

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

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



TABLE OF CONTENTS

<u>CONTENTS</u>	<u>PAGE(S)</u>
GENERAL INFORMATION	1
BALANCE SHEET	2 – 3
INCOME STATEMENT	4
CASH FLOW STATEMENT	5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	6 - 24

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.

BOARD OF DIRECTORS

The members of the Board of Directors during the period and at the date of this report are:

Ms. Cao Thi Ngoc Dung	Chairwoman
Mr. Le Tri Thong	Vice Chairman
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
Ms. Huynh Thi Xuan Lien	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 MANAGEMENT

The members of the Board of Management during the period and at the date of this report are:

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 September 2018

Unit: VND

	ASSETS	Code	Notes	30/09/2018	31/12/2017
A	CURRENT ASSETS	100		4,491,049,840,793	3,896,141,901,410
I	Cash and cash equivalents	110		117,587,302,131	175,208,552,187
1	Cash	111		117,587,302,131	111,158,552,187
2	Cash equivalents	112		-	64,050,000,000
II	Current financial investment	120		-	160,065,000,000
3	Held to maturity investments	123		-	160,065,000,000
III	Current accounts receivable	130		171,250,035,910	84,622,464,067
1	Trade receivables	131		68,342,873,558	39,946,216,659
2	Advances to suppliers	132		55,978,181,269	33,682,107,963
6	Other receivables	136		46,706,677,475	10,858,761,425
8	Shortage of assets pending resolution	139		222,303,608	135,378,020
IV	Inventories	140		4,124,177,973,673	3,401,959,226,624
1	Inventories	141		4,124,177,973,673	3,401,959,226,624
V	Other current assets	150		78,034,529,079	74,286,658,532
1	Short-term prepaid expenses	151		74,771,861,813	69,117,536,788
2	Value added tax deductibles	152		225,278,740	28,174,789
3	Tax and other receivables from the State	153		3,037,388,526	5,140,946,955
B	NON-CURRENT ASSETS	200		990,183,116,721	675,158,254,081
I	Non-current account receivables	210		51,390,752,399	42,787,737,738
6	Other non-current receivables	216		51,390,752,399	42,787,737,738
II	Fixed assets	220		684,360,427,987	487,243,774,697
1	Tangible fixed assets	221		224,935,778,959	205,748,326,607
	- Cost	222		442,861,017,336	396,615,581,684
	- Accumulated depreciation (*)	223		(217,925,238,377)	(190,867,255,077)
3	Intangible fixed assets	227		459,424,649,028	281,495,448,090
	- Cost	228		466,255,407,873	286,740,907,873
	- Accumulated depreciation (*)	229		(6,830,758,845)	(5,245,459,783)
IV	Non-current assets in progress	240		87,344,789,990	9,665,078,966
2	Construction in progress	242		87,344,789,990	9,665,078,966
V	Long-term investments	250		-	-
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)
VI	Other long-term assets	260		167,087,146,345	135,461,662,680
1	Long-term prepaid expenses	261		85,593,804,241	53,968,320,576
2	Deferred tax assets	262		81,493,342,104	81,493,342,104
	TOTAL ASSETS	270		5,481,232,957,514	4,571,300,155,491

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

CONSOLIDATED BALANCE SHEET (Continued)

