

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

**SEPARATE INTERIM FINANCIAL STATEMENTS**  
**For the three month period ended 30 September 2018**



## TABLE OF CONTENTS

<b><u>CONTENTS</u></b>	<b><u>PAGE(S)</u></b>
GENERAL INFORMATION	1
BALANCE SHEET	2 - 3
INCOME STATEMENT	4
CASH FLOW STATEMENT	5
NOTES TO THE SEPARATE FINANCIAL STATEMENTS	6 - 30

## 1. GENERAL INFORMATION

### The company

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

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

The Parent Company's head office is located at 170E Phan Dang Luu Street, Ward 3, Phu Nhuan District, Ho Chi Minh City, Vietnam.

### THE BOARDS OF MANAGEMENT, SUPERVISORS AND DIRECTORS

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

#### **Board of Management**

Ms. Cao Thi Ngoc Dung	Chairwoman
Mr. Le Tri Thong	Vice Chairman
Ms. Pham Thi My Hanh	Member
Ms. Pham Vu Thanh Giang	Member
Ms. Huynh Thi Xuan Lien	Member
Mr. Le Huu Hanh	Member
Mr. Le Quang Phuc	Member
Mr. Robert Alan Willett	Member

#### **Board of Supervisors**

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

#### **Board of Executives**

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 Resources
Mr. Duong Quang Hai	Chief Accountant

### LEGAL REPRESENTATIVE

The legal representative of the Company during the period and at the date of this report is Mr. Le Tri Thong.

**BALANCE SHEET**  
As at 30 September 2018

Unit: VND

	ASSETS	Code	Notes	30/09/2018	31/12/2017
<b>A</b>	<b>CURRENT ASSETS</b>	<b>100</b>		<b>4,380,888,058,577</b>	<b>3,887,420,813,235</b>
<b>I</b>	<b>Cash and cash equivalents</b>	<b>110</b>	(1)	<b>103,320,562,246</b>	<b>167,814,376,098</b>
1	Cash	111		103,320,562,246	103,764,376,098
2	Cash equivalents	112		-	64,050,000,000
<b>II</b>	<b>Current financial investment</b>	<b>120</b>		<b>-</b>	<b>160,065,000,000</b>
3	Held to maturity investments	123	(2)	-	160,065,000,000
<b>III</b>	<b>Current accounts receivable</b>	<b>130</b>		<b>114,304,290,298</b>	<b>103,698,291,895</b>
1	Trade receivables	131	(3)	27,303,208,160	43,171,219,149
2	Advances to suppliers	132		42,163,153,700	32,814,615,983
6	Other receivables	136	(4)	44,793,672,840	27,577,078,743
8	Shortage of assets pending resolution	139		44,255,598	135,378,020
<b>IV</b>	<b>Inventories</b>	<b>140</b>	(5)	<b>4,096,886,757,892</b>	<b>3,383,605,076,098</b>
1	Inventories	141		4,096,886,757,892	3,383,605,076,098
<b>V</b>	<b>Other current assets</b>	<b>150</b>		<b>66,376,448,141</b>	<b>72,238,069,144</b>
1	Short-term prepaid expenses	151	(6)	63,428,518,950	67,127,740,474
2	Value-added tax deductible	152	(7)	8,656,874	20,455,201
3	Tax and other receivables from the State	153	(7)	2,939,272,317	5,089,873,469
<b>B</b>	<b>NON-CURRENT ASSETS</b>	<b>200</b>		<b>1,066,634,588,418</b>	<b>687,938,037,414</b>
<b>I</b>	<b>Non-current account receivables</b>	<b>210</b>		<b>50,334,389,918</b>	<b>41,746,375,257</b>
6	Other non-current receivables	216	(4)	50,334,389,918	41,746,375,257
<b>II</b>	<b>Fixed assets</b>	<b>220</b>		<b>604,133,771,790</b>	<b>484,699,732,543</b>
1	Tangible fixed assets	221	(8)	144,709,122,762	203,204,284,453
	- Cost	222		244,302,768,838	391,425,135,871
	- Accumulated depreciation (*)	223		(99,593,646,076)	(188,220,851,418)
3	Intangible fixed assets	227	(9)	459,424,649,028	281,495,448,090
	- Cost	228		466,255,407,873	286,740,907,873
	- Accumulated amortization (*)	229		(6,830,758,845)	(5,245,459,783)
<b>IV</b>	<b>Non-current assets in progress</b>	<b>240</b>	(10)	<b>87,344,789,990</b>	<b>9,665,078,966</b>
2	Construction in progress	242		87,344,789,990	9,665,078,966
<b>V</b>	<b>Long-term investments</b>	<b>250</b>	(2)	<b>160,000,000,000</b>	<b>20,000,000,000</b>
1	Investments in subsidiaries	251		160,000,000,000	20,000,000,000
3	Other long-term investments	253		395,271,613,400	395,271,613,400
4	Provision for long-term investments	254		(395,271,613,400)	(395,271,613,400)
<b>VI</b>	<b>Other long-term assets</b>	<b>260</b>		<b>164,821,636,720</b>	<b>131,826,850,648</b>
1	Long-term prepaid expenses	261	(6)	83,328,294,616	50,333,508,544
2	Deferred tax assets	262		81,493,342,104	81,493,342,104
	<b>TOTAL ASSETS (270=100+200)</b>	<b>270</b>		<b>5,447,522,646,995</b>	<b>4,575,358,850,649</b>

