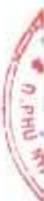


PHU NHUAN JEWELRY JOINT STOCK COMPANY

**SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**



PHU NHUAN JEWELRY JOINT STOCK COMPANY

**SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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PHU NHUAN JEWELRY JOINT STOCK COMPANY

CORPORATE INFORMATION

Business Registration Certificate

No. 0300521758 dated 2 January 2004 was initially issued by the Department of Planning and Investment of Ho Chi Minh City and the 27th amendment dated 14 December 2018.

Board of Directors

Mrs Cao Thi Ngoc Dung	Chairman
Mr Le Tri Thong	Vice chairman
Mrs Nguyen Thi Cuc	Member (resigned on 11 June 2018)
Mrs Pham Vu Thanh Giang	Member
Mr Le Huu Hanh	Member
Mr Le Quang Phuc	Member
Mrs Pham Thi My Hanh	Member
Mr Robert Alan Willett	Member (appointed on 21 April 2018)
Mrs Huynh Thi Xuan Lien	Member (appointed on 21 April 2018)
Mr Nguyen Vu Phan	Member (resigned on 20 April 2018)

Board of Supervision

Mr Nguyen Thanh Du	Head of the Board
Mrs Nguyen Ngoc Hue	Member
Mr Le Anh Duc	Member

Board of Management

Mr Le Tri Thong	General Director (appointed on 21 April 2018)
Mrs Cao Thi Ngoc Dung	General Director (resigned on 20 April 2018)
Mrs Dang Thi Lai	Chief Finance and Operation Officer
Mrs Tran Thi Thu Ha	Retail Director
Mrs Nguyen Hoang Anh	Marketing Director
Mr Nguyen Hoang Chau	Supply Chain Director
Mr Dao Trung Kien	Chief Strategy Officer
Mr Nguyen Ngoc Tran	Information Technology Division Director
Mr Nguyen Anh Hung	Human Resource Director
Mr Duong Quang Hai	Chief Accountant

Legal representative

Mr Le Tri Thong	General Director (appointed on 21 April 2018)
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Registered office

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

Auditor

PwC (Vietnam) Limited

PHU NHUAN JEWELRY JOINT STOCK COMPANY

STATEMENT OF RESPONSIBILITY OF THE BOARD OF MANAGEMENT OF THE COMPANY IN RESPECT OF THE SEPARATE FINANCIAL STATEMENTS

The Board of Management of Phu Nhuan Jewelry Joint Stock Company ("the Company") is responsible for preparing the separate financial statements which give a true and fair view of the financial position of the Company as at 31 December 2018, and the results of its operations and its cash flows for the year then ended. In preparing these separate financial statements, the Board of Management is required to:

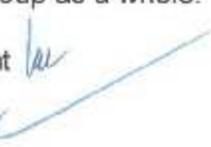
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the separate financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board of Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and which enable separate financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the separate financial statements. The Board of Management is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS

We hereby approve the accompanying separate financial statements as set out on pages 5 to 43 which give a true and fair view of the financial position of the Company as at 31 December 2018, and of the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations on preparation and presentation of separate financial statements.

Users of these separate financial statements of the Company should read them together with the consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 December 2018 in order to obtain full information of the financial position and results of operations and cash flows of the Group as a whole.

On behalf of the Board of Management 



Le Tri Thong
General Director

Ho Chi Minh City, SR Vietnam
12 March 2019

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PHU NHUAN JEWELRY JOINT STOCK COMPANY

We have audited the accompanying separate financial statements of Phu Nhuan Jewelry Joint Stock Company ("the Company") which were prepared on 31 December 2018 and approved by the Board of Management on 12 March 2019. The separate financial statements comprise the separate balance sheet as at 31 December 2018, the separate income statement and the separate cash flow statement for the year then ended, and explanatory notes to the separate financial statements including significant accounting policies, as set out on page 5 to 43.

The Board of Management's Responsibility

The Board of Management of the Company is responsible for the preparation and the true and fair presentation of these separate financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on the preparation and presentation of separate financial statements and for such internal control which the Board of Management determines necessary to enable the preparation and fair presentation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the separate financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical standards and requirements and plan and perform the audit in order to obtain reasonable assurance as to whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and true and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2018, its separate financial performance and separate cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on the preparation and presentation of separate financial statements.

Emphasis of Matter

We draw attention to Note 38 to the separate financial statements for the year ended 31 December 2018, the Board of Management has decided to restate certain items on the separate financial statements as at and for the year ended 31 December 2017 in relation to the recognition of deferred income tax assets of provision for a long-term investment.

Other Matters

The separate financial statements of the Company for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 12 March 2018.

This report is prepared in Vietnamese and English. Should there be any conflict between the Vietnamese and English copies, the Vietnamese copy shall take precedence.

For and on behalf of PwC (Vietnam) Limited



Mai Viet Hung Tran
Audit Practising Licence No.
0048-2018-006-1
Authorised signatory



Luong Thi Anh Tuyet
Audit Practising Licence No.
3048-2019-006-1

Report reference number: HCM7684
Ho Chi Minh City, 12 March 2019

SEPARATE BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2018 VND	2017 VND (As restated – Note 38)
100	CURRENT ASSETS		5,172,072,214,871	3,887,420,813,235
110	Cash and cash equivalents	3	150,227,254,450	167,814,376,098
111	Cash		150,227,254,450	103,764,376,098
112	Cash equivalents		-	64,050,000,000
120	Short-term investment		-	160,065,000,000
123	Investments held to maturity	4(a)	-	160,065,000,000
130	Short-term receivables		133,581,413,665	103,698,291,895
131	Short-term trade accounts receivable	5	51,684,182,829	43,171,219,149
132	Short-term prepayments to suppliers	6	42,171,662,231	32,814,615,983
135	Short-term lending	35(b)	6,000,000,000	-
136	Other short-term receivables	7(a)	33,438,622,170	27,577,078,743
139	Shortage of assets awaiting resolution		286,946,435	135,378,020
140	Inventory	8	4,819,866,729,341	3,383,605,076,098
141	Inventories		4,819,866,729,341	3,383,605,076,098
150	Other current assets		68,396,817,415	72,238,069,144
151	Short-term prepaid expenses	9(a)	62,020,524,945	67,127,740,474
152	Value Added Tax to be reclaimed		-	20,455,201
153	Tax and other receivables from the State Budget		6,376,292,470	5,089,873,469
200	NON-CURRENT ASSETS		1,095,501,183,218	687,938,037,414
210	Long-term receivable		55,045,824,370	41,746,375,257
216	Other long-term receivables	7(b)	55,045,824,370	41,746,375,257
220	Fixed assets		635,701,823,366	484,699,732,543
221	Tangible fixed assets	10(a)	142,375,118,468	203,204,284,453
222	Historical cost		245,706,665,538	391,425,135,871
223	Accumulated depreciation		(103,331,547,070)	(188,220,851,418)
227	Intangible fixed assets	10(b)	493,326,704,898	281,495,448,090
228	Historical cost		499,937,407,873	286,740,907,873
229	Accumulated amortisation		(6,610,702,975)	(5,245,459,783)
240	Long-term asset in progress		67,983,789,990	9,665,078,966
242	Construction in progress	11	67,983,789,990	9,665,078,966
250	Long-term investments	4(b)	160,000,000,000	20,000,000,000
251	Investments in subsidiaries		160,000,000,000	20,000,000,000
253	Investments in other entities		395,271,613,400	395,271,613,400
254	Provision for long-term investments		(395,271,613,400)	(395,271,613,400)
260	Other long-term assets		176,769,745,492	131,826,850,648
261	Long-term prepaid expenses	9(b)	91,417,920,654	50,333,508,544
262	Deferred income tax assets	21	85,351,824,838	81,493,342,104
270	TOTAL ASSETS		6,267,573,398,089	4,575,358,850,649

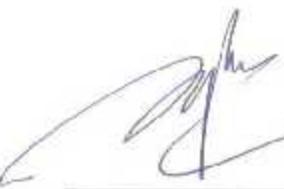
The notes on pages 9 to 43 are an integral part of these separate financial statements.

