



PHU NHUAN JEWELRY JOINT STOCK COMPANY

# Consolidated Interim Financial Statements

for the three - months period ended on 30 June 2018

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

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three months period ended 30 June 2018**



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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, and others amended Certificate.

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, testing services

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 ninety three (293) 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 year 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	Resigned on April 20 <sup>th</sup> 2018
Ms. Nguyen Thi Cuc	Member	Resigned on June 11 <sup>th</sup> 2018
Ms. Pham Vu Thanh Giang	Member	
Mr. Le Huu Hanh	Member	
Ms. Pham Thi My Hanh	Member	
Mr. Le Quang Phuc	Member	
Mr. Robert Alan Willett	Member	Appointed on April 21 <sup>st</sup> 2018
Ms. Huynh Thi Xuan Lien	Member	Appointed on April 21 <sup>st</sup> 2018

**BOARD OF SUPERVISORS**

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

**BOARD OF MANAGEMENT**

Mr. Le Tri Thong	General Director
Ms. Dang Thi Lai	Chief Operating Officer cum Director of Finance-Operation
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 Mr Le Tri Thong.



## CONSOLIDATED BALANCE SHEET

As at 30 June 2018

Unit: VND

	ASSETS	Code	Notes	30/06/2018	31/12/2017
<b>A</b>	<b>CURRENT ASSETS</b>	<b>100</b>		<b>4,233,070,851,415</b>	<b>3,896,141,901,410</b>
<b>I</b>	<b>Cash and cash equivalents</b>	<b>110</b>		<b>96,738,062,787</b>	<b>175,208,552,187</b>
1	Cash	111		96,738,062,787	111,158,552,187
2	Cash equivalents	112		-	64,050,000,000
<b>II</b>	<b>Current financial investment</b>	<b>120</b>		<b>65,000,000</b>	<b>160,065,000,000</b>
3	Held to maturity investments	123		65,000,000	160,065,000,000
<b>III</b>	<b>Current accounts receivable</b>	<b>130</b>		<b>125,498,489,397</b>	<b>84,622,464,067</b>
1	Trade receivables	131		43,292,478,993	39,946,216,659
2	Advances to suppliers	132		50,739,682,013	33,682,107,963
6	Other receivables	136		30,841,097,634	10,858,761,425
8	Shortage of assets pending resolution	139		625,230,757	135,378,020
<b>IV</b>	<b>Inventories</b>	<b>140</b>		<b>3,936,094,231,986</b>	<b>3,401,959,226,624</b>
1	Inventories	141		3,936,094,231,986	3,401,959,226,624
<b>V</b>	<b>Other current assets</b>	<b>150</b>		<b>74,675,067,245</b>	<b>74,286,658,532</b>
1	Short-term prepaid expenses	151		73,812,319,458	69,117,536,788
2	Value added tax deductibles	152		17,710,481	28,174,789
3	Tax and other receivables from the State	153		845,037,306	5,140,946,955
<b>B</b>	<b>NON-CURRENT ASSETS</b>	<b>200</b>		<b>861,556,511,661</b>	<b>596,103,931,401</b>
<b>I</b>	<b>Non-current account receivables</b>	<b>210</b>		<b>49,007,477,674</b>	<b>42,787,737,738</b>
6	Other non-current receivables	216		49,007,477,674	42,787,737,738
<b>II</b>	<b>Fixed assets</b>	<b>220</b>		<b>683,360,736,408</b>	<b>487,243,774,697</b>
1	Tangible fixed assets	221		223,173,751,581	205,748,326,607
	- Cost	222		430,595,841,619	396,615,581,684
	- Accumulated depreciation (*)	223		(207,422,090,038)	(190,867,255,077)
3	Intangible fixed assets	227		460,186,984,827	281,495,448,090
	- Cost	228		466,255,407,873	286,740,907,873
	- Accumulated depreciation (*)	229		(6,068,423,046)	(5,245,459,783)
<b>IV</b>	<b>Non-current assets in progress</b>	<b>240</b>		<b>56,513,078,966</b>	<b>9,665,078,966</b>
2	Construction in progress	242		56,513,078,966	9,665,078,966
<b>V</b>	<b>Long-term investments</b>	<b>250</b>		<b>-</b>	<b>-</b>
2	Other long-term investments	253		395,271,613,400	395,271,613,400
3	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>72,675,218,613</b>	<b>56,407,340,000</b>
1	Long-term prepaid expenses	261		70,236,199,189	53,968,320,576
2	Deferred tax assets	262		2,439,019,424	2,439,019,424
	<b>TOTAL ASSETS</b>	<b>270</b>		<b>5,094,627,363,076</b>	<b>4,492,245,832,811</b>