As at 30 September 2018

Unit: VND

	RESOURCES	Code	Notes	30/09/2018	31/12/2017
C	LIABILITIES	300		2,098,971,628,269	1,542,697,241,029
I	Current liabilities	310		2,072,792,761,269	1,488,758,034,029
1	Trade payables	311		238,769,179,301	278,898,463,294
2	Advances from customers	312		66,178,193,807	37,773,098,354
3	Statutory obligations	313		126,713,476,707	117,206,887,902
4	Payables to employees	314		125,329,930,398	99,466,563,099
5	Accrued expenses	315		68,827,146,590	4,629,017,766
9	Other payables	319		89,731,940,091	52,071,661,615
10	Short-term loans	320		1,286,629,994,818	846,278,850,200
12	Bonus and welfare fund	322		70,612,899,557	52,433,491,799
II	Non-current liabilities	330		26,178,867,000	53,939,207,000
7	Other long-term liabilities	337		628,026,000	628,026,000
8	Long-term loans	338		18,474,524,000	46,234,864,000
12	Long-term provisions	342		7,076,317,000	7,076,317,000
D	EQUITY	400		3,382,261,329,245	3,028,602,914,462
I	Owner's equity	410		3,382,261,329,245	3,028,602,914,462
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		619,026,339,869	850,740,825,086
	Retained earnings accumulated to prior year end	421a		86,780,546,381	233,985,702,026
	Retained earnings of the current period	421b		532,245,793,488	616,755,123,060
	TOTAL RESOURCES	440		5,481,232,957,514	4,571,300,155,491

OFF BALANCE SHEET ITEMS

ITEMS	30/06/2018	31/12/2017
Foreign currencies:		
- United States dollar (USD)	17,785	83,539
- Gold taels (taels)	7,800	6,170
- Australian Dollar (AUD)	470	477
- Euro Dollar (EUR)	1,555	7,670


 Nguyen Thanh Dat
 Preparer


 Duong Quang Hai
 Chief Accountant




 Le Tri Thong
 General Director
 19 October 2018

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

PHU NHUAN JEWELRY JOINT STOCK COMPANY

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

FORM B 01-DN

Issued under Circular No.200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance

INCOME STATEMENT

For the three-month period ended 30 September 2018

Unit: V

No	ITEMS	Code	Notes	Three-month period ended		Accumulated year	
				30/09/2018	30/09/2017	Current year	Previous year
1	Gross revenue from sale of goods and services rendered	01		3,178,369,955,454	2,295,181,057,513	10,583,134,207,107	7,802,265,709,333
2	Deductions	02		27,520,745,080	15,906,987,439	75,392,119,948	46,981,004,918
3	Net revenue from sale of goods and services rendered	10		3,150,849,210,374	2,279,274,070,074	10,507,742,087,159	7,755,284,704,415
4	Cost of goods sold and services rendered	11		2,550,829,399,062	1,883,097,446,086	8,554,797,690,374	6,408,135,086,518
5	Gross profit from sale of goods and services rendered	20		600,019,811,312	396,176,623,988	1,952,944,396,785	1,347,149,617,897
6	Finance income	21		145,838,562	1,712,811,377	6,328,764,952	5,488,705,918
7	Finance expense	22		17,407,413,734	10,648,400,987	45,124,772,533	46,825,788,118
8	<i>In which: interest expense</i>	23		15,315,285,497	10,521,848,660	40,094,255,909	45,416,304,218
9	Selling expenses	25		268,067,364,057	182,771,095,725	818,576,310,569	552,076,426,518
10	General and administrative expenses	26		93,015,229,413	46,815,990,663	227,317,458,858	128,741,961,333
11	Operating profit	30		221,675,642,670	157,653,947,990	868,254,619,777	624,994,147,618
12	Other income	31		393,502,391	654,445,430	2,714,408,487	6,491,886,518
13	Other expense	32		929,846,746	242,976,750	1,540,689,111	744,778,218
14	Other profit	40		(536,344,355)	411,468,680	1,173,719,376	5,747,108,333
15	Accounting profit before tax	50		221,139,298,315	158,065,416,670	869,428,339,153	630,741,255,918
16	Current corporate income tax	51		43,451,417,366	31,986,448,573	175,043,930,665	126,977,874,818
17	Net profit after corporate income tax	60		177,687,880,949	126,078,968,097	694,384,408,488	503,763,381,099
18	Lãi cơ bản trên cổ phiếu	70		1,096	1,166	4,662	4,662