SEPARATE BALANCE SHEET
(continued)

Code	RESOURCES	Note	As at 31 December	
			2018 VND	2017 VND (As restated – Note 38)
300	LIABILITIES		2,543,666,800,727	1,549,664,382,047
310	Current liabilities		2,531,807,778,727	1,495,725,175,047
311	Short-term trade accounts payable	12	465,422,796,887	279,319,406,605
312	Short-term advances from customers	13	52,773,513,870	37,742,598,354
313	Tax and other payables to the State Budget	14	140,710,949,415	116,383,358,330
314	Payable to employees	15	188,482,808,253	97,064,244,559
315	Short-term accrued expenses	16	10,106,931,424	4,629,017,766
319	Other short-term payables	17	41,529,698,782	51,847,439,279
320	Short-term borrowings	18(a)	1,570,482,498,026	857,278,850,200
322	Bonus and welfare fund	19	62,298,582,070	51,460,259,954
330	Non-current liabilities		11,859,022,000	53,939,207,000
337	Other long-term payables		628,026,000	628,026,000
338	Long-term borrowings	18(b)	7,800,000,000	46,234,864,000
342	Provision for long-term liabilities	20	3,430,996,000	7,076,317,000
400	OWNERS' EQUITY		3,723,906,597,362	3,025,694,468,602
410	Capital and reserves		3,723,906,597,362	3,025,694,468,602
411	Owners' capital	22, 23	1,670,029,820,000	1,081,020,340,000
411a	- Ordinary shares with voting rights		1,670,029,820,000	1,081,020,340,000
412	Share premium	23	925,397,862,458	876,761,282,458
415	Treasury shares	23	(7,090,000)	(7,090,000)
418	Investment and development fund	23	265,087,556,918	220,087,556,918
421	Undistributed earnings	23	863,398,447,986	847,832,379,226
421a	- Undistributed post-tax profits of previous years		84,296,154,226	232,490,355,284
421b	- Post-tax profits of current year		779,102,293,760	615,342,023,942
440	TOTAL RESOURCES		6,267,573,398,089	4,575,358,850,649



Nguyen Thanh Dat
Preparer



Duong Quang Hai
Chief Accountant





Le Tri Thong
General Director
12 March 2019

The notes on pages 9 to 43 are an integral part of these separate financial statements.

SEPARATE INCOME STATEMENT

Code	Note	Year ended 31 December	
		2018 VND	2017 VND
01	Revenue from sales of goods and rendering of services	13,515,069,659,689	10,991,670,038,524
02	Less deduction	(102,569,985,875)	(71,699,927,867)
10	Net revenue from sales of goods and rendering of services	13,412,499,673,814	10,919,970,110,657
11	Cost of goods sold and services rendered	(10,760,906,226,309)	(9,046,042,247,103)
20	Gross profit from sales of goods and rendering of services	2,651,593,447,505	1,873,927,863,554
21	Financial income	18,781,028,081	14,778,365,031
22	Financial expenses	(67,120,878,006)	(57,073,492,581)
23	- Including: Interest expense	(61,984,346,502)	(55,578,895,516)
25	Selling expenses	(1,118,863,127,610)	(751,639,529,843)
26	General and administration expenses	(311,505,448,839)	(182,092,972,237)
30	Net operating profit	1,172,885,021,131	897,900,233,924
31	Other income	4,553,840,272	7,320,918,735
32	Other expenses	(2,698,883,470)	(1,375,527,317)
40	Net other income	1,854,956,802	5,945,391,418
50	Net accounting profit before tax	1,174,739,977,933	903,845,625,342
51	Business income tax - current	(237,357,551,907)	(179,918,211,850)
52	Business income tax - deferred	3,858,482,734	(484,064,550)
60	Net profit after tax	941,240,908,760	723,443,348,942



Nguyen Thanh Dat
Preparer



Duong Quang Hai
Chief Accountant




Le Tri Thong
General Director
12 March 2019

SEPARATE CASH FLOW STATEMENT
(Indirect method)

Code	Note	Year ended 31 December	
		2018 VND	2017 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01		1,174,739,977,933	903,845,625,342
	Adjustments for:		
02	Depreciation and amortisation	26,904,666,249	38,754,727,226
03	(Reversal of provision)/provisions	(3,645,321,000)	699,141,756
04	Unrealised foreign exchange gains	(169,041,343)	(603,950,650)
05	Profits from investing activities	(19,389,762,774)	(14,815,248,111)
06	Interest expense	61,984,346,502	55,578,895,516
08	Operating profit before changes in working capital	1,240,424,865,567	983,459,191,079
09	Increase in receivables	(43,369,098,063)	(39,355,026,112)
10	Increase in inventories	(1,451,748,067,024)	(566,858,503,769)
11	Increase in payables	265,575,163,354	11,995,157,027
12	Increase in prepaid expenses	(35,977,196,581)	(46,065,795,404)
14	Interest paid	(61,320,512,488)	(55,960,918,599)
15	Business income tax paid	(226,969,645,753)	(151,155,667,909)
17	Other payments on operating activities	(25,401,677,884)	(33,743,948,190)
20	Net cash (outflows)/inflows from operating activities	(338,786,168,872)	102,314,488,123
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases of fixed assets and other long-term assets	(321,814,719,363)	(114,207,809,666)
22	Proceeds from disposals of fixed assets	1,075,665,048	8,425,973,637
23	Short-term investments held-to-maturity	-	(160,000,000,000)
24	Proceeds from short-term investments held-to-maturity	160,065,000,000	-
25	Investments in other entities	(40,000,000,000)	-
27	Dividends and interest received	18,314,097,726	3,963,934,074
30	Net cash outflows from investing activities	(182,359,956,589)	(261,817,901,955)
CASH FLOWS FROM FINANCING ACTIVITIES			
31	Proceeds from issue of shares and capital contribution	97,273,160,000	975,035,852,458
33	Proceeds from borrowings	4,336,772,043,080	3,104,614,032,965
34	Repayments of borrowings	(3,662,003,259,254)	(3,717,475,946,742)
36	Dividends paid	(268,371,812,300)	(185,194,405,300)
40	Net cash inflows from financing activities	503,670,131,526	176,979,533,381
50	Net (decrease)/increase in cash and cash equivalents	(17,475,993,935)	17,476,119,549
60	Cash and cash equivalents at beginning of year	167,814,376,098	150,275,926,525
61	Effect of foreign exchange differences	(111,127,713)	62,330,024
70	Cash and cash equivalents at end of year	150,227,254,450	167,814,376,098



Nguyen Thanh Dat
Preparer



Duong Quang Hai
Chief Accountant





Le Tri Thong
General Director
12 March 2019

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1 GENERAL INFORMATION

Phu Nhuan Jewelry Joint Stock Company ("the Company") is a joint stock company established in SR Vietnam in accordance with the Business Registration Certificate No. 0300521758 which was issued by the Department of Planning and Investment of Ho Chi Minh City on 2 January 2004 and the 27th amendment dated 14 December 2018.