**BALANCE SHEET (Continued)**

As at 30 September 2018

Unit: VND

	RESOURCES	Code	Notes	30/09/2018	31/12/2017
<b>C</b>	<b>LIABILITIES</b>	<b>300</b>		<b>2,080,843,364,685</b>	<b>1,549,664,382,047</b>
<b>I</b>	<b>Current liabilities</b>	<b>310</b>		<b>2,054,664,497,685</b>	<b>1,495,725,175,047</b>
1	Trade payables	311	(12)	257,208,593,879	279,319,406,605
2	Advances from customers	312		76,119,828,266	37,742,598,354
3	Statutory obligations	313	(7)	120,192,656,756	116,383,358,330
4	Payables to employees	314		113,945,013,940	97,064,244,559
5	Accrued expenses	315		65,720,776,933	4,629,017,766
8	Unrealized turnover	318		-	-
9	Other payables	319	(13)	47,938,409,681	51,847,439,279
10	Short-term loans	320	(11)	1,303,629,994,818	857,278,850,200
12	Bonus and welfare fund	322		69,909,223,412	51,460,259,954
<b>II</b>	<b>Non-current liabilities</b>	<b>330</b>		<b>26,178,867,000</b>	<b>53,939,207,000</b>
7	Other long-term liabilities	337	(13)	628,026,000	628,026,000
8	Long-term loans	338	(11)	18,474,524,000	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>3,366,679,282,310</b>	<b>3,025,694,468,602</b>
<b>I</b>	<b>Owner's equity</b>	<b>410</b>	(14)	<b>3,366,679,282,310</b>	<b>3,025,694,468,602</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 earnings	421		603,444,292,934	847,832,379,226
	- Retained profits brought forward	421a		84,296,154,226	232,490,355,284
	- Retained profits for the current period	421b		519,148,138,708	615,342,023,942
	<b>TOTAL RESOURCES (440=300+400)</b>	<b>440</b>		<b>5,447,522,646,995</b>	<b>4,575,358,850,649</b>


**OFF BALANCE SHEET ITEM**

	30/09/2018	31/12/2017
Foreign currencies:		
- United States dollar (USD)	17,785	83,539
- Gold taels (mace)	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

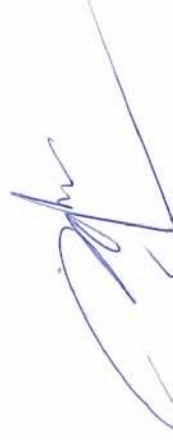
**INCOME STATEMENT**  
For the three-month period ended 30 September 2018

Unit: VND

No	ITEMS	Code	Notes	Three-month period ended		Accumulated year	
				30/09/2018	30/09/2017	Current year	Period year
<b>1</b>	<b>Gross revenue from sale of goods and services rendered</b>	<b>01</b>		<b>2,716,510,700,844</b>	<b>2,283,154,030,954</b>	<b>10,095,663,314,021</b>	<b>7,763,281,432,799</b>
2	Deductions	02		22,827,614,007	15,660,325,439	70,457,318,875	46,573,217,919
3	Net revenue from sale of goods and services rendered	10	(15)	2,693,683,086,837	2,267,493,705,515	10,025,205,995,146	7,716,708,214,880
4	Cost of goods sold and services rendered	11	(17)	2,132,475,752,051	1,879,796,102,390	8,138,806,061,549	6,395,631,597,010
<b>5</b>	<b>Gross profit from sale of goods and services rendered</b>	<b>20</b>		<b>561,207,334,786</b>	<b>387,697,603,125</b>	<b>1,886,399,933,597</b>	<b>1,321,076,617,777</b>
6	Finance income	21	(16)	4,134,207,528	1,706,382,965	10,309,815,108	8,475,783,330
7	Finance expenses	22	(18)	17,643,720,583	10,814,592,769	45,688,860,207	47,257,623,810
	- In which: Interest expense	23		15,551,592,346	10,688,040,442	40,658,343,583	45,848,139,810
8	Selling expenses	25		253,059,420,886	176,339,785,049	791,301,468,843	535,089,192,810
9	General and administrative expenses	26		78,817,461,110	45,568,161,806	208,731,811,734	124,394,709,610
<b>10</b>	<b>Operating profit</b>	<b>30</b>		<b>215,820,939,735</b>	<b>156,681,446,466</b>	<b>850,987,607,921</b>	<b>622,810,874,833</b>
11	Other income	31		373,157,354	654,445,430	2,694,062,450	6,418,004,510
12	Other expenses	32		1,800,738,868	235,101,404	2,407,381,233	736,423,940
13	Other profit	40		(1,427,581,514)	419,344,026	286,681,217	5,681,580,620
<b>14</b>	<b>Accounting profit before tax</b>	<b>50</b>		<b>214,393,358,221</b>	<b>157,100,790,492</b>	<b>851,274,289,138</b>	<b>628,492,455,463</b>
15	Current corporate income tax expense	51	(21.1)	42,277,581,393	31,518,250,166	169,987,535,430	125,420,248,090
<b>17</b>	<b>Net profit after corporate income tax</b>	<b>60</b>		<b>172,115,776,828</b>	<b>125,582,540,326</b>	<b>681,286,753,708</b>	<b>503,072,207,373</b>
18	Earning per share	70		1,062	1,162	4,202	4,650



Nguyen Thanh Dat  
Preparer



Duong Quang Hai  
Chief Accountant



Le Tri Thong  
General Director  
19 October 2018

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

Unit: VND

No.	ITEMS	Code	Three - month period ended	
			30/09/2018	30/09/2017
<b>I</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>1</b>	<b>Profit before tax</b>	<b>01</b>	<b>851,274,289,138</b>	<b>628,492,455,465</b>
<b>2</b>	<b>Adjustment for</b>			
	- Depreciation and amortization	02	22,697,143,625	28,633,595,829
	- Exchange losses arising from evaluation of monetary items	04	963,264,840	213,731,462
	- (Gain)/loss from investing activities	05	(10,314,809,838)	(10,164,432,961)
	- Interest expense	06	40,658,343,583	45,848,139,868
<b>3</b>	<b>Operating profit before changes in working capital</b>	<b>08</b>	<b>905,278,231,348</b>	<b>693,023,489,663</b>
	- (Increase)/Decrease in receivables	09	(17,043,411,912)	(40,337,216,899)
	- Increase in inventories	10	(713,281,681,794)	(215,937,691,884)
	- Increase in payables	11	40,401,378,273	(75,184,548,154)
	- Increase in prepaid expenses	12	(29,295,564,548)	(31,817,254,876)
	- Interest paid	14	(35,042,129,317)	(47,053,270,793)
	- Corporate income tax paid	15	(171,722,063,161)	(112,181,283,590)
	- Other cash inflows from operating activities	16		4,930,319,400
	- Other cash outflows from operating activities	17	(18,251,930,948)	
	<b>Net cash flows (used in) from operating activities</b>	<b>20</b>	<b>(38,957,172,059)</b>	<b>175,442,542,867</b>
<b>II</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1	Acquisition and construction of fixed assets	21	(305,055,580,261)	(103,322,492,574)
2	Proceeds from sale, disposals of fixed assets	22	1,078,175,048	8,154,000,000
4	Receipt from collection loans from other entities	24	160,000,000,000	
5	Payment for investment in other entities	25	(40,000,000,000)	-
7	Interest earned and dividends received	27	6,039,587,630	1,867,183,443
	<b>Net cash flows from (used in) investing activities</b>	<b>30</b>	<b>(177,937,817,583)</b>	<b>(253,301,309,131)</b>
<b>III</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
3	Drawdown of borrowings	33	3,039,069,524,110	2,410,933,876,877
4	Repayment of borrowings	34	(2,622,019,766,584)	(3,166,956,955,841)
6	Dividends paid	36	(264,697,524,630)	(185,194,405,300)
	<b>Net cash flows used in financing activities</b>	<b>40</b>	<b>152,352,232,896</b>	<b>33,818,368,194</b>
	Net decrease in cash and cash equivalents	50	(64,542,756,746)	(44,040,398,070)
	<b>Cash and cash equivalents at beginning of period</b>	<b>60</b>	<b>167,814,376,098</b>	<b>150,275,926,525</b>
	Effect of exchange rate fluctuations on cash and cash equivalents	61	48,942,894	33,815,511
	<b>Cash and cash equivalents at end of period</b>	<b>70</b>	<b>103,320,562,246</b>	<b>106,269,343,966</b>