Nguyen Thanh Dat
Preparer
19 October 2018



Duong Quang Hai
Chief Accountant




Le Tri Thong
General Director

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

Unit: VND

No	ITEMS	Codes	Accumulated year	
			Current year	Previous year
I	CASH FLOWS FROM OPERATING ACTIVITIES			
1	Profit before tax	01	869,428,339,153	630,741,255,919
2	Adjustment for			
	- Depreciation and amortization	02	31,334,669,074	29,042,410,336
	- Unrealised foreign exchange profit(loss)	04	963,264,840	213,731,462
	- Profit(Loss) from investing activities	05	(10,326,228,786)	(10,173,694,530)
	- Interest expense	06	40,658,343,583	45,416,304,249
3	Operating profit before changes in working capital	08	932,058,387,864	695,240,007,436
	- Increase/Decrease in receivables	09	(74,807,930,223)	(38,961,636,580)
	- Increase/Decrease in inventories	10	(722,218,747,049)	(213,118,194,355)
	- Increase/Decrease in payables	11	66,685,844,557	(76,175,729,013)
	- Increase/Decrease in prepaid expenses	12	(37,279,808,690)	(31,779,251,532)
	- Interest paid	14	(35,042,129,317)	(47,053,270,793)
	- Corporate income tax paid	15	(175,715,491,078)	(113,784,905,552)
	- Other receipts from operating activities	16	-	4,618,140,895
	- Other payments from operating activities	17	(14,498,460,162)	-
	Net cash flows (used in) from operating activities	20	(60,818,334,098)	178,985,160,506
II	CASH FLOWS FROM INVESTING ACTIVITIES			
1	Acquisition and construction of fixed assets	21	(306,330,950,978)	(104,558,814,074)
2	Proceeds from sale, disposals of fixed assets	22	1,078,175,048	8,154,000,000
3	Purchases of debt instruments of other entities	23	-	(160,000,000,000)
4	Cash recovered from lending, selling debt instruments	24	160,000,000,000	-
7	Interest earned and dividends received	27	2,048,684,182	1,876,445,012
	Net cash flows (used in) from investing activities	30	(143,204,091,748)	(254,528,369,062)
III	CASH FLOWS FROM FINANCING ACTIVITIES			
1	Proceeds from issue of shares	31	-	975,035,852,458
3	Proceeds from borrowings	33	3,033,069,524,110	2,407,933,876,877
4	Repayments of borrowings	34	(2,622,019,766,584)	(3,165,956,955,841)
6	Dividends paid	36	(264,697,524,630)	(185,194,405,300)
	Net cash flows (used in) from financing activities	40	146,352,232,896	31,818,368,194
	Net decrease in cash and cash equivalents	50	(57,670,192,950)	(43,724,840,362)
	Cash and cash equivalents at beginning of period	60	175,208,552,187	155,348,026,509
	Effect of foreign exchange differences	61	48,942,894	33,815,511
	Cash and cash equivalents at ending of period	70	117,587,302,131	111,657,001,658


Nguyen Thanh Dat
Preparer


Duong Quang Hai
Chief Accountant




Le Tri Thong
General Director
19 October 2018

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

I. CORPORATE INFORMATION

Phu Nhuan Jewelry Joint Stock Company (the "Group") was incorporated in Vietnam, under the Business Registration Certificate No. 0300521758 issued by the Department of Planning and Investment of Ho Chi Minh City on 2 January 2004, as 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 three hundred and three (303) stores in different provinces and cities in Vietnam.