On 23 March 2009, the Company's shares were officially listed in the Ho Chi Minh City Stock Exchange ("HOSE") in accordance with the Decision No. 129/UBCK-ĐKNY issued by the General Director of HOSE on 26 December 2008.

The principal activities of the Company are to manufacture and trade gold, silver, jewelry and gemstones, and to import and export jewelry in gold, silver and gemstones.

The normal business cycle of the Company is 12 months.

As at 31 December 2018, the Company had 4 subsidiaries as follows:

	Location	2018		2017		The principal activities
		% of owner ship %	% of voting right %	% of owner ship %	% of voting right %	
CAO Fashion Company Limited	Ho Chi Minh City	100	100	100	100	Trading of jewellery products
PNJ Laboratory Company Limited ("PLC")	Ho Chi Minh City	100	100	100	100	Jewelry inspection and consultancy services
PNJ Jewelry Production and Trading Company Limited ("PNJP")	Ho Chi Minh City	100	100	-	-	Jewelry manufacturing and trading
Customer Era Company Limited	Ho Chi Minh City	100	100	-	-	Retailing

As at 31 December 2018, the Company had 52 branches (as at 31 December 2017: 50 branches) located in various provinces and cities in Vietnam.

As at 31 December 2018, the Company had 4,458 employees (as at 31 December 2017: 5,004 employees).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation of separate financial statements**

The separate financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of separate financial statements. The separate financial statements have been prepared under the historical cost convention.

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

Users of these separate financial statements of the Company should read them together with the consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 December 2018 in order to obtain full information of the financial position, results of operations and cash flows of the Group as a whole.

The separate financial statements in Vietnamese language are the official statutory financial statements of the Company. The separate financial statements in English language have been translated from the Vietnamese language financial statements.

2.2 Fiscal year

The Company's fiscal year is from 1 January to 31 December.

2.3 Currency

The separate financial statements are measured and presented in Vietnamese Dong ("VND").

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in the separate income statement.

Monetary assets and liabilities denominated in foreign currencies at the separate balance sheet date are respectively translated at the buying and selling exchange rates at the separate balance sheet date of the bank where the Company regularly trades. Foreign currencies deposited in bank at the separate balance sheet date are translated at the buying exchange rate of the commercial bank where the Company opens the foreign currency accounts. Foreign exchange differences arising from these translations are recognised in the separate income statement.

2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit, demand deposits and other short-term investments with an original maturity of three months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.5 Trade receivables**

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review by the Board of Management of all outstanding amounts at the year end. Bad debts are written off when identified.

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on normal levels of operating activity. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses.

The Company applies the perpetual method for inventories.

Provision is made, where necessary, for obsolete, slow-moving and defective inventory items. The difference between the provision of this period and the provision of the previous period are recognised as an increase or decrease of operating expenses in the period.

2.7 Investments**(a) Investment held-to-maturity**

Investments held to maturity are investments which the Company's Board of Management has positive intention and ability to hold until maturity.

Investments held-to-maturity include bank term deposits and other held-to-maturity investments. Those investments are accounted for at cost less provision.

Provision for diminution in value of investments held to maturity is made when there is evidence that part or whole of investment is uncollectible.

(b) Investments in subsidiaries

Subsidiaries are the entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Investments in subsidiaries are accounted for at cost less provision for diminution in value. Provision for diminution in value is made when there is an impairment of the investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.7 Investments (continued)****(c) Investment in equity of other entities**

Investment in equity of other entities is investment in equity instruments of other entities without controlling rights or co-controlling rights, or without significant influence over investee. This investment are initially recorded at cost. Provision for diminution in value of this investment is made when the entity make losses, except when the loss was anticipated in their business plan before the date of investment.

2.8 Fixed assets*Tangible fixed assets and intangible fixed assets*

Fixed assets are stated at historical cost less accumulated depreciation/amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets.

Depreciation/amortisation

Fixed assets are depreciated/amortised using the straight-line method so as to write off the cost of the assets over their estimated useful lives. The estimated useful lives of each fixed assets class are as below:

Buildings and structures	5 - 25 years
Machinery and equipment	3 - 15 years
Motor vehicles	5 - 10 years
Office equipment	3 - 10 years
Software	3 - 5 years

Land use rights with indefinite term are recorded in historical cost and are not amortised.

Disposals

Gains or losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are recognised as income or expense in the separate income statement.

Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost. Cost includes professional fees and, for qualifying assets, borrowing costs dealt with in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other fixed assets, commences when the assets are ready for their intended use.

2.9 Leased assets

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.10 Prepaid expenses**

Prepaid expenses include short-term and long-term prepayments on the balance sheet. Prepaid expenses are recorded at historical cost and allocated using the straight-line method over estimated useful lives.

2.11 Payables

Classifications of payables are based on their nature as follows:

- Trade accounts payable are trade payables arising from purchase of goods and services.
- Other payables include non-trade payables, and are not relating to purchase of goods and services.

Payables are classified into long-term and short-term payables on the separate balance sheet based on remaining period from the balance sheet date to the maturity date.

2.12 Borrowing costs

Borrowings include borrowings from banks, individuals and related parties.

Borrowings are classified into long-term and short-term based on remaining period from the balance sheet date to the maturity date.

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the year of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the separate income statement when incurred.

2.13 Accrued expenses

Accrued expenses include liabilities for goods and services received in the period but not yet paid due to pending invoice or insufficient records and documents. Accrued expenses are recorded as expenses in the reporting period.

2.14 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provision is not recognised for future operating losses.

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provision will be measured at the present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.15 Provision for severance allowances**

In accordance with Vietnamese labour laws, employees of the Company who have worked regularly for full 12 months or longer, are entitled to a severance allowance. The working period used for the calculation of severance allowance is the period during which the employee actually works for the Company less the period during which the employee participates in the unemployment insurance scheme in accordance with the labour regulations and the working period for which the employee has received severance allowance from the Company.

The severance allowance is accrued at the end of the reporting period on the basis that each employee is entitled to half of an average monthly salary for each working year. The average monthly salary used for calculating the severance allowance is the employee's average salary for the year prior to the balance sheet date.