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

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

\_\_\_\_\_  
Le Tri Thong  
General Director  
19 October 2018



## **I. CORPORATE INFORMATION**

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

### **Operating industry and principal activities**

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

### **Normal production and business cycle**

The Company's normal production and business cycle is carried out for a time period of 12 months or less.

### **The Company's structure**

The 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 eighty-nine (289) retail shops located in various provinces and cities in Vietnam.

The number of employees as at 30 September 2018 was 4,302 (as at 31 December 2017: 5,004). The number of employees moved to PNJP company was 1,370.

As at 30 September 2018, the Company's subsidiaries were:

- CAO Fashion Company Limited (CAF) – Subsidiary
- PNJ Laboratory Company Limited (PNJL) – Subsidiary
- Customer Era Company Limited (CECL)– Subsidiary
- PNJ Jewelry Production And Trading Company Limited (PNJP)– Subsidiary

As at 30 September 2018, the Company also fifty-two (52) branches located in various provinces and cities in Vietnam, in which, the big branches were:

- Branch of Phu Nhuan Jewelry Joint Stock Company- Ha Noi Branch
- Branch of Phu Nhuan Jewelry Joint Stock Company- Da Nang Branch
- Branch of Phu Nhuan Jewelry Joint Stock Company- Tay Nguyen Branch
- Branch of Phu Nhuan Jewelry Joint Stock Company- Can Tho Branch
- Branch of Phu Nhuan Jewelry Joint Stock Company- Bien Hoa Branch

## **II. ACCOUNTING CONVENTION AND FINANCIAL YEAR**

### **Accounting convention**

The accompanying separate financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

The accompanying separate financial statements are presented to reflect the balance sheet as at 30 September 2018, the income statement and separate cash flow statements for the period then ended. Therefore, the Company does not consolidate the investments in subsidiaries in the separate financial statements. The Company's investments are recognized under the accounting policies presented on Note 5 below.

The accompanying separate financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

### **Financial year**

The Company's financial year begins on 01 January and ends on 31 December.



### **III. ADOPTION OF NEW ACCOUNTING GUIDANCE**

On 21 March 2016, the Ministry of Finance issued Circular No. 53/2016/TT-BTC ("Circular 53") amending and supplementing certain articles of Circular No.200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance guiding the accounting regime for enterprises. Circular 53 is effective for the financial years beginning on or after 01 January 2016. The Board of Directors has adopted Circular 53 in the preparation and presentation of the Company's financial statements for the period ended 30 September 2018.

### **IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Estimates**

The preparation of separate financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the separate financial statements and the reported amounts of revenues and expenses during the financial year. Although these accounting estimates are based on the management's best knowledge, actual results may differ from those estimates.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **Financial investments**

##### ***Held-to-maturity investments***

Held-to-maturity investments comprise investments that the Company has the positive intent or ability to hold to maturity, including term deposits.

Held-to-maturity investments are recognised at acquisition date and initially stated at cost and any directly attributable costs. Interests in held-to-maturity investments after acquisition is recognised in the income statement based on accrual basis. Other interests received before acquisition date are deducted from the cost of the investments.

Held-to-maturity investments are carried at cost less provision for impairment.

Provisions for impairment of held-to-maturity investments are made in accordance with prevailing accounting regulations

##### ***Investments in subsidiaries, joint ventures, associates***

###### ***Investment in subsidiaries***

A subsidiary is an entity over which the Company has control. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

###### ***Investments in associates***

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Interests in subsidiaries, joint ventures and associates are initially recognised at cost. The Company's share of the net profit of the investee after acquisition is recognised in the income statement. Other distributions received other than such profit share are deducted from the cost of the investments as recoverable amounts.

Investments in subsidiaries, joint ventures and associates are carried in the balance sheet at cost less provision for impairment of such investments (if any).

#### **Equity investments in other entities**

Equity investments in other entities represent the Company's investments in ordinary shares of the entities over which the Company has no control, joint control, or significant influence.

Equity investments in other entities are carried at cost less provision for impairment.

#### **Provisions for impairment of investments**

Provisions for impairment of investments in subsidiaries, joint ventures and associates are made in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009 issued by the Ministry of Finance on "Guiding the appropriation and use of provisions for devaluation of inventories, loss of financial investments, bad debts and warranty for products, goods and construction works at enterprises", Circular No. 89/2013/TT-BTC dated 28 June 2013 by the Ministry of Finance amending and supplementing Circular No. 228/2009/TT-BTC and prevailing accounting regulations.

#### **Receivables**

Receivables represent the amounts recoverable from customers or other debtors and are stated at book value less provision for doubtful debts.

Provision for doubtful debts is made for receivables that are overdue for six months or more, or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

#### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation. The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Current year
	(Years)
Buildings and structures	03 - 25
Machinery and equipment	03 - 15
Motor vehicles	04 - 10
Office equipment	03 - 08

Gain or loss resulting from sales and disposals of tangible fixed assets is the difference between profit from sales or disposals of assets and their residual values and is recognised in the income statement.