**CONSOLIDATED BALANCE SHEET (Continued)**

As at 30 June 2018

Unit: VND

	RESOURCES	Code	Notes	30/06/2018	31/12/2017
<b>C</b>	<b>LIABILITIES</b>	<b>300</b>		<b>1,806,969,622,460</b>	<b>1,542,697,241,029</b>
<b>I</b>	<b>Current liabilities</b>	<b>310</b>		<b>1,747,623,490,460</b>	<b>1,488,758,034,029</b>
1	Trade payables	311		301,009,754,820	278,898,463,294
2	Advances from customers	312		44,737,781,196	37,773,098,354
3	Statutory obligations	313		126,316,564,473	117,206,887,902
4	Payables to employees	314		98,379,415,302	99,466,563,099
5	Accrued expenses	315		72,012,176,675	4,629,017,766
8	Short-term unrealized revenue	318		-	-
9	Other payables	319		46,534,240,079	52,071,661,615
10	Short-term loans	320		985,614,342,214	846,278,850,200
12	Bonus and welfare fund	322		73,019,215,701	52,433,491,799
<b>II</b>	<b>Non-current liabilities</b>	<b>330</b>		<b>59,346,132,000</b>	<b>53,939,207,000</b>
7	Other long-term liabilities	337		628,026,000	628,026,000
8	Long-term loans	338		51,641,789,000	46,234,864,000
12	Long-term provisions	342		7,076,317,000	7,076,317,000
<b>D</b>	<b>EQUITY</b>	<b>400</b>		<b>3,287,657,740,616</b>	<b>2,949,548,591,782</b>
<b>I</b>	<b>Owner's equity</b>	<b>410</b>		<b>3,287,657,740,616</b>	<b>2,949,548,591,782</b>
1	Owner's contributed capital	411		1,621,393,240,000	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		265,087,556,918	220,087,556,918
11	Retained earning	421		524,422,751,240	771,686,502,406
	Retained earnings accumulated to prior year end	421a		7,726,223,701	154,931,379,346
	Retained earnings of the current period	421b		516,696,527,539	616,755,123,060
	<b>TOTAL RESOURCES</b>	<b>440</b>		<b>5,094,627,363,076</b>	<b>4,492,245,832,811</b>

**OFF BALANCE SHEET ITEMS**

ITEMS	30/06/2018	31/12/2017
Foreign currencies:		
- United States dollar (USD)	14,790	137,582
- Gold taels (taels)	5,400	3,850
- Australian Dollar (AUD)	470	495
- Euro Dollar (EUR)	503	518