This allowance will be paid as a lump sum when the employees terminate their labour contracts in accordance with current regulations.

2.16 Owners' capital

Contributed capital of the shareholders is recorded according to actual amount contributed. Contributions from shareholders are recorded according to par value of the share.

Share premium is the difference between the par value and the issue price of shares and the difference between the repurchase price and re-issuing price of treasury shares.

Treasury shares are shares issued by the Company and bought-back by itself, but these are not cancelled and shall be re-issued in the period in accordance with the Law on securities.

Undistributed earnings record the Company's accumulated results after business income tax at the reporting date.

2.17 Appropriation of net profit

Net profit after income tax could be distribute to shareholders after approval at General Meeting, and after appropriation to other funds in accordance with the Group's charter and Vietnamese regulations. Dividend of the Company is recognised as a liability in the Company's separate financial statements in the period in which the dividends are approved by the Company's General Shareholders' Meeting.

The Company's funds are as below:

(a) Development and investment fund

Development and investment fund is appropriated from net profit of the Company and subject to shareholders' approval at the Annual General Meeting. The fund is set aside for the use in the Group's expansion of its operation or in-depth investments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.17 Appropriation of net profit (continued)****(b) Bonus and welfare fund**

Bonus and welfare fund is appropriated from the Company's net profit and subject to shareholders' approval at the Company's Annual General Meeting. The fund is set aside for the purpose of pecuniary rewarding and encouragement, common benefits and improvement of the employees' benefits.

2.18 Revenue recognition**(a) Revenue from sales of goods**

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

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

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

Revenue is recognised based on principle of "substance over form" and allocated to each sales obligation. In case that the Company gives promotional goods to customers associated with customers' purchase, the Company allocates total consideration received for goods sold and promotional goods. Cost of promotional goods is recognised as cost of sales in the separate income statement.

(b) Revenue from rendering of services

Revenue from rendering of services is recognised in the separate income statement when the services are rendered. Revenue from rendering of services is only recognised when all four (4) following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company;
- The percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.18 Revenue recognition (continued)****(c) Interest income**

Interest income is recognised on an earned basis.

(d) Dividend income

Income from dividend is recognised when the Company has established the receiving right from investees.

2.19 Sales deduction

Sales deduction includes sales returns. Sales deduction incurred in the same period of the related sales of products, goods and services are recorded as deduction of revenue of that period.

Sales deduction for products, goods or services which are sold in the period but are incurred after the balance sheet date but before the issuance of the financial statements are recorded as deduction of revenue of the period.

2.20 Cost of goods sold and services rendered

Cost of goods sold and cost of services rendered are cost of finished goods, merchandises, materials sold or services provided during the year, and recorded on the basis of matching with revenue and on prudent concept.

2.21 Financial expenses

Finance expenses are expenses incurred in the period for financial activities including expenses or losses relating to financial investment activity; expenses of borrowing; and losses from foreign exchange differences.

2.22 Selling expenses

Selling expenses represent expenses that are incurred in the process of selling products, goods, and providing services, which mainly include publicity, display, promotions, advertising expenses, warranty charges of goods and products, maintenance charges, packaging, and transportation.

2.23 General and administration expenses

General and administration expenses represent expenses for administrative purposes which mainly include salary expenses of administrative staffs (salaries, wages, allowances,...); social insurance, medical insurance, labour union fees, unemployment insurance of administrative staff, expenses of office materials, tools and supplies, depreciation of fixed assets used for administration, land rental, outside services and other expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.24 Current and deferred income tax**

Income taxes include all income taxes which are based on taxable profits including profits generated from production and trading activities in other countries that the Socialist Republic of Vietnam has not signed any double tax relief agreement. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profits at the current tax rates. Current and deferred tax should be recognised as an income or an expense and included in the profit or loss of the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.25 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including General Directors of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering the related party relationship, the Company considers the substance of the relationship not merely the legal form.

2.26 Accounting estimates

The preparation of separate financial statements in conformity with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and legal regulations relating to financial reporting requires the Board of 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 financial statements and the reported amounts of revenues and expenses during the year. Although these accounting estimates are based on the Board of Management' best knowledge, actual results may differ from those estimates.

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3 CASH AND CASH EQUIVALENTS

	2018 VND	2017 VND
Cash on hand	87,332,446,810	61,156,455,977
Cash at bank	55,074,940,752	35,281,922,078
Cash in transit	7,819,866,888	7,325,998,043
Cash equivalents (*)	-	64,050,000,000
	<u>150,227,254,450</u>	<u>167,814,376,098</u>

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4 INVESTMENTS

(a) Investments held-to-maturity

	2018		2017	
	Cost VND	Book value VND	Cost VND	Book value VND
Term deposits	-	-	160,065,000,000	160,065,000,000

Investment held-to-maturity represents term deposits with the original maturity of more than 3 months and less than one year from the balance sheet date, and earns interest at the interest rate ranging from 6.7% per annum to 7% per annum.

(b) Investment in other entities

	2018			2017		
	Cost VND	Fair value VND	Provision VND	Cost VND	Fair value VND	Provision VND
(i) Investment in subsidiaries (*)						
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 Company Limited	100,000,000,000	-	-	-	-	-
(ii) Investment in other entity (**)						
Dong A Commercial Joint Stock Bank	395,271,613,400	-	(395,271,613,400)	395,271,613,400	-	(995,271,613,400)
	555,271,613,400	-	(395,271,613,400)	415,271,613,400	-	(395,271,613,400)

(*) As at 31 December 2018 and 31 December 2017, the Company did not have sufficient information to determine the fair value of these investments because the shares of these companies were not listed on the Stock Exchange.

(**) As at 31 December 2018 and 31 December 2017, Dong A Joint Stock Commercial Bank was still under special control of the State Bank of Vietnam and its shares have not been eligible transferable. Therefore, the Board of Management decided to make full provision for diminution in value of this investment as at the balance sheet date.

5 SHORT-TERM TRADE ACCOUNT RECEIVABLE

	2018 VND	2017 VND
Third parties		
Dry Cell and Storage Battery JSC	11,728,226,112	-
FH Trautz GmbH	-	6,579,765,533
DC&D Co.	-	3,934,729,248
Others	34,303,830,924	28,935,332,991
Related parties (Note 35(b))	5,652,125,793	3,721,391,377
	<u>51,684,182,829</u>	<u>43,171,219,149</u>

As at 31 December 2018 and 31 December 2017, there was no balance of short-term trade accounts receivable that was past due or not past due but doubtful.