The number of employees as at 30 September 2018 was 5,862 (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 3Q2018 ended 30 September 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**

	30/09/2018	VND 31/12/2017
Cash on hand	68,467,441,098	62,618,514,523
Cash at banks	40,347,021,833	41,098,189,621
Cash in transit	8,772,839,200	7,441,848,043
Cash equivalents	-	64,050,000,000
TOTAL	117,587,302,131	175,208,552,187

2. FINANCIAL INVESTMENT

	30/09/2018	VND 31/12/2017
a. Current		
Deposit	-	160,065,000,000
_An Binh Commercial Joint Stock Bank	-	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	-	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 30 September 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

	30/09/2018	VND 31/12/2017
FH Trautz GmBh	10,060,610,618	6,579,765,533
DC&D Company	7,299,112,183	3,934,729,248
AEON Tan Phu	3,650,336,442	-
AEON Binh Tan	1,906,347,066	-
AEON Binh Duong	2,799,967,857	-
LOTTE MART District 7	1,526,585,977	-
Others	41,099,913,415	29,431,721,878
TOTAL	68,342,873,558	39,946,216,659

4. OTHER RECEIVABLES

	30/09/2018	VND 31/12/2017
a. Current		
_Advance to employees	38,465,781,617	769,950,291
_Due from pawnshop	3,700,000,000	-
_Others	4,540,895,858	10,088,811,134
TOTAL	46,706,677,475	10,858,761,425
b. Non-Current		
_Deposit for long-term renting stores	51,390,752,399	42,787,737,738
TOTAL	51,390,752,399	42,787,737,738

5. PREPAYMENTS

	30/09/2018	VND 31/12/2017
a. Current		
Tools and supplies	41,912,601,502	44,714,948,449
Stores rental	18,579,291,800	12,064,562,902
Uniform expense	7,256,326,717	3,197,043,988
Office and store renovation expenses	3,904,377,577	5,358,794,675
Others	3,119,264,217	3,782,186,774
TOTAL	74,771,861,813	69,117,536,788
b. Non-Current	30/09/2018	31/12/2017
Tools and supplies	42,644,676,153	23,740,082,367
Stores rental	3,532,093,334	1,213,200,000
Office and store renovation expenses	37,267,068,498	24,269,615,250
Others	2,149,966,256	4,745,422,959
TOTAL	85,593,804,241	53,968,320,576

6. INVENTORIES

	30/09/2018	VND 31/12/2017
Goods in transit	71,026,199,334	74,485,287,071
Raw materials	63,514,955,058	195,479,212,962
Tools and supplies	35,244,991,906	37,983,205,995
Work in Process	767,169,671,789	241,475,582,475
Finished goods	243,713,414,830	336,815,539,305
Merchandise goods	2,875,483,027,405	2,464,718,787,076
Goods on consignment	68,025,713,351	51,001,611,740
TOTAL	4,124,177,973,673	3,401,959,226,624

Inventories valued at VND965,916,000,000 are used as collateral for short-term loans from commercial banks (Note 10).

PHU NHUAN JEWELRY JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09-DN

8. FIXED ASSETS:

8.1 TANGIBLE FIXED ASSETS

VND

	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	3,408,685,300	28,061,501,066	6,029,096,600	12,862,509,014	50,361,791,908
Disposal	(344,562,902)	(3,093,157,126)	(667,088,300)	(11,548,000)	(4,116,356,328)
31/09/2018	138,832,225,224	214,449,023,545	28,821,154,496	60,758,614,071	442,861,017,336
In which: Fully depreciated assets	523,216,400	65,006,540,461	1,852,235,826	11,990,569,089	79,372,561,776
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	(4,476,858,863)	(18,838,159,304)	(2,310,906,270)	(4,128,187,241)	(29,754,111,678)
Disposal	-	2,017,492,078	667,088,000	11,548,000	2,696,128,378
31/09/2018	(35,939,688,116)	(133,884,091,075)	(9,687,848,452)	(38,413,610,734)	(217,925,238,377)
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
31/09/2018	102,892,537,108	80,564,932,470	19,133,306,044	22,345,003,337	224,935,778,959