  
Nguyen Thanh Dat  
Preparer  
20 July 2018

  
Duong Quang Hai  
Chief Accountant

  
Le Tri Thong  
General Director






**INCOME STATEMENT**  
For the three-month period ended 30 June 2018

Unit: VND

No	ITEMS	Code	Notes	Three-month period ended		Accumulated year	
				30/06/2018	30/06/2017	Current year	Previous year
1	Gross revenue from sale of goods and services rendered	01		3,238,175,968,274	2,358,426,759,396	7,404,764,251,653	5,507,084,651,810
2	Deductions	02		20,736,205,018	13,387,182,832	47,871,374,868	31,074,017,531
3	Net revenue from sale of goods and services rendered	10		3,217,439,763,256	2,345,039,576,564	7,356,892,876,785	5,476,010,634,279
4	Cost of goods sold and services rendered	11		2,634,537,690,306	1,944,924,302,800	6,003,968,291,312	4,525,037,640,464
5	<b>Gross profit from sale of goods and services rendered</b>	20		<b>582,902,072,950</b>	<b>400,115,273,764</b>	<b>1,352,924,585,473</b>	<b>950,972,993,815</b>
6	Finance income	21		188,751,093	1,831,092,887	6,182,926,390	3,775,894,563
7	Finance expense	22		13,733,866,715	17,177,537,114	27,717,358,799	36,177,387,210
	<i>_ In which: interest expense</i>	23		11,225,839,714	16,609,785,190	24,778,970,412	34,894,455,589
8	Selling expenses	25		268,913,495,241	186,083,113,659	550,508,946,512	369,305,330,869
9	General and administrative expenses	26		73,696,045,394	42,586,181,645	134,302,229,445	81,925,970,685
10	<b>Operating profit</b>	30		<b>226,747,416,693</b>	<b>156,099,534,233</b>	<b>646,578,977,107</b>	<b>467,340,199,614</b>
11	Other income	31		1,263,333,256	5,606,584,116	2,320,906,096	5,837,441,141
12	Other expense	32		476,223,461	105,485,471	610,842,365	501,801,506
14	Profit (loss) from associates	45		0	0	0	0
15	<b>Accounting profit before tax</b>	50		<b>227,534,526,488</b>	<b>161,600,632,878</b>	<b>648,289,040,838</b>	<b>472,675,839,249</b>
16	Current corporate income tax	51		47,098,259,383	32,655,317,021	131,592,513,299	94,991,426,313
18	<b>Net profit after corporate income tax</b>	60		<b>180,436,267,105</b>	<b>128,945,315,857</b>	<b>516,696,527,539</b>	<b>377,684,412,936</b>
19	Earning per share	71		1,113	1,312	3,187	3,843



**Nguyen Thanh Dat**  
Preparer  
20 July 2018



**Duong Quang Hai**  
Chief Accountant



**Le Tri Thong**  
General Director



**CONSOLIDATED CASH FLOW STATEMENT**  
*For the three-month period ended 30 June 2018*

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	648,289,040,838	472,675,839,249
2	Adjustment for			
	- Depreciation and amortization	02	13,428,141,161	19,203,736,220
	- Provisions (reversal or provisions)	03	-	(35,327,600)
	- Exchange losses arising from evaluation of monetary items denominated in foreign currencies	04	-	246,237,678
	- Lãi, lỗ từ hoạt động đầu tư	05	(5,902,349,415)	(6,378,629,063)
	- Interest expense	06	25,106,751,237	34,894,455,589
3	<b>Operating profit before changes in working capital</b>	<b>08</b>	<b>680,921,583,821</b>	<b>520,606,312,073</b>
	- Increase/Decrease in receivables	09	(29,982,541,608)	(22,338,650,543)
	- Increase/Decrease in inventories	10	(542,949,750,101)	(44,441,371,520)
	- Increase/Decrease in payables	11	75,273,973,085	(107,066,657,676)
	- Increase/Decrease in prepaid expenses	12	(20,962,661,283)	(14,463,943,169)
	- Interest paid	14	(24,985,982,353)	(35,857,587,904)
	- Corporate income tax paid	15	(128,639,567,443)	(91,019,404,473)
	- Other payments from operating activities	17	(3,736,899,513)	(30,106,797,250)
	<b>Net cash flows (used in) from operating activities</b>	<b>20</b>	<b>4,938,154,605</b>	<b>175,311,899,538</b>
<b>II</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1	Acquisition and construction of fixed assets and other longterm assets	21	(288,443,047,771)	(29,343,684,216)
2	Proceeds from sale, disposals of fixed assets	22	100,000,000	7,804,000,000
4	Cash recovered from lending, selling debt instruments	24	160,000,000,000	-
7	Interest earned and dividends received	27	5,902,258,196	1,081,379,545
	<b>Net cash flows (used in) from investing activities</b>	<b>30</b>	<b>(124,440,789,575)</b>	<b>(20,458,304,671)</b>
<b>III</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
3	Drawdown of borrowings	33	2,086,575,243,558	1,683,143,428,384
4	Repayment of borrowings	34	(1,940,108,818,928)	(1,875,677,809,107)
6	Dividends paid	36	(105,434,279,060)	(78,054,099,950)
	<b>Net cash flows (used in) from financing activities</b>	<b>40</b>	<b>41,032,145,570</b>	<b>(270,588,480,673)</b>
	Net decrease in cash and cash equivalents	50	(78,470,489,400)	(115,734,885,806)
	<b>Cash and cash equivalents at beginning of period</b>	<b>60</b>	<b>175,208,552,187</b>	<b>155,348,026,509</b>
	Effect of foreign exchange differences	61	-	33,815,511
	<b>Cash and cash equivalents at ending of period</b>	<b>70</b>	<b>96,738,062,787</b>	<b>39,646,956,214</b>