#### **Leasing**

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

## **Intangible assets and amortization**

Intangible assets represent computer software that is stated at cost less accumulated amortisation and is amortized on the straight-line basis in 3 years.

Land use rights are recorded as an intangible asset on the balance sheet when the Company received the certificate of land use rights. Historical cost of land use rights includes all costs directly related to transfer of assets into ready for use status and are not amortized because land use rights have long usage time.

## **Construction in progress**

Properties in the course of construction for selling, are carried at cost. Cost includes land use rights and construction cost for trade centers and stores in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

## **Prepayments**

Prepayments are expenses which have reported as short-term or long-term prepayments in the balance sheet and are amortized over the period for which the amount 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 prepayments:

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

## **Borrowing costs**

Interest expense includes interest and other costs incurred related to the loans of the Company and is recorded to the expenses incurred during the year.

## **Revenue recognition**

Revenue from the sale of goods is recognised when all five (5) following conditions are satisfied:

- (a) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the Company; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue of a transaction involving the rendering of services is recognised when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several periods, revenue is recognised in each period by reference to the percentage of completion of the transaction at the balance sheet date of that period. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the Company;
- (c) the percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate.

Dividend income from investments is recognised when the Company's right to receive payment has been established.

### **Severance allowance payable**

The severance allowance for employees is accrued at the end of each reporting period for all employees having worked at the Company for full 12 months and above. Working time serving as the basis for calculating severance allowance shall be the total actual working time subtracting the time when the employees have made unemployment insurance contributions as prescribed by law, and the working time when severance allowance has been paid to the employees. The allowance made for each year of service equals to a half of an average monthly salary under the Vietnamese Labour Code, Social Insurance Code and relevant guiding documents. The average monthly salary used for calculation of severance allowance shall be adjusted to be the average of the 6 consecutive months nearest to the date of the financial statements at the end of each reporting period. The increase or decrease in the accrued amount shall be recorded in the income statement.

### **Foreign currencies**

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognised in the income statement.

### **Payable provisions**

Payable provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Board of Directors' best estimate of the expenditure required to settle the obligation as at the balance sheet date.

### **Taxation**

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

#### *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.

**V. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****1. CASH AND CASH EQUIVALENTS**

	<b>VND</b>	
	<b>30/09/2018</b>	<b>31/12/2017</b>
Cash on hand	66,568,164,097	61,156,455,977
Cash at banks	28,669,152,949	35,281,922,078
Cash in transit	8,083,245,200	7,325,998,043
Cash equivalents	-	64,050,000,000
<b>TOTAL</b>	<b>103,320,562,246</b>	<b>167,814,376,098</b>

**2. FINANCIAL INVESTMENTS**

	<b>VND</b>	
	<b>30/09/2018</b>	<b>31/12/2017</b>
<b>a. Current</b>		
Deposit	-	<b>160,065,000,000</b>
_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
_Southeast Asia Commercial Joint Stock Bank	-	40,000,000,000
<b>Total</b>	<b>-</b>	<b>160,065,000,000</b>
<b>b. Non - current</b>		
The Company's subsidiaries	<b>160,000,000,000</b>	<b>20,000,000,000</b>
_CAO Fashion Company Limited	30,000,000,000	10,000,000,000
_PNJ Laboratory Company Limited	10,000,000,000	10,000,000,000
_Customer Era Company Limited	20,000,000,000	-
_PNJ Jewelry Production And Trading Co.,Ltd	100,000,000,000	-
<b>Other long term investments</b>	<b>-</b>	<b>-</b>
_Dong A Joint Stock (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>160,000,000,000</b>	<b>20,000,000,000</b>

CAO Fashion Company Limited ("CAF"), a one-member limited liability company, was established under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate No. 0309279212 issued by the Department of Planning and Investment of Ho Chi Minh City on 14 August 2009. CFC's registered head office is located at 170E Phan Dang Luu Street, Phu Nhuan District, Ho Chi Minh City, Vietnam. CAF's principal activities are to produce and trade fashion products, silver and gold jewelry, and arts and crafts products, and to import and export art and craft products.

PNJ Laboratory Company Limited ("PNJL"), a one-member limited liability company, was established under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate No.0310521330 issued by the Department of Planning and Investment of Ho Chi Minh City on 16 December 2010. PLC's registered head office is located at 168A Phan Dang Luu Street, Phu Nhuan District, Ho Chi Minh City, Vietnam.

PNJL's principal activities are to provide jewelry inspection and consultancy services of diamond, gemstone, semi gemstone, etc.,

PNJ Jewelry Production And Trading Company Limited ("PNJP"), a one-member limited liability company, was established under the Law on Enterprise of Vietnam pursuant to 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 registered head office is located at 23 Street 14, Ward 5, Go Vap District, Ho Chi Minh City, Vietnam.

Customer Era Company Limited (CECL), a one-member limited liability company, was established under the Law on Enterprise of Vietnam pursuant to 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 registered head office is located at 170E Phan Dang Luu Street, Phu Nhuan District, Ho Chi Minh City, Vietnam.

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.

### 3. SHORT-TERM TRADE RECEIVABLES

	<b>VND</b>	
	<b>30/09/2018</b>	<b>31/12/2017</b>
FH Trautz GmBh	-	6,579,765,533
DC&D Company	-	3,934,729,248
CAO Fashion Company Limited	-	3,721,391,377
AEON Celadon	3,650,336,442	1,334,997,959
AEON Binh Tan	1,906,347,066	2,025,291,958
AEON Binh Duong	2,799,967,857	2,106,157,280
LOTTE MART Q7	1,526,585,977	1,885,077,273
Others	17,419,970,818	21,583,808,521
<b>TOTAL</b>	<b>27,303,208,160</b>	<b>43,171,219,149</b>

### 4. OTHER RECEIVABLES

	<b>VND</b>	
	<b>30/09/2018</b>	<b>31/12/2017</b>
<b>a. Current</b>		
_Advances to employees	36,796,800,367	764,280,291
_Due from CAO Fashion Company Limited	-	16,759,580,292
_Due from Customer Era Company Limited	140,000,000	-
_Lam Thi Thuy Nga (pawn)	3,700,000,000	-
_Others	4,156,872,473	10,053,218,160
<b>Total</b>	<b>44,793,672,840</b>	<b>27,577,078,743</b>
<b>b. Non- Current</b>		
_ Long term deposit for renting stores	50,334,389,918	41,746,375,257
<b>Total</b>	<b>50,334,389,918</b>	<b>41,746,375,257</b>