6 SHORT-TERM PREPAYMENTS TO SUPPLIERS

	2018 VND	2017 VND
Third parties		
PT Kinara Gilang Semesta	11,920,440,928	-
Others	29,777,258,127	32,814,615,983
Related parties (Note 35(b))	473,963,176	-
	<u>42,171,662,231</u>	<u>32,814,615,983</u>

7 OTHER RECEIVABLES**(a) Short-term**

	2018 VND	2017 VND
Advances to employees	26,866,696,937	764,280,291
Others receivables from related parties (Note 35(b))	140,000,000	16,759,580,292
Others	6,431,925,233	10,053,218,160
	<u>33,438,622,170</u>	<u>27,577,078,743</u>

7 OTHER RECEIVABLES (continued)**(b) Long-term**

	2018 VND	2017 VND
Deposits	55,045,824,370	41,746,375,257

8 INVENTORIES

	2018 VND	2017 VND
Goods in transit	174,502,741,962	74,485,287,071
Raw materials	58,338,102,385	195,479,212,962
Tools and supplies	22,774,331,939	37,395,279,155
Work in progress	999,333,993,178	241,475,582,475
Finished goods	395,779,862,102	336,815,539,305
Merchandise	3,081,836,982,267	2,446,952,563,390
Goods on consignment	87,300,715,508	51,001,611,740
	<u>4,819,866,729,341</u>	<u>3,383,605,076,098</u>

As at 31 December 2018, the total inventories of VND881,870,304,928 (as at 31 December 2017: VND642,916,000,000) were pledged as collateral for short-term borrowings from commercial banks (Note 18(a)).

9 PREPAID EXPENSES**(a) Short-term**

	2018 VND	2017 VND
Tools and supplies	32,410,766,345	44,655,439,220
Operating lease	16,376,783,517	10,582,202,902
Employee's uniform	6,118,768,634	3,021,579,248
Signboard rental	2,500,842,774	2,716,332,886
Repairs and maintainance	3,097,620,758	3,854,695,805
Others	1,515,742,917	2,297,490,413
	<u>62,020,524,945</u>	<u>67,127,740,474</u>

9 PREPAID EXPENSES (continued)

(b) Long-term

	2018 VND	2017 VND
Tools and supplies	47,268,008,367	23,339,302,147
Office and store renovation	37,942,664,684	24,269,615,250
Store rental	2,772,280,000	1,213,200,000
Signboard rental	2,380,714,864	938,937,048
Others	1,054,252,739	572,454,099
	<u>91,417,920,654</u>	<u>50,333,508,544</u>

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10 FIXED ASSETS

(a) Tangible fixed assets

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
Historical cost					
As at 1 January 2018	135,768,102,826	188,951,888,481	23,459,146,196	43,245,998,368	391,425,135,871
New purchases	3,408,685,300	27,028,268,198	6,833,350,000	13,029,204,841	50,299,508,339
Capital contribution to subsidiary	(344,562,902)	(177,844,337,634)	(1,631,707,945)	(11,735,899,265)	(191,556,507,746)
Disposals	-	(3,093,157,126)	(717,765,800)	(650,548,000)	(4,461,470,926)
As at 31 December 2018	138,832,225,224	35,042,661,919	27,943,022,451	43,888,755,944	245,706,665,538
Accumulated depreciation					
As at 1 January 2018	31,452,829,253	116,632,582,522	8,036,913,664	32,088,525,979	188,220,851,418
Charge for the year	5,983,948,505	12,467,317,339	3,076,946,634	4,011,210,579	25,539,423,057
Capital contribution to subsidiary	-	(103,506,787,607)	(355,942,936)	(3,180,190,964)	(107,042,921,527)
Disposals	-	(2,017,492,078)	(717,765,800)	(650,548,000)	(3,385,805,878)
As at 31 December 2018	37,446,777,758	23,575,620,176	10,040,151,562	32,268,997,574	103,331,547,070
Net book value					
As at 1 January 2018	104,305,273,573	72,319,305,959	15,422,232,532	11,157,472,389	203,204,284,453
As at 31 December 2018	101,385,447,466	11,467,041,743	17,902,870,889	11,619,758,370	142,375,118,468

As at 31 December 2018, tangible fixed assets of the Company with the carrying amount of VND23,908,002,946 (as at 31 December 2017: VND39,513,739,868) were pledged with banks as collaterals for borrowings from commercial banks granted to the Company which have been transferred to subsidiary in form of capital contribution. The Company is processing to substitute these tangible fixed assets by other collaterals tangible fixed assets (Note 18).

As at 31 December 2018, cost of fully depreciated fixed assets but still in use was VND26,573,915,076 (as at 31 December 2017: VND74,972,943,248).

10 FIXED ASSETS (continued)

(b) Intangible fixed assets

	Land use rights VND	Software VND	Total VND
Historical cost			
As at 1 January 2018	279,662,657,290	7,078,250,583	286,740,907,873
New purchases	179,514,500,000	33,682,000,000	213,196,500,000
As at 31 December 2018	<u>459,177,157,290</u>	<u>40,760,250,583</u>	<u>499,937,407,873</u>
Accumulated amortisation			
As at 1 January 2018	-	5,245,459,783	5,245,459,783
Charge for the year	-	1,365,243,192	1,365,243,192
As at 31 December 2018	<u>-</u>	<u>6,610,702,975</u>	<u>6,610,702,975</u>
Net book value			
As at 1 January 2018	279,662,657,290	1,832,790,800	281,495,448,090
As at 31 December 2018	<u>459,177,157,290</u>	<u>34,149,547,608</u>	<u>493,326,704,898</u>

As at 31 December 2018, net carrying amount of land use rights of the Company amounting to VND49,837,617,572 (as at 31 December 2017: VND49,837,617,572) were pledged with bank as collaterals for borrowings from commercial banks granted to the Company (Note 18).

As at 31 December 2018, historical cost of fully amortised software but still in use was VND252,034,613 (as at 31 December 2017: VND252,034,613).

11 CONSTRUCTION IN PROGRESS

	2018 VND	2017 VND
Store in Vincom Thanh Hoa Center	9,468,078,966	9,468,078,966
ERP Project	56,023,422,424	-
Others	2,492,288,600	197,000,000
	<u>67,983,789,990</u>	<u>9,665,078,966</u>

11 CONSTRUCTION IN PROGRESS (continued)

Movements in the construction in progress during the year are as follows:

	2018 VND	2017 VND
Beginning of year	9,665,078,966	7,532,817,898
Addition	58,318,711,024	2,132,261,068
End of year	<u>67,983,789,990</u>	<u>9,665,078,966</u>

12 SHORT-TERM TRADE ACCOUNTS PAYABLE

	2018 VND	2017 VND
Third parties		
Forte Jewellery (HK) Co., Ltd	43,363,695,805	65,477,465,822
Shrenuj Fareast Co., Ltd	123,175,663,382	27,539,371,113
Quang Vinh Nguyen Co., Ltd	4,441,946,777	39,082,098,777
Others	154,658,784,811	146,487,785,643
Related parties (Note 35(b))	139,782,706,112	732,685,250
	<u>465,422,796,887</u>	<u>279,319,406,605</u>

13 SHORT-TERM PREPAYMENTS FROM CUSTOMERS

	2018 VND	2017 VND
Third parties		
AIA Vietnam Company Limited	3,963,768,008	-
Others	39,028,263,152	37,742,598,354
Related parties (Note 35(b))	9,781,482,710	-
	<u>52,773,513,870</u>	<u>37,742,598,354</u>

14 TAXES AND OTHER PAYABLES TO THE STATE BUDGET

	2018 VND	2017 VND
Value added tax	35,907,344,209	24,264,332,943
Business income tax	96,993,072,715	86,605,166,561
Personal income tax	3,218,349,273	917,431,555
Others	4,592,183,218	4,596,427,271
	<u>140,710,949,415</u>	<u>116,383,358,330</u>

Movements in taxes and other payables to the State Budget during the year are as follows:

	As at 1.1.2018 VND	Payable during the year VND	Payment during the year VND	As at 31.12.2018 VND
Value add tax	24,264,332,943	289,188,401,136	(277,545,389,870)	35,907,344,209
Business income tax	86,605,166,561	237,357,551,907	(226,969,645,753)	96,993,072,715
Personal income tax	917,431,555	40,644,208,249	(38,343,290,531)	3,218,349,273
Others	4,596,427,271	267,908,775	(272,152,828)	4,592,183,218
	<u>116,383,358,330</u>	<u>567,458,070,067</u>	<u>(543,130,478,982)</u>	<u>140,710,949,415</u>

15 PAYABLE TO EMPLOYEES

The balances represent accrual for the 13th month salary and performance bonus payable to employees.