  
**Nguyen Thanh Dat**  
Preparer  
20 July 2018

  
**Duong Quang Hai**  
Chief Accountant

  
**Le Tri Thong**  
General Director



## **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 other amended Certificate.

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 ninety-three (293) stores in different provinces and cities in Vietnam.

The number of employees as at 30 June 2018 was 5,215 (as at 31 December 2017: 5,060).

**Corporate structure:** The Group includes four subsidiaries, as follows:

**1. CAO Fine Jewelry Company Limited (CAO)** owned 100% by PNJ, 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 head office is located at 170E, Phan Dang Luu Street, Phu Nhuan District, Ho Chi Minh City, Vietnam

**2. PNJ Laboratory Company Limited (PNJL)** owned 100% by PNJ, the Business Registration Certificate No.0310521330 issued by the Department of Planning and Investment of Ho Chi Minh City on 16 December 2010. PLC's head office is located at 205, Phan Dang Luu Street, Phu Nhuan District, Ho Chi Minh City, Vietnam.

**3. PNJ Production and Trading Jewelry Company Limited (PNJP)** owned 100% by PNJ, the Business Registration Certificate No.0315018466 issued by the Department of Planning and Investment of Ho Chi Minh City on 28 April 2018. PNJP's head office is located at No.23 Street 14, Ward 5, Go Vap District, HCMC.

**4. Customer Era Company Limited (CECL)** owned 100% by PNJ, the Business Registration Certificate No.0315018547 issued by the Department of Planning and Investment of Ho Chi Minh City on 28 April 2018. CECL's head office is located at 170E, Phan Dang Luu Street, Phu Nhuan District, Ho Chi Minh City, Vietnam.

## **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 2Q2018 ended 30 June 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:

<u>Merchandises, consumables, and raw materials</u>	- 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.

The "Group" do not armortization land use rights.

**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 or not.

### **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.



**IV. EVENTS AND MATERIAL TRANSACTIONS**

**1. CASH AND CASH EQUIVALENTS**

	<b>30/06/2018</b>	<b>VND 31/12/2017</b>
Cash on hand	50,587,635,171	62,618,514,523
Cash at banks	40,252,364,416	41,098,189,621
Cash in transit	5,898,063,200	7,441,848,043
Cash equivalents	-	64,050,000,000
<b>TOTAL</b>	<b>96,738,062,787</b>	<b>175,208,552,187</b>

**2. FINANCIAL INVESTMENT**

	<b>30/06/2018</b>	<b>VND 31/12/2017</b>
<b>a. Current</b>		
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
<b>TOTAL</b>	<b>65,000,000</b>	<b>160,065,000,000</b>
<b>b. Non - Current</b>		
<b>Long-term investments</b>	-	-
_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)
<b>TOTAL</b>	<b>-</b>	<b>-</b>

(\*) As at 30 June 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**

	<b>30/06/2018</b>	<b>VND 31/12/2017</b>
FH Trautz GmBh	6,593,523,140	6,579,765,533
DC&D Company	1,978,771,331	3,934,729,248
Others	34,720,184,522	29,431,721,878
<b>TOTAL</b>	<b>43,292,478,993</b>	<b>39,946,216,659</b>

**4. OTHER RECEIVABLES**

	<b>30/06/2018</b>	<b>VND 31/12/2017</b>
<b>a. Current</b>		
_Advance to employees	2,074,579,157	769,950,291
_Due from pawnshop	-	-
_Others	28,766,518,477	10,088,811,134
<b>TOTAL</b>	<b>30,841,097,634</b>	<b>10,858,761,425</b>
<b>b. Non-Current</b>		
_Deposit for long-term renting stores	49,007,477,674	42,787,737,738
<b>TOTAL</b>	<b>49,007,477,674</b>	<b>42,787,737,738</b>