**5. INVENTORIES**

	<b>VND</b>	
	<b>30/09/2018</b>	<b>31/12/2017</b>
Goods in transit	71,007,164,073	74,485,287,071
Raw materials	63,492,186,549	195,479,212,962
Tools and supplies	33,783,224,593	37,395,279,155
Work in process	767,001,422,623	241,475,582,475
Finished goods	243,683,990,735	336,815,539,305
Merchandise goods	2,849,959,948,231	2,446,952,563,390
Goods on consignment	67,958,821,088	51,001,611,740
<b>TOTAL</b>	<b>4,096,886,757,892</b>	<b>3,383,605,076,098</b>

As at 30 September 2018, inventories of VND 965,916,000,000 was used as collaterals for short-term loans obtained from commercial banks (Note 11).

**6. PREPAYMENTS**

	<b>VND</b>	
<b>Current</b>	<b>30/09/2018</b>	<b>31/12/2017</b>
Tools and supplies	32,871,128,003	45,887,075,745
Stores rental	17,096,931,800	10,582,202,902
Uniform expense	7,256,326,717	3,021,579,248
Office and store renovation expen:	3,381,643,408	3,854,695,805
Others	2,822,489,022	3,782,186,774
<b>TOTAL</b>	<b>63,428,518,950</b>	<b>67,127,740,474</b>

	<b>VND</b>	
<b>Non current</b>	<b>30/09/2018</b>	<b>31/12/2017</b>
Tools and supplies	41,242,571,648	23,339,302,147
Stores rental	3,532,093,334	1,213,200,000
Office and store renovation expen:	36,403,663,378	24,269,615,250
Others	2,149,966,256	1,511,391,147
<b>TOTAL</b>	<b>83,328,294,616</b>	<b>50,333,508,544</b>

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

	<b>VND</b>			
	Opening balance	Receivable/Payable during the year	Received/Paid during the year	Closing balance
<b>a.Receivables</b>				
Value added tax from import	5,040,800,081	86,839,839,632	88,947,688,181	2,932,951,532
Deductible value added tax	20,455,201	651,137,557	662,935,884	8,656,874
Import- Export tax	46,573,388	3,301,233,840	3,342,486,443	5,320,785
Others	2,500,000	2,000,000	3,500,000	1,000,000
<b>Total</b>	<b>5,110,328,670</b>	<b>90,794,211,029</b>	<b>92,956,610,508</b>	<b>2,947,929,191</b>
<b>b. Payables</b>				
Value added tax	24,264,332,943	202,985,867,369	198,144,317,867	29,105,882,445
Corporate income tax	86,605,166,561	170,017,287,630	171,722,063,161	84,900,391,030
Personal income tax	917,431,555	33,977,827,235	33,305,302,780	1,589,956,010
Others	4,596,427,271	267,908,775	267,908,775	4,596,427,271
<b>Total</b>	<b>116,383,358,330</b>	<b>407,248,891,009</b>	<b>403,439,592,583</b>	<b>120,192,656,756</b>

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

**8. TANGIBLE FIXED ASSETS**

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Total
					VND
<b>Cost:</b>					
31/12/2017	135,768,102,826	188,951,888,481	23,459,146,196	43,245,998,368	391,425,135,871
Additions	3,408,685,300	26,481,631,848	6,029,096,600	12,286,520,391	48,205,934,139
Disposal	344,562,902	180,937,494,760	2,298,796,245	11,747,447,265	195,328,301,162
30/09/2018	138,832,225,224	34,496,025,569	27,189,446,551	43,785,071,494	244,302,768,838
<i>In which:</i>					
Fully depreciated	523,216,400	12,845,022,138	1,852,235,826	10,122,925,442	25,343,399,806
<b>Accumulated depreciation:</b>					
31/12/2017	31,462,829,253	116,599,727,522	8,044,030,482	32,114,264,161	188,220,851,418
Depreciation for the year	4,476,858,863	11,415,384,130	2,238,643,706	2,980,957,864	21,111,844,563
Disposal	105,524,279,685	105,524,279,685	1,023,031,236	3,191,738,984	109,739,049,900
30/09/2018	35,939,688,116	22,490,831,967	9,259,642,952	31,903,483,041	99,593,646,076
<b>Net carrying amount:</b>					
31/12/2017	<b>104,305,273,573</b>	<b>72,352,160,959</b>	<b>15,415,115,714</b>	<b>11,131,734,207</b>	<b>203,204,284,453</b>
30/09/2018	<b>102,892,537,108</b>	<b>12,005,193,602</b>	<b>17,929,803,599</b>	<b>11,881,588,453</b>	<b>144,709,122,762</b>

Buildings and machineries pledged to obtain loans from commercial banks (Note 11).



**9. INTANGIBLE FIXED ASSETS**

VND

	<i>Indefinite land use rights</i>	<i>Brand</i>	<i>Computer software</i>	<i>Total</i>
<b>Cost:</b>				
31/12/2017	279,662,657,290	96,000,000	6,982,250,583	286,740,907,873
Additions	179,514,500,000			179,514,500,000
Disposal				
30/09/2018	459,177,157,290	96,000,000	6,982,250,583	466,255,407,873
<i>In which:</i>				
<i>Fully depreciated</i>		96,000,000	156,034,613	252,034,613
<b>Accumulated amortization:</b>				
31/12/2017	-	96,000,000	5,149,459,783	5,245,459,783
Amortization for the year	-		1,585,299,062	1,585,299,062
Disposal				
30/09/2018	-	96,000,000	6,734,758,845	6,830,758,845
<b>Net carrying amount:</b>				
31/12/2017	279,662,657,290		1,832,790,800	281,495,448,090
30/09/2018	<b>459,177,157,290</b>		<b>247,491,738</b>	<b>459,424,649,028</b>

As presented in Note 11 Land use rights were pledged to obtain loans from commercial banks.