16 SHORT-TERM ACCRUED EXPENSES

	2018 VND	2017 VND
Avertising and marketing	3,891,017,573	1,097,205,407
IT and internal network expenses	1,806,133,946	-
Interest expense	3,207,743,012	2,542,358,151
Training	950,200,000	-
Others	251,836,893	989,454,208
	<u>10,106,931,424</u>	<u>4,629,017,766</u>

17 OTHER SHORT-TERM PAYABLES

	2018 VND	2017 VND
Bonus for the Board of Directors and Board of Management	9,792,723,602	12,200,000,000
Union trade	13,048,527,562	7,211,520,875
Personal income tax paid on behalf of shareholders	4,531,133,392	4,531,133,392
Dividend payable	4,744,192,345	2,876,064,645
Interest expense (Note 35(b))	330,668,333	332,219,180
Others	9,082,453,548	24,696,501,187
	<u>41,529,698,782</u>	<u>51,847,439,279</u>

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18 BORROWINGS	As at 1.1.2018 VND	Increase VND	Decrease VND	As at 31.12.2018 VND
(a) Short-term				
Bank loans (*)				
Joint Stock Commercial Bank for Investment and Development of Vietnam	43,267,497,995	307,832,939,478	(216,144,711,604)	134,955,725,869
CTBC Bank Company Limited - Ho Chi Minh Branch	67,000,000,000	156,419,590,000	(136,900,000,000)	86,519,590,000
Vietnam Joint Stock Commercial Bank for Industry and Trade	158,143,056,204	1,530,147,526,698	(1,224,485,302,709)	463,805,280,193
Military Commercial Joint Stock Bank	-	175,219,439,023	(102,507,708,000)	72,711,731,023
Maritime Commercial Joint Stock Bank	20,627,068,000	84,968,703,105	(106,595,771,105)	-
Petrolimex Group Commercial Joint Stock Bank	-	312,229,567,000	(198,628,160,000)	113,601,407,000
Southeast Asia Joint Stock Commercial Bank	-	425,395,965,152	(226,899,655,152)	198,496,310,000
Shinhan Bank Vietnam Limited	60,000,000,000	299,000,000,000	(330,000,000,000)	29,000,000,000
Joint Stock Company Bank for Foreign trade of Vietnam	287,265,175,263	773,879,450,729	(736,760,774,335)	324,383,851,657
Orient Commercial Joint Stock Bank	-	35,115,479,562	(35,115,479,562)	-
Vietnam Bank for Agriculture and Rural Development (Note 18(b))	3,700,000,000	3,700,000,000	(3,700,000,000)	3,700,000,000
Individual loans (**)	206,276,052,738	180,335,382,333	(255,302,832,787)	131,308,602,284
Borrowings from related parties (Note 35(b))	11,000,000,000	16,000,000,000	(15,000,000,000)	12,000,000,000
	<u>857,278,850,200</u>	<u>4,300,244,043,080</u>	<u>(3,587,040,395,254)</u>	<u>1,570,482,498,026</u>

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18 BORROWINGS (continued)

(a) Short-term (continued)

(*) Details of short-term bank loans are as follows:

Bank	As at 31.12.2018 VND	Maturity date	Interest (annual)	Collateral
Vietnam Joint Stock Commercial Bank for Industry and Trade	463,805,280,193	From 10 January 2019 to 22 May 2019	From 5.2% to 5.5%	Inventories
Joint Stock Company Bank for Foreign trade of Vietnam	324,383,851,657	From 4 March 2019 to 3 June 2019	6.2%	Land use right, buildings and inventories
Southeast Asia Joint Stock Commercial Bank	198,496,310,000	From 3 January 2019 to 28 March 2019	From 5.5% to 6.5%	Land use right, buildings and inventories
Joint Stock Commercial Bank for Investment and Development of Vietnam	134,955,725,869	From 17 January 2019 to 8 March 2019	From 4.95% to 6.5%	Inventories
Shinhan Bank Vietnam Limited	29,000,000,000	To 28 March 2019	6%	Unsecured
Petrolimex Group Commercial Joint Stock Bank	113,601,407,000	From 24 March 2019 to 28 March 2019	7%	Unsecured
CTBC Bank Company Limited – Ho Chi Minh Branch	86,519,590,000	From 14 January 2019 to 12 April 2019	From 5.3% to 7%	Inventories
Military Commercial Joint Stock Bank	72,711,731,023	From 12 January 2019 to 17 April 2019	From 5.4% to 6%	* Unsecured
	<u>1,423,473,895,742</u>			

(**) Individual loans represent unsecured loans from the Company's employees with original maturity of 12 months and bear interest at the interest rate of 7% - 7.6% per annum.

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18 BORROWINGS (continued)

(a) Short-term (continued)

The land use rights at following addresses 52A - 52B Nguyen Van Troi Street, Phu Nhuan District, Ho Chi Minh City, 159 Phan Dang Luu Street, Phu Nhuan District, Ho Chi Minh City, 577 Nguyen Kiem Street, Phu Nhuan District, Ho Chi Minh City and 174 Le Thanh Ton Street, District 1, Ho Chi Minh City with total carrying amount of VND63,592,666,838 were held by East Asia Commercial Joint Stock Bank as collaterals for borrowings from that bank, at the balance sheet date.

(b) Long-term

	As at 1.1.2018 VND	Increase VND	Decrease VND	As at 31.12.2018 VND
Bank loans (*)	11,100,000,000	-	(3,700,000,000)	7,400,000,000
Individual loans (**)	35,134,864,000	36,528,000,000	(71,262,864,000)	400,000,000
	46,234,864,000	36,528,000,000	(74,962,864,000)	7,800,000,000

(*) Bank loans represent loans from Vietnam Bank for Agriculture and Rural Development under loan contract No. 902-LAV-2016005156 dated 22 November 2016 to purchase the Company's fixed assets. The term is 60 months from the first drawdown dated 26 December 2016. These loans bear interest at the interest rate from 7% to 8% per annum and are secured by tangible fixed assets and land use right of the Company (Note 10).

(**) Individual loans represent unsecured loans from the Company's employees. The term is 24 months and the loans bear interest at the interest rate of 7.6% per annum.