**5. PREPAYMENTS**

	<b>30/06/2018</b>	<b>VND 31/12/2017</b>
<b>a. Current</b>		
Tools and supplies	44,513,593,313	44,714,948,449
Stores rental	12,432,994,149	12,064,562,902
Uniform expense	716,511,217	3,197,043,988
Office and store renovation expenses	5,984,836,042	5,358,794,675
Others	10,164,384,737	3,782,186,774
<b>TOTAL</b>	<b>73,812,319,458</b>	<b>69,117,536,788</b>
<b>b. Non-Current</b>		
Tools and supplies	34,583,145,775	23,740,082,367
Stores rental	3,199,240,000	1,213,200,000
Office and store renovation expenses	30,840,482,626	24,269,615,250
Others	1,613,330,788	4,745,422,959
<b>TOTAL</b>	<b>70,236,199,189</b>	<b>53,968,320,576</b>

**6. INVENTORIES**

	<b>30/06/2018</b>	<b>VND 31/12/2017</b>
Goods in transit	84,495,148,548	74,485,287,071
Raw materials	154,474,051,978	195,479,212,962
Tools and supplies	40,144,192,483	37,983,205,995
Work in Process	572,003,102,095	241,475,582,475
Finished goods	234,042,427,737	336,815,539,305
Merchandise goods	2,793,183,755,957	2,464,718,787,076
Goods on consignment	57,751,553,188	51,001,611,740
<b>TOTAL</b>	<b>3,936,094,231,986</b>	<b>3,401,959,226,624</b>

8. FIXED ASSETS:

8.1 TANGIBLE FIXED ASSETS

VND

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipments	TOTAL
<b>Cost:</b>					
31/12/2017	135,768,102,826	189,480,679,605	23,459,146,196	47,907,653,057	396,615,581,684
Additions	3,408,685,300	18,648,039,563	6,029,096,600	8,865,789,058	36,951,610,521
Disposal	-	(2,292,714,286)	(667,088,300)	(11,548,000)	(2,971,350,586)
30/06/2018	139,176,788,126	205,836,004,882	28,821,154,496	56,761,894,115	430,595,841,619
<b>Accumulated depreciation:</b>					
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	(2,968,593,240)	(12,279,698,873)	(1,440,746,792)	(2,561,924,434)	(19,250,963,339)
Disposal	-	2,017,492,078	667,088,000	11,548,000	2,696,128,378
30/06/2018	(34,431,422,493)	(127,325,630,644)	(8,817,688,974)	(36,847,347,927)	(207,422,090,038)
<b>Net carrying amount</b>					
31/12/2017	104,305,273,573	72,417,255,756	15,415,115,714	13,610,681,564	205,748,326,607
30/06/2018	104,745,365,633	78,510,374,238	20,003,465,522	19,914,546,188	223,173,751,581

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



8.2 INTANGIBLE FIXED ASSETS

VND

	<i>Identifiable land and use rights</i>	<i>Computer software</i>	<i>Total</i>
<b>Cost:</b>			
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			-
30/06/2018	459,177,157,290	7,078,250,583	466,255,407,873
<b>Accumulate amortization:</b>			
31/12/2017	-	(5,245,459,783)	(5,245,459,783)
Amortization for the year	-	(822,963,263)	(822,963,263)
Disposal	-	-	-
30/06/2018	-	(6,068,423,046)	(6,068,423,046)
<b>Net carrying amount</b>			
31/12/2017	279,662,657,290	1,832,790,800	281,495,448,090
30/06/2018	459,177,157,290	1,009,827,537	460,186,984,827

9. CONSTRUCTION IN PROCESS

VND

	<b>30/06/2018</b>	<b>31/12/2017</b>
Shop House Vincom -Thanh Hóa	9,468,078,966	9,468,078,966
ERP Project	46,848,000,000	-
Others	197,000,000	197,000,000
<b>TOTAL</b>	<b>56,513,078,966</b>	<b>9,665,078,966</b>