**10. CONSTRUCTION IN PROCESS**

VND

	<b>30/09/2018</b>	<b>31/12/2017</b>
Store at Vincom Thanh Hoa	9,468,078,966	9,468,078,966
ERP Project	76,539,422,424	-
Others	1,337,288,600	197,000,000
<b>TOTAL</b>	<b>87,344,789,990</b>	<b>9,665,078,966</b>

**11. SHORT-TERM LOANS**

VND

	<b>30/09/2018</b>	<b>31/12/2017</b>
<b>a. Short term</b>		
Loans from commercial banks	1,081,762,144,935	636,302,797,462
Loans from individuals	218,167,849,883	217,276,052,738
Current portion of long term liabilities	3,700,000,000	3,700,000,000
<b>Total</b>	<b>1,303,629,994,818</b>	<b>857,278,850,200</b>
<b>b. Long term</b>		
Loans from commercial banks	11,100,000,000	11,100,000,000
Loans from individuals	7,374,524,000	35,134,864,000
<b>Total</b>	<b>18,474,524,000</b>	<b>46,234,864,000</b>

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

VND

BANK	30/09/2018	MATURITY DATE	INTEREST RATE	COLLATERAL
<b>Short term loans in VND</b>	<b>1,030,397,228,245</b>			
CTBC Bank Company Limited - HCM Branch	77,719,750,000	From 12 October 2018 to 21 January 2019	5.3%	Inventories
Vietnam Joint Stock Commercial Bank for Industry and Trade - Branch 1	449,625,505,318	From 02 October 2018 to 27 March 2019	From 5.2% to 5.5%	Inventories
Shinhan Bank Vietnam Limited - HCM Branch	92,000,000,000	From 20 October 2018 to 19 December 2018	From 4.8% to 5.5%	Unsecured
Joint Stock Company Bank for Foreign trade of Vietnam	112,010,772,859	From 02 October 2018 to 20 December 2018	5.2%	Land use right at 46 Ngo Quyen, 359 Phan Chu Trinh and machinery with amount of VND 50 billion
Bank for Investment and Development of Vietnam Jsc- Hoc Mon Branch	197,738,371,869	From 17 November 2018 to 27 February 2019	From 4.95% to 5.5%	Inventories
Military Commercial Joint Stock Bank	73,331,524,199	From 13 December 2018 to 12 January 2019	5.40%	Unsecured
Southeast Asia Commercial Joint Stock Bank	27,971,304,000	From 25 December 2018 to 26 December 2018	5.5%	House at 123 Hung Vuong, Da nang and inventories
<b>Short term loans in USD</b>	<b>51,364,916,690</b>			
Joint Stock Company Bank for Foreign trade of Vietnam (USD 2,197,900)	51,364,916,690	From 14 November to 21 November 2018	3.0%	Land use right at 46 Ngo Quyen, 359 Phan Chu Trinh and machinery with amount of VND 50 billion
<b>Other individuals</b>	<b>218,167,849,883</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>1,303,629,994,818</b>			

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

BANK	30/09/2018	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 January 2021	8.3%	02 Shop House No.PG1-05 and PG1-05A at No.209, 30/4 Street, Xuan Khanh Ward, Ninh Kieu District, Can Tho City
<b>In which:</b>	<b>3,700,000,000</b>			
Vietnam bank for Agriculture and Rural Development - Branch 4	3,700,000,000			
<b>Other individuals</b>	<b>7,374,524,000</b>		7.6%	Unsecured
<b>Long term loans</b>	<b>18,474,524,000</b>			

## 12. SHORT-TERM TRADE PAYABLES

	<b>VND</b>	
	<b>30/09/2018</b>	<b>31/12/2017</b>
Forte Jewellery (HK) Ltd Co.	40,849,764,243	65,477,465,822
Lien Nguyen Ltd Co.	397,798,820	40,143,266,820
Quang Vinh Nguyen Import - Export Ltd Co.	2,152,259,777	39,082,098,777
Shrenuj Fareast Ltd Co.	51,630,051,096	27,539,371,113
PNJ Jewelry Production And Trading Co.,Ltd	30,834,684,153	-
Others	131,344,035,790	107,077,204,073
<b>TOTAL</b>	<b>257,208,593,879</b>	<b>279,319,406,605</b>

**13. OTHER PAYABLES**

	<b>30/09/2018</b>	<b>VND 31/12/2017</b>
<b>a. Current</b>		
_Trade Union fees	8,642,392,249	1,148,661,431
_Bonus of Board of Management and Board of Directors	13,935,125,119	12,200,000,000
_Payables to Board of Management fund	337,939,568	3,208,939,568
_Payables to Board of Director fund	1,142,401,517	1,198,901,517
_Payables to Trade Union fund	5,316,381,499	6,062,859,444
_Payables PIT on behalf to shareholder	4,531,133,392	4,531,133,392
_Dividends payable	4,785,869,795	2,876,064,645
_Tuan Ngan Jewelry Private Enterprise	882,233,203	10,281,582,283
_Others	8,364,933,339	10,339,296,999
<b>TOTAL</b>	<b>47,938,409,681</b>	<b>51,847,439,279</b>
<b>b. Non current</b>		
_ Long term deposit	628,026,000	628,026,000
<b>TOTAL</b>	<b>628,026,000</b>	<b>628,026,000</b>

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

FORM B 09

14. OWNERS' EQUITY

	Share capital	Share premium	Treasury shares	Investment and development fund	Undistributed earnings	Total
<b>Prior period's opening balance</b>	982,745,770,000		(7,090,000)	144,087,556,918	372,005,127,004	1,498,831,366,918
Capital increase	98,274,570,000	876,761,282,458	-	-	-	975,035,852,458
Profit for the year	-	-	-	-	802,497,671,622	802,497,671,622
Dividends declared	-	-	-	-	(186,720,419,400)	(186,720,419,400)
Profit appropriation	-	-	-	76,000,000,000	(139,950,000,000)	(63,950,000,000)
<i>Investment and development fund appropriation</i>	-	-	-	76,000,000,000	(76,000,000,000)	
<i>Transfer to bonus and welfare funds</i>	-	-	-	-	(45,000,000,000)	(45,000,000,000)
<i>Board of Management fund</i>	-	-	-	-	(6,750,000,000)	(6,750,000,000)
<i>Board of Directors fund</i>	-	-	-	-	(12,200,000,000)	(12,200,000,000)
<b>Current period's opening balance</b>	<b>1,081,020,340,000</b>	<b>876,761,282,458</b>	<b>(7,090,000)</b>	<b>220,087,556,918</b>	<b>847,832,379,226</b>	<b>3,025,694,468,918</b>
Capital increase (*)	540,372,900,000				(540,372,900,000)	
Profit for the year	-	-	-	-	681,286,753,708	681,286,753,708
Dividends declared (**)	-	-	-	-	(270,239,940,000)	(270,239,940,000)
Profit appropriation	-	-	-	45,000,000,000	(115,062,000,000)	(70,062,000,000)
<i>Investment and development fund appropriation</i>	-	-	-	45,000,000,000	(45,000,000,000)	
<i>Transfer to bonus and welfare funds</i>	-	-	-	-	(36,240,000,000)	(36,240,000,000)
<i>Board of Management and Board of Directors bonus</i>	-	-	-	-	(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>603,444,292,934</b>	<b>3,366,679,282,918</b>