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

8.2 INTANGIBLE FIXED ASSETS

VND

ITEMS	Indefinite land and use rights	Computer	Total
		Software	
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	-	-	-
30/09/2018	459,177,157,290	7,078,250,583	466,255,407,873
In which:			
Fully depreciated assets		252,034,613	252,034,613
Accumulate amortization			
31/12/2017	-	(5,245,459,783)	(5,245,459,783)
Amortization for the year	-	(1,585,299,062)	(1,585,299,062)
Disposal	-	-	-
30/09/2018	-	(6,830,758,845)	(6,830,758,845)
Net carrying amount			
31/12/2017	279,662,657,290	1,832,790,800	281,495,448,090
30/09/2018	459,177,157,290	247,491,738	459,424,649,028

9. CONSTRUCTION IN PROCESS

	VND	
	30/09/2018	31/12/2017
Shop House Vincom -Thanh Hóa	9,468,078,966	9,468,078,966
ERP Project	76,539,422,424	-
Others	1,337,288,600	197,000,000
TOTAL	87,344,789,990	9,665,078,966

10. LOAN AND FINANCIAL LEASING:

	VND	
	30/09/2018	31/12/2017
a. Current		
Loans from commercial bank	1,081,762,144,935	636,302,797,462
Loans from individuals	201,167,849,883	206,276,052,738
Current portion of long-term liabilities	3,700,000,000	3,700,000,000
TOTAL	1,286,629,994,818	846,278,850,200
b. Non-current		
Loans from commercial bank	11,100,000,000	11,100,000,000
Loans from individuals	7,374,524,000	35,134,864,000
TOTAL	18,474,524,000	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:

BANK	AMOUNT	MATURITY	INTEREST RATE	COLLATERAL
SHORT-TERM LOANS IN VND	1,030,397,228,245			
CTBC Bank Co.,Ltd - HCMC Branch	77,719,750,000	From 12/10/2018 - 21/01/2019	5.3%	Inventories
Vietnam Joint Stock Commercial Bank for Industry and Trade - Branch 1	449,625,505,318	From 02/10/2018 - 27/03/2019	5.2% - 5.5%	Inventories
Shihan Bank Vietnam Limited	92,000,000,000	From 20/10/2018 - 19/12/2018	4.8% - 5.5%	Unsecured
Joint Stock Company Bank for Foreign Trade of Vietnam	112,010,772,859	From 02/10/2018 - 20/12/2018	5.2%	Houses at 46 Ngo Quyen Street, 359 Phan Chu Trinh Street, and 461 Phan Chu Trinh Street - Tam Ky City
Bank for Investment and Development of Vietnam JSC - Hoc Mon Brand	197,738,371,869	From 17/11/2018 - 27/02/2019	4.9% - 5.5%	Inventories
Military Commercial Joint Stock Bank	73,331,524,199	From 13/12/2018 - 12/02/2019	5.4%	Unsecured
Southeast Asia Commercial Joint Stock Bank	27,971,304,000	From 25/12/2018 - 12/01/2019	5.5%	House at 123 Hung Vuong, Da Nang province and inventories
VAY NGẮN HẠN NGOẠI TỆ	51,364,916,690			
Ngân hàng TMCP Ngoại thương VCB (2,197,900 USD)	51,364,916,690	From 14/11/2018 - 21/11/2018	3.0%	Houses at 46 Ngo Quyen Street, 359 Phan Chu Trinh Street, and 461 Phan Chu Trinh Street - Tam Ky City
CALL THE CAPITAL	201,167,849,883		7.6%	Unsecured
CURRENT PORTION OF LONG-TERM LIABILITIES	3,700,000,000			
SHORT-TERM LOANS IN VND	1,286,629,994,818			

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	22/01/2021	8.3%	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>	3,700,000,000			
Vietnam bank for Agriculture and Rural Development - Branch 4	3,700,000,000			
CALL THE CAPITAL	7,374,524,000		7.6%	Unsecured
TOTAL LONG-TERM LOANS	18,474,524,000			