19 BONUS AND WELFARE FUND

	2018 VND	2017 VND
Beginning of year	51,460,259,954	40,204,208,144
Appropriation from undistributed earnings (Note 23)	36,240,000,000	45,000,000,000
Utilisation during the year	(25,401,677,884)	(33,743,948,190)
End of year	<u>62,298,582,070</u>	<u>51,460,259,954</u>

20 LONG-TERM PROVISION FOR OTHER LIABILITIES

The balance represents provision for severance allowance to employees.

21 DEFERRED INCOME TAX ASSETS

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The offset amounts are as follows:

	2018 VND	2017 VND (As restated – Note 38)
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	79,740,521,880	80,078,078,704
Deferred tax assets to be recovered within 12 months	5,611,302,958	1,415,263,400
	<u>85,351,824,838</u>	<u>81,493,342,104</u>

21 DEFERRED INCOME TAX ASSETS (continued)

The gross movements in deferred income tax, taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	2018 VND	2017 VND (As restated – Note 38)
Beginning of year	81,493,342,104	81,977,406,654
Income statement credit/(charge) (Note 32)	3,858,482,734	(484,064,550)
End of year	<u>85,351,824,838</u>	<u>81,493,342,104</u>

Details of deferred tax assets:

	2018 VND	2017 VND (As restated – Note 38)
Deductible temporary differences	<u>85,351,824,838</u>	<u>81,493,342,104</u>

The deferred income tax assets are mainly derived from accruals, provision for long-term investments and provision for severance allowances.

The Company applied tax rate of 20% in the year for determining deferred tax assets.

22 OWNERS' CAPITAL**(a) Number of ordinary shares**

	2018	2017
Number of shares registered	<u>167,002,982</u>	<u>108,102,034</u>
Number of shares issued	167,002,982	108,102,034
Number of shares repurchased	(709)	(709)
Number of existing shares in circulation	<u>167,002,273</u>	<u>108,101,325</u>

22 OWNERS' CAPITAL (continued)

(b) Details of owners' shareholding

	2018		2017	
	Ordinary shares	%	Ordinary shares	%
Mrs Truong Ngoc Phuong (**)	152,393,080,000	9.13	59,780,440,000	5.53
Mrs Cao Thi Ngoc Dung	151,000,640,000	9.04	99,667,140,000	9.22
VinaCapital Fund Management Joint Stock Company (*)	145,998,480,000	8.74	112,954,060,000	10.45
Other shareholders	1,220,637,620,000	73.09	808,618,700,000	74.80
Treasury shares	(7,090,000)	(0)	(7,090,000)	(0)
Number of shares	1,670,022,730,000	100	1,081,013,250,000	100

(*) As at 31 December 2018 and 31 December 2017, VinaCapital Fund Management Joint Stock Company is the representative for a group of investors.

(**) As at 31 December 2018 and 31 December 2017, Ms. Truong Ngoc Phuong is the representative of a group of foreign investors.

(c) Movement of share capital

	Number of shares	Ordinary shares VND	Total VND
As at 1 January 2017	98,273,868	982,738,680,000	982,738,680,000
New shares issued	9,827,457	98,274,570,000	98,274,570,000
As at 31 December 2017	108,101,325	1,081,013,250,000	1,081,013,250,000
New shares issued	58,900,948	589,009,480,000	589,009,480,000
As at 31 December 2018	167,002,273	1,670,022,730,000	1,670,022,730,000

Par value per share: VND10,000 per shares.

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23 MOVEMENT OF OWNERS' EQUITY

	Owners' capital VND	Share premium VND	Treasury shares VND	Investment and development funds VND	Undistributed earnings VND (As restated – Note 38)	Total VND (As restated – Note 38)
As at 1 January 2017	982,745,770,000	-	(7,090,000)	144,087,556,918	451,059,449,684	1,577,885,686,602
Capital contribution (**)	98,274,570,000	876,761,282,458	-	-	-	975,035,852,458
Net profit for the year	-	-	-	-	723,443,348,942	723,443,348,942
Dividends paid	-	-	-	-	(186,720,419,400)	(186,720,419,400)
Appropriation to investment and development fund	-	-	-	76,000,000,000	(76,000,000,000)	-
Appropriation to bonus and welfare fund (Note 19)	-	-	-	-	(45,000,000,000)	(45,000,000,000)
Appropriation to the Board of Directors, Board of Management and Board of Supervision fund	-	-	-	-	(6,750,000,000)	(6,750,000,000)
Appropriation to bonus for the Board of Directors and Board of Management	-	-	-	-	(12,200,000,000)	(12,200,000,000)
As at 31 December 2017	1,081,020,340,000	876,761,282,458	(7,090,000)	220,087,556,918	847,832,379,226	3,025,694,468,602
Dividend paid by shares (Note 24) (*)	540,372,900,000	-	-	-	(540,372,900,000)	-
Issuance of ordinary shares under Employee Stock Ownership Plan to employees (**)	48,636,580,000	48,636,580,000	-	-	-	97,273,160,000
Net profit for the year	-	-	-	-	941,240,908,760	941,240,908,760
Appropriation to dividends (*) (***)	-	-	-	-	(270,239,940,000)	(270,239,940,000)
Appropriation to bonus and welfare fund (Note 19) (*)	-	-	-	-	(36,240,000,000)	(36,240,000,000)
Appropriation to investment and development fund (*)	-	-	-	45,000,000,000	(45,000,000,000)	-
Appropriation to bonus for the Board of Directors and Board of Management (*)	-	-	-	-	(33,822,000,000)	(33,822,000,000)
As at 31 December 2018	1,670,029,820,000	925,397,862,458	(7,090,000)	265,087,556,918	863,398,447,986	3,723,906,597,362

23 MOVEMENTS IN OWNERS' EQUITY (continued)

(*) According to Resolution of the Shareholders No. 378/2018/NQ-ĐHĐCĐ-CTY dated 21 April 2018, the Shareholders have approved the appropriation of net profit for the year ended 31 December 2017 as follows:

- Stock dividends: VND540,372,900,000;
- Dividend payable in cash: VND108,101,325,000;
- Appropriation to investment and development fund: VND45,000,000,000;
- Appropriation to bonus and welfare fund: VND36,240,000,000, and;
- Appropriation to the Board of Directors and Board of Management fund: VND33,822,000,000.

(**) According to Resolution of the Shareholders No. 378/2018/NQ-ĐHĐCĐ-CTY dated 21 April 2018, Resolution of the management No. 771/2018/NQ-HĐQT-CTY dated 21 September 2018 and Decision of the Directors No. 873/2018/NQ-HĐQT-CTY dated 24 October 2018, the Company issued 4,863,658 ordinary shares to employees at par value of 20,000 per share under Employee Stock Ownership Plan (ESOP). This capital contribution under ESOP in 2018 was audited according to auditor's report on the owner's capital issued on 11 December 2018 (Capital contribution increased in 2017 amounting of VND975,035,852,458 was audited according to auditor's report on the use of capital issued on 30 August 2018).