VND

(\*) 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 (8%/share)

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

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

**FORM B 09**

- (\*\*)On 01 June 2018, PNJ implemented the third phase of interim cash dividend (2%/share)  
(Resolution of the Board of Management No.380/2018/NQ-HĐQT-CTY date 24 April 2018)*
- (\*\*)On 24 August 2018, PNJ implemented the first phase of interim cash dividend (10%/share)  
(Resolution of the Board of Management No. 597/2018/NQ-HĐQT-CTY date 12 July 2018)*

**15. REVENUE FROM GOOD SOLD AND SERVICES RENDERED**

	VND	
	<i>Current period</i>	<i>Previous period</i>
<b>Gross revenue, of which</b>	2,716,510,700,844	2,283,154,030,954
_Sale of gold, silver and jewelry	2,708,262,268,821	2,275,925,007,387
_Others	4,832,772,436	4,993,693,621
_Rendering services	3,415,659,587	2,235,329,946
Goods returned	22,827,614,007	15,660,325,439
<b>Net revenue, of which</b>	<b><u>2,693,683,086,837</u></b>	<b><u>2,267,493,705,515</u></b>
_Sale of gold, silver and jewelry	2,685,434,654,814	2,260,264,681,948
_Others	4,832,772,436	4,993,693,621
_Rendering services	3,415,659,587	2,235,329,946

**16. FINANCIAL INCOME**

	VND	
	<i>Current period</i>	<i>Previous period</i>
Interest income	121,957,864	1,057,927,581
Divident income	4,000,000,000	648,441,071
Foreign exchange gain	12,249,664	14,313
<b>TOTAL</b>	<b><u>4,134,207,528</u></b>	<b><u>1,706,382,965</u></b>

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

	VND	
	<i>Current period</i>	<i>Previous period</i>
Cost of gold, silver and jewelry and services rendered	2,129,231,841,948	1,876,350,436,457
Cost of accessories	3,243,910,103	3,445,665,933
<b>TOTAL</b>	<b><u>2,132,475,752,051</u></b>	<b><u>1,879,796,102,390</u></b>

**18. FINANCIAL EXPENSES**

	VND	
	<i>Current period</i>	<i>Previous period</i>
Interest expense	15,551,592,346	10,688,040,442
Foreign exchange losses	1,981,049,410	26,561,727
Others	111,078,827	99,990,600
<b>TOTAL</b>	<b><u>17,643,720,583</u></b>	<b><u>10,814,592,769</u></b>

**19. PRODUCTION COST BY NATURE**

	VND	
	<i>Current period</i>	<i>Previous period</i>
Labor costs	184,413,907,461	115,099,423,134
Raw materials	6,281,066,037	4,747,795,119
Tools and supplies	21,916,206,047	11,885,784,270
Depreciation and amortization	5,012,350,728	4,050,957,509
Expenses for external services	57,770,783,599	39,845,133,580
Other expenses	56,482,568,124	46,278,853,243
	<b><u>331,876,881,996</u></b>	<b><u>221,907,946,855</u></b>

**20. CORPORATE INCOME TAX**

The Company 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 separate interim financial statements could change at a later date upon final determination by the tax authorities.

**21.1 Current CIT**

The current tax payable is based on taxable profit for the period. The taxable profit of the Company for the period differs from the profit as reported in the separate interim income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted at balance sheet date.

A reconciliation between the profit before tax and taxable profit is presented below:

	VND	
	<i>Current period</i>	<i>Previous period</i>
<b>Profit before tax</b>	<b>214,393,358,221</b>	<b>157,100,790,492</b>
<i>Adjustments:</i>		-
_Non - deductible expenses	994,548,746	490,460,338
_Dividend earned	(4,000,000,000)	-
<b>Estimated current taxable profit</b>	<b>211,387,906,967</b>	<b>157,591,250,830</b>
Corporate income tax rate	20%	20%
<b>Estimated current CIT</b>	<b>42,277,581,393</b>	<b>31,518,250,166</b>

**21.2 Deferred CIT**

The following are the deferred tax assets recognized by the Company, and the movements thereon, during the current and prior reporting period.



	<b>Current period</b>	<b>Previous period</b>
		VND
Interest expense accrual	4,629,018,185	4,629,018,185
Severance allowance payable	7,076,317,000	7,076,317,000
Prepayment	489,761,934	489,761,934
Provision for long-term investments (EAB) (*)	395,271,613,400	395,271,613,400
<b>Current taxable profit</b>	<b>407,466,710,519</b>	<b>407,466,710,519</b>
CIT rate	20%	20%
<b>Deferred Tax Asset</b>	<b>81,493,342,104</b>	<b>81,493,342,104</b>

**21. RELATED PARTY TRANSACTIONS AND BALANCES**

Significant transactions with related parties during the period were as follows:

	Purchase of goods in current period	Sale of goods in current period
		VND
		VND
<b>1. CAO Fashion Company Limited</b>		
_Sale of goods		8,850,134,212
_Purchase of goods	2,450,098,988	
<b>2. PNJ Laboratory Company Limited</b>		
_Sale of goods		
_Services rendered	382,588,200	
<b>3. PNJ Jewelry Production And Trading Company Limited</b>		
_Sale of goods		24,318,471,234
_Rent service		1,410,000,000
_Purchase of goods	32,583,461,936	
_Sub-contracting services	32,096,409,587	