11. SHORT-TERM TRADE PAYABLES

	30/09/2018	VND 31/12/2017
Forte Jewellery (HK) Co., Ltd	40,849,764,243	65,477,465,822
Lien Nguyen Co.,Ltd	397,798,820.00	40,143,266,820
Quang Vinh Nguyen Import - Export Co.,Ltd	2,152,259,777.00	39,082,098,777
Shrenuj Fareast Co.,Ltd	51,630,051,096	27,539,371,113
Others	143,739,305,365	106,656,260,762
TOTAL	238,769,179,301	278,898,463,294

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

VND				
ITEMS	Opening Period	Receivable / Payable in the period	Received/ Paid in the period	Closing Period
a. Receivables				
Valued added tax from import	674,492,779	21,314,975,610	18,979,229,543	3,010,238,846
Deductible value added tax	12,450,367	211,361,752	3,793,493	220,018,626
Import-Export tax	124,905,929	1,154,775,495	1,248,271,630	31,409,794
Others	1,000,000			1,000,000
TOTAL	812,849,075	22,681,112,857	20,231,294,666	3,262,667,266
b. Payable				
Valued added tax	30,000,174,413	72,068,911,615	68,205,361,268	33,863,724,760
Corporate income tax	89,671,258,308	43,481,169,566	47,079,398,409	86,073,029,465
Personal income tax	1,998,805,769	11,791,491,545	11,610,002,103	2,180,295,211
Others	4,596,427,271			4,596,427,271
TOTAL	126,266,665,761	127,341,572,726	126,894,761,780	126,713,476,707

13. OTHER PAYABLES

	30/09/2018	VND 31/12/2017
a. Current		
_Trade Union fees	8,982,685,243	1,441,680,965
_Bonus of the Board of Management and the Board of Directors	13,935,125,119	12,200,000,000
_Payable to Board of Directors Fund	337,939,568	4,407,841,085
_Payable to Board of Management Fund	1,142,401,517	-
_Payable to Trade Union Fund	5,316,381,499	6,062,859,444
_PIT payable on behalf of shareholders	4,531,133,392	4,531,133,392
_Dividends payable	4,785,869,795	2,876,064,645
_Tuan Ngan Jewelry Private Company	9,551,294,452	10,281,582,283
_Others	41,149,109,506	10,270,499,801
TOTAL	89,731,940,091	52,071,661,615

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

FORM B 09-DN

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	1,500,326,710,000
Capital increase	98,274,570,000	876,761,282,458	-	-	-	975,035,852,000
Profit for the year	-	-	-	-	803,910,770,740	803,910,770,000
Dividend declared	-	-	-	-	(186,720,419,400)	(186,720,419,000)
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	850,740,825,086	3,028,602,914,000
Capital increase (*)	540,372,900,000				(540,372,900,000)	
Net profit in current period	-	-	-	-	694,384,408,488	694,384,408,000
Dividend declared (**)	-	-	-	-	(270,239,940,000)	(270,239,940,000)
Profit appropriation	-	-	-	45,000,000,000	(115,486,053,705)	(70,486,053,000)
_Investment and development fund appropriation				45,000,000,000	(45,000,000,000)	
_Transfer to bonus and welfare funds					(36,664,053,705)	(36,664,053,000)
_Board of Directors Fund					(33,822,000,000)	(33,822,000,000)
Current period's closing balance	1,621,393,240,000	876,761,282,458	(7,090,000)	265,087,556,918	619,026,339,869	3,382,261,329,000

(*) Increasing share capital as the Resolution of AGM dated 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 dated 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 dated 24 April 2018)

(**) On 24 August 2018, PNJ implemented the first phase of interim cash dividend 2018 (10%/share)

(Resolution of the Board of Directors No.597/2018/NQ-HDQT-CTY dated 12 July 2018)