10. LOAN AND FINANCIAL LEASING:

VND

	<b>30/06/2018</b>	<b>31/12/2017</b>
<b>a. Current</b>		
Loans from commercial bank	828,545,862,804	636,302,797,462
Loans from individuals	153,368,479,410	206,276,052,738
Current portion of long-term liabilities	3,700,000,000	3,700,000,000
<b>TOTAL</b>	<b>985,614,342,214</b>	<b>846,278,850,200</b>
<b>b. Non-current</b>		
Loans from commercial bank	11,100,000,000	11,100,000,000
Loans from individuals	40,541,789,000	35,134,864,000
<b>TOTAL</b>	<b>51,641,789,000</b>	<b>46,234,864,000</b>

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

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

BANK	AMOUNT	MATURITY	INTEREST RATE	COLLATERAL
<b>SHORT-TERM LOANS IN VND</b>	<b>662,774,407,323</b>			
CTBC Bank Co., Ltd - HCMC Branch	32,900,000,000	From 19 July to 12 October 2018	5.0%	Inventories
Vietnam Joint Stock Commercial Bank for Industry and Trade - Branch 1	259,889,012,000	From 09 July to 27 September 2018	5.2% to 5.5%	Inventories
Shihan Bank Vietnam Limited - HCM Branch	60,000,000,000	From 15 August to 20 October 2018	4.8% to 5.5%	Unsecured
Joint Stock Company Bank for Foreign Trade of Vietnam	184,054,697,823	From 26 July to 25 September 2018	5.0%	Houses at 46 Ngo Quyen and 359 Phan Chu Trinh, and machinery with VND 50 billion in value
Bank for Investment and Development of Vietnam JSC - Hoc Mon Branch	99,933,590,000	From 17 November to 28 December 2018	4.95%	Inventories
Maritime Bank	25,997,107,500	From 10 August to 10 tháng 09 năm 2018	5.5%	Unsecured
<b>SHORT-TERM LOANS IN USD</b>	<b>178,771,455,481</b>			
Joint Stock Company Bank for Foreign Trade of Vietnam (USD 2,197,900)	50,529,714,793	From 14 November to 21 November 2018	3.0%	Houses at 46 Ngo Quyen and 359 Phan Chu Trinh, and machinery with VND 50 billion in value
Orient Commercial Joint Stock Bank (USD 1,435,852)	33,010,241,388	From 12 July to 19 July 2018	3.0%	Unsecured
Southeast Asia Commercial Joint Stock Bank - Tan Binh Branch (USD 4,142,301)	95,231,499,300	From 13 July to 15 August 2018	3.0%	House at 123 Hung Vuong, Da Nang province and inventories
<b>OTHERS</b>	<b>140,368,479,410</b>		7.6%	Unsecured
<b>CURRENT PORTION OF LONG-TERM LIABILITIES</b>	<b>3,700,000,000</b>			
<b>TOTAL SHORT-TERM LOANS</b>	<b>985,614,342,214</b>			

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



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

BANK	AMOUNT	MATURITY DATE	INTEREST RATE	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-Jan-21	9.0%	Shop House: No.PG1-05, 30/4 Street, Xuan Khanh Ward, Ninh Kieu Dist., Can Tho City
<i>In which: Current portion of long-term liabilities</i>	<b>3,700,000,000</b>			
Vietnam bank for Agriculture and Rural Development - Branch 4	3,700,000,000			
<b>OTHERS</b>	<b>40,541,789,000</b>		7.6%	Unsecured
<b>TOTAL LONG-TERM LOANS</b>	<b>51,641,789,000</b>			

**11. SHORT-TERM TRADE PAYABLES**

	30/06/2018	31/12/2017
Forte Jewellery (HK) Co., Ltd	80,143,381,625	65,477,465,822
Lien Nguyen Co.,Ltd	-	40,143,266,820
Quang Vinh Nguyen Import - Export Co.,Ltd	-	39,082,098,777
Shrenuj Fareast Co.,Ltd	61,795,276,892	27,539,371,113
Others	159,071,096,303	106,656,260,762
<b>TOTAL</b>	<b>301,009,754,820</b>	<b>278,898,463,294</b>