The outstanding balances due from and due to related parties as at 30 September 2018 as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Nature of transaction</i>	<i>Receivable (Payable)</i>
<b>1. RECEIVABLES</b>			<b>1,010,606,676</b>
<b>Advance to supplier</b>			<b>870,606,676</b>
PNJ Laboratory Company Limited	Subsidiary	Lab services	870,606,676
<b>Others receivable</b>			<b>140,000,000</b>
Customer Era Company Limited	Subsidiary	Salary payment on behalf	140,000,000
<b>2. PAYABLES</b>			<b>(63,746,077,366)</b>
<b>Trade payable</b>			<b>(46,746,077,366)</b>
CAO Fashion Company Limited	Subsidiary	Advance from supplier	(1,911,393,213)
Customer Era Company Limited	Subsidiary	Advance from supplier	(14,000,000,000)
PNJ Jewelry Production And Trading Co., Ltd	Subsidiary	Subcontracting revenue	(30,834,684,153)
<b>Others payable</b>			<b>(17,000,000,000)</b>
PNJ Laboratory Company Limited	Subsidiary	Borrowing	(17,000,000,000)

## 22. OPERATING LEASE COMMITMENTS

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

	30/09/2018	31/12/2017
Within 1 year	120,369,194,321	82,501,812,273
From 1 to 5 years	236,609,110,537	206,394,790,510
Over 5 years	102,397,472,430	107,251,092,000
<b>TOTAL</b>	<b>459,375,777,288</b>	<b>396,147,694,783</b>

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise loans, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company has trade and other receivables, cash, cash equivalents, short-term deposits that arise directly from its operations. The Company does not hold or issue any derivative financial instruments

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

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 and available-for-sale investments.

The sensitivity analyses in the following sections relate to the position as at 30 September 2018 and 31 December 2017.

### *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 Company's exposure to market risk for changes in interest rate relates primarily to the Company's loans with floating interest rates.

The Company 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.

### *Interest rate sensitivity*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans.

With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings.

### *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 Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities.

The Company does not employ any derivative financial instruments to hedge its foreign currency exposure.

### *Foreign currency sensitivity*

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 Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue and expense are applied with other accounting currency)

The Company does not employ any derivative financial instruments to hedge its foreign currency exposure for the first quarter of 2018 because changes in foreign exchange rates in the period is immaterial.

### *Equity price risk*

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

At 30 September 2018, PNJ recorded 100% provision for Dong A Bank's investment with amount of VND 395,271,613,400.

### *Commodity price risk*

The Company exposes to commodity price risk in relation to purchase of certain commodities. The Company 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 Company 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 Company 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 Company based on its established policy, procedures and control. The Company's exposure to credit risk in relation with receivables is mainly influenced by the individual characteristics of each customer. The Company mostly has cash sale which are not exposed 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 Company's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

#### *Bank deposits*

The Company's bank balances are mainly maintained with well-known banks in Vietnam. Credit risk from balances with banks is managed in accordance with the Company's policy. The Company's maximum exposure to credit risk for the components of the separate balance sheet at each reporting dates are the carrying amounts as illustrated in Note 1. The Company evaluates the concentration of credit risk in respect to bank deposit as low.

#### *Liquidity risk*

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

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

#### *Collateral*

The Company has pledged its fixed assets, inventories in order to fulfil the collateral requirements for loans obtained from commercial banks (*Notes 10*).

The Company did not hold any collateral at 30 September 2018 and 31 December 2017.

**25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are carried in the separate financial statements.

	Carrying amount		Fair value		VND
	30/09/2018	31/12/2017	30/09/2018	31/12/2017	
	Cost	Provision	Cost	Provision	
<b>Financial assets</b>					
Other long-term investments	395,271,613,400	(395,271,613,400)	395,271,613,400	(395,271,613,400)	
Trade receivables	27,303,208,160	-	39,449,827,772	-	39,449,827,772
Receivables from a related party	1,010,606,676	-	20,480,971,669	-	20,480,971,669
Other receivables	43,783,066,164	-	10,817,498,451	-	10,817,498,451
Cash and cash equivalents	103,320,562,246	-	167,814,376,098	-	167,814,376,098
<b>TOTAL</b>	<b>570,689,056,646</b>	<b>(395,271,613,400)</b>	<b>633,834,287,390</b>	<b>(395,271,613,400)</b>	<b>238,562,646,098</b>

	Carrying amount		Fair value		VND
	30/09/2018	31/12/2017	30/09/2018	31/12/2017	
	Cost	Provision	Cost	Provision	
<b>Financial liabilities</b>					
Loans	1,305,104,518,818	-	892,513,714,200	-	892,513,714,200
Trade payables	226,373,909,726	-	293,224,925,923	-	293,224,925,923
Payables to related parties	47,834,684,153	-	12,064,904,430	-	12,064,904,430
Other payables and accrued expense	113,659,186,614	-	56,144,237,865	-	56,144,237,865
<b>TOTAL</b>	<b>1,692,972,299,311</b>	<b>-</b>	<b>1,253,947,782,418</b>	<b>-</b>	<b>1,253,947,782,418</b>

**25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the financial assets and liabilities has not assessed and determined official at 30 September 2018 and 31 December 2017. However, the management assessed that the fair values of these financial assets and liabilities were not materially different from their carrying values as at balance sheet date.

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

Business performance in the third quarter 2018 as the following:

Profit before tax was VND 214.4 billion up 36% to the same period, as reasons:

Revenue was VND 2,716 billion, in which retail gold revenue with VND 1,750 billion up 50% to the same period.

Besides, revenue of wholesale, export and B2B channel accounted in Income statement of PNJP – subsidiary of PNJ with VND 538 billion.

Gross profit margin significantly achieved from 20.7% in last year to 17.0% because percentage of retail gold revenue is 64% compared to 3QFY2017 51%.

In addition, operating expenses were VND 332 billion and increased by 50% compared to 3QFY2017 from expansion retail network.

In the 9 months 2018, PNJ achieved:


- o Net revenue was VND 10,025 billion, completing 77% of the annual business plan.
- o Profit before tax was VND 851 billion, fulfilling 78% of the annual business plan.



**Nguyen Thanh Dat**  
Preparer



**Duong Quang Hai**  
Chief Accountant

  
**Le Tri Thong**  
General Director  
19 October 2018