16. REVENUE**16.1 REVENUE FROM GOOD SOLD AND SERVICES RENDERED**

	<i>Current Period</i>	<i>Prior Period</i>
		<i>VND</i>
Gross revenue, in which:	3,178,369,955,454	2,295,181,057,513
<i>Sale of gold, silver and jewelry</i>	3,163,651,555,611	2,283,422,954,064
<i>Sale of accessories</i>	4,832,772,436	4,993,693,621
<i>Rendering services</i>	9,885,627,407	6,764,409,828
Goods returned	27,520,745,080	15,906,987,439
Net revenue, in which:	3,150,849,210,374	2,279,274,070,074
<i>Sale of gold, silver and jewelry</i>	3,136,130,810,531	2,267,515,966,625
<i>Sale of accessories</i>	4,832,772,436	4,993,693,621
<i>Rendering services</i>	9,885,627,407	6,764,409,828

16.2 FINANCIAL INCOME

	<i>Current Period</i>	<i>Previous Period</i>
		<i>VND</i>
Interest income	133,588,898	648,441,071
Foreign exchange gain	12,249,664	1,064,355,993
Others	-	14,313
TOTAL	145,838,562	1,712,811,377

17. COST OF GOODS SOLD AND SERVICES RENDERED

	<i>Current Period</i>	<i>Previous Period</i>
		<i>VND</i>
Cost of gold, silver and jewelry	2,545,461,969,028	1,878,323,734,149
Cost of accessories	3,248,842,103	3,445,665,933
Cost of redering services	2,118,587,931	1,328,046,004
TOTAL	2,550,829,399,062	1,883,097,446,086

18. FINANCIAL EXPENSES

	<i>Current Period</i>	<i>Previous Period</i>
		<i>VND</i>
Finance expense	15,315,285,497	10,521,848,660
Other finance expenses	111,078,827	99,990,600
Realized foreign exchange loss	1,981,049,410	26,561,727
TOTAL	17,407,413,734	10,648,400,987

19. PRODUCTION COST BY NATURE

	VND	
	<i>Current Period</i>	<i>Previous Period</i>
Labor cost	202,717,000,622	117,074,859,127
Raw materials	6,403,579,479	4,747,795,119
Tools and supplies	24,129,824,766	12,310,408,062
Depreciation and amortization	5,395,788,250	4,097,429,349
Expense for external services	60,995,103,515	42,206,730,718
Other expenses	61,441,296,838	49,149,864,013
TOTAL	361,082,593,470	229,587,086,388

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	221,139,298,315	158,065,416,670
Estimated taxable profit	217,257,086,830	159,932,242,865
Corporate income tax	20%	20%
Estimated current CIT	43,451,417,366	31,986,448,573

21. OPERATING LEASE COMMITMENTS

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

	VND	
	<i>Current Period</i>	<i>Previous Period</i>
Within 1 year	130,158,470,321	95,314,079,544
From 2 to 5 years	260,326,870,537	239,448,423,003
Over 5 years	118,209,312,430	140,159,566,000
TOTAL	508,694,653,288	474,922,068,547

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board of Management reviews and agrees policies for managing each of these risks which are summarized as follows:

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 eyes 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.

The Group regularly monitors customer receivables not yet collected, for receivables from overseas customers the Group is guaranteed payment by a third bank. For large customers, the Group considers the impairment in the credit quality of each customer as at the reporting date.

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 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 September 2018.

22. FACTORS EFFECT TO FINANCIAL INCOME IN THE PERIOD

In 3/2018, PNJ has consolidated profit before tax of VND221 billion, up 40% yoy

Sales revenue: total revenue of VND 3,178 billion, up 38% over the same period of 2017; The revenue growth factor is still heavily focused on retail channel gold jewelry. Sale growth for the old stores was 28%, while 58 new stores opened from last quarter, contributing 10% of sales.

Operating Expense: Total cost of implementation was VND 361 billion, up 57% over the same period due to increasing of selling expenses.

In the first 9 months of 2018, PNJ achieved consolidated profit before tax of VND 869.4 billion - fulfilling 79% of profit target.



Nguyen Thanh Dat
Preparer
19 September 2018



Duong Quang Hai
Chief Accountant



Le Tri Thong
General Director