839,431
b. Payable				
Valued added tax	24,828,137,762	76,148,595,013	62,909,573,045	38,067,159,730
Corporate income tax	86,768,211,164	84,494,253,916	87,145,313,529	84,117,151,551
Personal income tax	1,014,111,705	15,754,841,928	13,664,961,441	3,103,992,192
Others	4,596,427,271	245,615,000	240,615,000	4,601,427,271
TOTAL	117,206,887,902	176,643,305,857	163,960,463,015	129,889,730,744

13. OTHER PAYABLES

	31/03/2018	VND 31/12/2017
a. Current		
_Trade Union fees	2,394,415,327	1,441,680,965
_Bonus of the Board of Management and the Board of Directors	12,200,000,000	12,200,000,000
_Fund of Board of Management and Board of Directors	4,793,894,790	4,407,841,085
_Payable to Trade Union fund	6,102,599,314	6,062,859,444
_Dividends payable	3,665,926,645	2,876,064,645
_Tuan Ngan Jewelry Private Enterprise	4,329,902,357	10,281,582,283
_Others	18,552,873,310	14,801,633,193
TOTAL	52,039,611,743	52,071,661,615
b. Non-current		
_Long-term deposit	628,026,000	628,026,000
TOTAL	628,026,000	628,026,000

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

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15. OWNERS' EQUITY

Movement in owners' equity

VND

	Share capital	Share premium	Treasury shares	Investment and development fund	Undistributed earnings	Total
Prior period's opening balance	982,745,770,000		(7,090,000)	144,087,556,918	373,500,473,746	1,500,326,710,664
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
Dividend declared	-	-	-	-	(186,720,419,400)	(186,720,419,400)
Profit appropriation	-	-	-	76,000,000,000	(139,950,000,000)	(63,950,000,000)
_ Investment and development fund appropriation	-	-	-	76,000,000,000	(76,000,000,000)	-
_ Transfer to bonus and welfare funds	-	-	-	-	(45,000,000,000)	(45,000,000,000)
_ Board of Management fund	-	-	-	-	(6,750,000,000)	(6,750,000,000)
_ Board of Directors	-	-	-	-	(12,200,000,000)	(12,200,000,000)
_ Board of Management and Board of Directors bonus	-	-	-	-	-	-
Current period's opening balance	1,081,020,340,000	876,761,282,458	(7,090,000)	220,087,556,918	771,686,502,406	2,949,548,591,782
Profit for the year	-	-	-	-	336,260,260,434	336,260,260,434
Dividend declared	-	-	-	-	(86,481,060,000)	(86,481,060,000)
Profit appropriation	-	-	-	-	(424,053,705)	(424,053,705)
Current period's closing balance	1,081,020,340,000	876,761,282,458	(7,090,000)	220,087,556,918	1,021,041,649,135	3,198,903,738,511

According to resolution No.1607/2017/NQ-HDQT-CTY dated 24 November 2017 of Board of Management's meeting, PNJ paid the cash for the second time of dividend distribution of in 2017 with payment rate of 8% per share.

16. REVENUE

16.1 REVENUE FROM GOOD SOLD AND SERVICES RENDERED

	<i>Current period</i>	<i>Previous period</i>
		VND
Gross revenue	4,166,588,283,379	3,148,657,892,414
<i>In which:</i>		
Sale of gold, silver and jewelry	4,149,503,079,355	3,135,160,180,986
Sale of accessories	7,269,210,718	6,621,607,288
Rendering services	9,815,993,306	6,876,104,140
Less:		
Goods returned	27,135,169,850	17,686,834,699
Net revenue	4,139,453,113,529	3,130,971,057,715
<i>In which:</i>		
Sale of gold, silver and jewelry	4,122,367,909,505	3,117,473,346,287
Sale of accessories	7,269,210,718	6,621,607,288
Rendering services	9,815,993,306	6,876,104,140

16.2 FINANCIAL INCOME

	<i>Current period</i>	<i>Previous period</i>
		VND
Interest income	46,096,129	42,186,180
Foreign exchange gain	97,861,769	593,402,340
Interest from deposit	5,850,217,399	1,309,213,156
TOTAL	5,994,175,297	1,944,801,676

17. COST OF GOODS SOLD AND SERVICES RENDERED

	<i>Current period</i>	<i>Previous period</i>
		VND
Cost of gold, silver and jewelry	3,362,413,342,824	2,574,161,375,544
Cost of accessories	5,166,925,720	4,617,500,751
Redering services	1,850,332,462	1,334,461,369
TOTAL	3,369,430,601,006	2,580,113,337,664

18. FINANCIAL EXPENSES

	<i>Current period</i>	<i>Previous period</i>
		VND
Finance expense	13,553,130,698	18,284,670,399
Realized foreign exchange loss	421,562,177	715,179,697
Others	8,799,209	-
TOTAL	13,983,492,084	18,999,850,096

19. PRODUCTION COST BY NATURE

	VND	
	<i>Current period</i>	<i>Previous period</i>
Labor cost	164,268,095,846	98,919,696,991
Raw materials	8,133,935,121	3,944,001,137
Tools and supplies	19,217,614,214	10,720,688,285
Depreciation and amortization	3,953,436,265	3,918,318,031
Expense for external services	53,488,890,516	37,562,422,943
Other expenses	93,139,663,360	67,496,878,863
TOTAL	342,201,635,322	222,562,006,250

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.

Current CIT

	VND	
	<i>Current period</i>	<i>Previous period</i>
Profit before tax	420,754,514,350	311,075,206,371
Adjustments to increase taxable income	839,396,775	605,340,089
<i>Non-deductible expenses</i>	839,396,775	605,340,089
Loss from subsidiary	877,358,455	-
Estimated current taxable profit	422,471,269,580	311,680,546,460
Corporate income tax	20%	20%
Estimated current CIT	84,494,253,916	62,336,109,292

21. OPERATING LEASE COMMITMENTS

The Group leases outlets under operating lease arrangements, Future rental amounts due under such operating leases after 31 March 2018 were as follows:

	VND	
	<i>Current period</i>	<i>Previous period</i>
Within 1 year	123,752,877,600	84,990,950,626
From 2 to 5 years	262,981,432,730	260,336,436,396
Over 5 years	115,765,232,908	87,914,018,984
TOTAL	502,499,543,238	433,241,406,006

22. 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 2017 and 31 March 2018.

22. FACTORS EFFECT TO FINANCIAL INCOME IN THE PERIOD

Continuing the growth from the previous year, business performance in the first quarter 2018 as the following:

Net revenue was VND 4,166 billion up 32% to the same period because of mainly contribution from retail gold revenue. In addition to increasing the number of open new stores also have elements of brand identity through effective technology, increasing the number of customers in the sales channels.

SG&A: Total cost was VND342 billion, up by 54% compare to the same period with mainly increasing of the cost of sales service.

Financial income reached VND5.8 billion of interest income. Meanwhile, financial expense was VND13.9 billion, down 26% y.o.y.

Profit before tax was VND420.7 billion, up 35% y.o.y. The impact factor is increased revenue, improved production costs, reasonable costs and efficient exploitation of resources.

Nguyen Thanh Dat
Preparer

Duong Quang Hai
Chief Accountant



Cao Thi Ngoc Dung
General Director
19 April 2018