**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
<b>a. Receivables</b>				
Valued added tax from import	5,040,800,081	66,196,740,549	70,568,307,965	669,232,665
Deductible value added tax	28,174,789	651,137,557	661,601,865	17,710,481
Import-Export tax	46,573,388	2,264,644,885	2,187,487,118	123,731,155
Corporate income tax	51,073,486	-	-	51,073,486
Others	2,500,000	2,000,000	3,500,000	1,000,000
<b>TOTAL</b>	<b>5,169,121,744</b>	<b>69,114,522,991</b>	<b>73,420,896,948</b>	<b>862,747,787</b>
<b>b. Payable</b>				
Valued added tax	24,828,137,762	143,230,431,672	138,058,395,021	30,000,174,413
Corporate income tax	86,768,211,164	131,592,513,299	128,639,567,443	89,721,157,020
Personal income tax	1,014,111,705	24,248,981,621	23,264,287,557	1,998,805,769
Others	4,596,427,271	267,908,775	267,908,775	4,596,427,271
<b>TOTAL</b>	<b>117,206,887,902</b>	<b>299,339,835,367</b>	<b>290,230,158,796</b>	<b>126,316,564,473</b>

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

**13. OTHER PAYABLES**

	30/06/2018	VND 31/12/2017
<b>a. Current</b>		
_Trade Union fees	701,549,938	1,441,680,965
_Bonus of the Board of Management and the Board of Directors	12,792,723,602	12,200,000,000
_Payable to Board of Directors Fund	439,939,568	4,407,841,085
_Payable to Board of Management Fund	1,153,901,517	-
_Payable to Trade Union Fund	6,340,187,176	6,062,859,444
_PIT payable on behalf of shareholders	4,531,133,392	4,531,133,392
_Dividends payable	3,469,605,465	2,876,064,645
_Tuan Ngan Jewelry Private Company	16,106,785	10,281,582,283
_Others	17,089,092,636	10,270,499,801
<b>TOTAL</b>	<b>46,534,240,079</b>	<b>52,071,661,615</b>
<b>b. Non-current</b>		
_Long-term deposit for rental	628,026,000	628,026,000
<b>TOTAL</b>	<b>628,026,000</b>	<b>628,026,000</b>

15. 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 Directors Fund	-	-	-	-	(6,750,000,000)	(6,750,000,000)
_ Board of Management Fund	-	-	-	-	(12,200,000,000)	(12,200,000,000)
Prior period's closing 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
Capital increase (*)	540,372,900,000	-	-	-	(540,372,900,000)	-
Net profit in current period	-	-	-	-	516,696,527,539	516,696,527,539
Dividend declared (**)	-	-	-	-	(108,101,325,000)	(108,101,325,000)
Profit appropriation	-	-	-	45,000,000,000	(115,486,053,705)	(70,486,053,705)
_ Investment and development fund appropriation	-	-	-	45,000,000,000	(45,000,000,000)	-
_ Transfer to bonus and welfare funds	-	-	-	-	(36,664,053,705)	(36,664,053,705)
_ Board of Directors Fund	-	-	-	-	(33,822,000,000)	(33,822,000,000)
<b>Current period's closing balance</b>	<b>1,621,393,240,000</b>	<b>876,761,282,458</b>	<b>(7,090,000)</b>	<b>265,087,556,918</b>	<b>524,422,751,240</b>	<b>3,287,657,740,616</b>

(\*) Increasing share capital as the Resolution of AGM date 21 April 2018

(\*\*) On 12 January 2018, PNJ implemented the second phase of interim cash dividend 2017 (8%/share)

(Resolution of the Board of Directors No.1607/2017/NQ-HDQT-CTY date 24 November 2017)

(\*\*) On 01 June 2018, PNJ implemented the third phase of interim cash dividend 2017(2%/share)

(Resolution of the Board of Directors No.380/2018/NQ-HDQT-CTY date 24 April 2018)



16. REVENUE

16.1 REVENUE FROM GOOD SOLD AND SERVICES RENDERED

	<i>Current period</i>	<i>Previous period</i>
		VND
<b>Gross revenue, in which:</b>	<b>3,238,175,968,274</b>	<b>2,358,426,759,396</b>
<i>Sale of gold, silver and jewelry</i>	3,222,486,810,421	2,346,423,976,360
<i>Sale of accessories</i>	4,776,221,260	4,385,846,546
<i>Rendering services</i>	10,912,936,593	7,616,936,490
Goods returned	20,736,205,018	13,387,182,832
<b>Net revenue, in which:</b>	<b>3,217,439,763,256</b>	<b>2,345,039,576,564</b>
<i>Sale of gold, silver and jewelry</i>	3,201,750,605,403	2,333,036,793,528
<i>Sale of accessories</i>	4,776,221,260	4,385,846,546
<i>Rendering services</i>	10,912,936,593	7,616,936,490

16.2 FINANCIAL INCOME

	<i>Current period</i>	<i>Previous period</i>
		VND
Interest income	27,592,863	773,549,528
Foreign exchange gain	161,158,230	1,057,543,359
Dividend received	-	-
<b>TOTAL</b>	<b>188,751,093</b>	<b>1,831,092,887</b>

17. COST OF GOODS SOLD AND SERVICES RENDERED

	<i>Current period</i>	<i>Previous period</i>
		VND
Cost of gold, silver and jewelry	2,629,228,390,573	1,940,424,555,669
Cost of accessories	3,315,022,177	3,025,755,304
Cost of redering services	1,994,277,556	1,473,991,827
<b>TOTAL</b>	<b>2,634,537,690,306</b>	<b>1,944,924,302,800</b>

18. FINANCIAL EXPENSES

	<i>Current period</i>	<i>Previous period</i>
		VND
Finance expense	11,225,839,714	16,740,415,327
Other finance expenses	40,412,773	4,503,032
Realized foreign exchange loss	2,467,614,228	432,618,755
<b>TOTAL</b>	<b>13,733,866,715</b>	<b>17,177,537,114</b>

19. PRODUCTION COST BY NATURE

	VND	
	<i>Current period</i>	<i>Previous period</i>
Labor cost	169,625,606,840	110,455,462,099
Raw materials	6,548,151,715	-
Tools and supplies	20,965,246,765	15,753,634,200
Depreciation and amortization	3,862,702,316	3,958,154,907
Expense for external services	58,941,979,478	40,469,041,288
Other expenses	82,665,853,521	58,033,002,810
<b>TOTAL</b>	<b>342,609,540,635</b>	<b>228,669,295,304</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.

Current CIT

	VND	
	<i>Current period</i>	<i>Previous period</i>
<b>Profit before tax</b>	<b>227,534,526,488</b>	<b>161,600,632,878</b>
<i>Adjustments:</i>	<b>7,079,411,972</b>	<b>1,675,952,227</b>
Non-deductible expenses	7,079,411,972	1,675,952,227
Loss from subsidiary	877,358,455	-
<b>Estimated current taxable profit</b>	<b>235,491,296,915</b>	<b>163,276,585,105</b>
Corporate income tax	20%	20%
<b>Estimated current CIT</b>	<b>47,098,259,383</b>	<b>32,655,317,021</b>

21. OPERATING LEASE COMMITMENTS

The Group leases outlets under operating lease arrangements, Future rental amounts due under such operating leases after 30 June 2018 were as follows:

	VND	
	<i>Current period</i>	<i>Previous period</i>
Within 1 year	130,534,615,514	89,565,114,603
From 2 to 5 years	263,950,730,202	209,846,308,433
Over 5 years	114,761,292,610	108,165,220,098
	<b>509,246,638,326</b>	<b>407,576,643,134</b>



## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board of 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 30 June 2018.


**22. FACTORS EFFECT TO FINANCIAL INCOME IN THE PERIOD**

Profit before tax of 2Q2018 was VND 227.5 billion up 40% y.o.y, accumulated year of profit before tax was VND 648.3 billion. The business performance of 2Q2018 still achieved good growth compared to same period 2017.


Total revenue: Gross revenue was VND 3,238 billion, up 37% y.o.y, main contribution still came from retail gold jewelry. The same store sales growth was 24%, meanwhile 63 newly opened stores (from 3Q2017) contributed 13% in sales growth.

Operation costs: total expenses was VND 342 billion, increased 50% y.o.y with the main factors from increasing of selling expenses.

  
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**Nguyen Thanh Dat**  
Preparer  
20 July 2018

  
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**Duong Quang Hai**  
Chief Accountant



  
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**Le Tri Thong**  
General Director