(***) The Company has advanced dividends for 2018 to its shareholders amounting of VND162,138,615,000 in accordance with Resolution of the Board of Directors No. 597/NQ-HĐQT-CTY dated 12 July 2018.

24 DIVIDENDS

	2018 VND	2017 VND
Beginning of year	2,876,064,645	1,350,050,545
Dividends payable	810,612,840,000	186,720,419,400
Dividends paid by shares (Note 23)	(540,372,900,000)	-
Dividends paid in cash	(268,371,812,300)	(185,194,405,300)
End of year	<u>4,744,192,345</u>	<u>2,876,064,645</u>

25 OFF BALANCE SHEET ITEMS

(a) Included in cash and cash equivalents were balances held in foreign currencies of

	2018	2017
United States Dollar – USD	77,195	83,539
Euro – EUR	1,726	7,671
Hong Kong Dollar – HKD	-	970
Australia Dollar – AUD	460	478
Singapore Dollar – SGD	174	174
	<u> </u>	<u> </u>

(b) The future minimum lease payments under non-cancellable operating leases were VND642,372,871,523 and VND382,979,438,210 for year ended 31 December 2018 and 31 December 2017, respectively (Note 36).

25 OFF BALANCE SHEET ITEMS (continued)

(c) As at 31 December 2018, the Company did not hold any mortgaged gold and jewelry (as at 31 December 2017: VND1,157,900,000).

26 NET REVENUE FROM SALES OF GOODS AND RENDERING OF SERVICES

	2018	2017
	VND	VND
Revenue		
Revenue from sales of jewelry	13,768,594,469,394	11,167,306,100,824
Revenue from sales of accessories	25,358,513,743	23,413,818,317
Revenue from sales of rendering of services	13,805,264,547	8,742,146,152
Direct value added tax	(292,688,587,995)	(207,792,026,769)
	<u>13,515,069,659,689</u>	<u>10,991,670,038,524</u>
Sales deduction		
Sales returns	(102,569,985,875)	(71,699,927,867)
	<u>13,412,499,673,814</u>	<u>10,919,970,110,657</u>
Net revenue from sales of goods and rendering of service		
	<u>13,412,499,673,814</u>	<u>10,919,970,110,657</u>

27 COST OF SALES AND SERVICES RENDERED

	2018	2017
	VND	VND
Cost of jewelry sold and service rendered	10,743,612,279,152	9,030,933,908,062
Cost of accessories sold	17,293,947,157	15,108,339,041
	<u>10,760,906,226,309</u>	<u>9,046,042,247,103</u>

28 FINANCIAL INCOME

	2018	2017
	VND	VND
Dividend income	12,000,000,000	6,000,000,000
Realised foreign exchange gains	297,889,012	3,241,155,221
Net gain from foreign currency translation at year-end	169,041,343	603,950,650
Interest income	6,314,097,726	2,918,913,531
Others	-	2,014,345,629
	<u>18,781,028,081</u>	<u>14,778,365,031</u>

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29 FINANCIAL EXPENSES

	2018 VND	2017 VND
Interest expense	61,984,346,502	55,578,895,516
Realised foreign exchange losses	4,904,032,297	1,311,178,803
Others	232,499,207	183,418,262
	<u>67,120,878,006</u>	<u>57,073,492,581</u>

30 SELLING EXPENSES

	2018 VND	2017 VND
Staff costs	522,333,123,290	347,405,253,994
Advertising and marketing	134,119,367,395	89,381,610,665
Tools and supplies	101,555,081,919	57,818,097,107
Depreciation	8,225,918,169	6,036,059,647
Outside services	219,386,510,565	153,977,586,559
Others	133,243,126,272	97,020,921,871
	<u>1,118,863,127,610</u>	<u>751,639,529,843</u>

31 GENERAL AND ADMINISTRATION EXPENSES

	2018 VND	2017 VND
Staff costs	229,181,806,840	116,465,574,645
Tools and supplies	10,655,002,633	6,660,777,114
Depreciation and amortisation	8,416,993,406	10,136,765,231
Outside services	9,694,747,756	7,273,518,003
Others	53,556,898,204	41,556,337,244
	<u>311,505,448,839</u>	<u>182,092,972,237</u>

32 BUSINESS INCOME TAX

The business income tax ("BIT") on the Company's accounting profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2018 VND	2017 VND
Net accounting profit before tax	1,174,739,977,933	903,845,625,342
Tax calculated at a rate of 20%	234,947,995,587	180,769,125,068
Effect of:		
Income not subject to tax	(2,400,000,000)	(1,200,000,000)
Expenses not deductible for tax purposes	951,073,586	833,151,332
Business income tax charge (*)	<u>233,499,069,173</u>	<u>180,402,276,400</u>
(Credited)/charged to income statement:		
Business income tax – current	237,357,551,907	179,918,211,850
Business income tax – deferred (Note 21)	(3,858,482,734)	484,064,550
	<u>233,499,069,173</u>	<u>180,402,276,400</u>

(*) The BIT charge for the year is based on estimated taxable income and is subject to review and possible adjustments by the tax authorities.

33 COST OF OPERATION BY FACTOR

	2018 VND	2017 VND
Raw materials	11,166,967,624,157	10,439,660,088,473
Staff costs	856,504,889,713	672,184,666,206
Tools and suppliers	123,222,885,858	67,919,849,396
Depreciation and amortisation	26,904,666,249	38,754,727,226
Outside services	363,200,625,716	256,987,754,713
Others	412,332,501,672	150,696,313,833
	<u>12,949,133,193,365</u>	<u>11,626,203,399,847</u>

35 RELATED PARTY DISCLOSURES (continued)

(a) Related party transactions (continued)

	2018 VND	2017 VND
<i>iv) Investment in subsidiaries (Note 4(b))</i>		
CAO Fashion Company Limited	20,000,000,000	-
Customer Era Company Limited	20,000,000,000	-
PNJ Jewelry Production and Trading Company Limited	100,000,000,000	-
	<u>140,000,000,000</u>	<u>-</u>
<i>v) Dividend income</i>		
PNJ Laboratory Company Limited	<u>12,000,000,000</u>	<u>6,000,000,000</u>
<i>vi) Compensation of key management</i>		
Gross salaries and other benefits	<u>33,269,623,981</u>	<u>22,043,447,916</u>

(b) Year end balances with related parties

	2018 VND	2017 VND
<i>i) Short-term trade accounts receivable (Note 5)</i>		
CAO Fashion Company Limited	<u>5,652,125,793</u>	<u>3,721,391,377</u>
<i>ii) Short-term prepayments to suppliers (Note 6)</i>		
PNJ Laboratory Company Limited	<u>473,963,176</u>	<u>-</u>
<i>iii) Short-term lending</i>		
Customer Era Company Limited	<u>6,000,000,000</u>	<u>-</u>

35 RELATED PARTY DISCLOSURES (continued)

(b) Year end balances with related parties (continued)

	2018 VND	2017 VND
iv) Other short-term receivables (Note 7(a))		
CAO Fashion Company Limited	-	13,759,580,292
PNJ Laboratory Company Limited	-	3,000,000,000
Customer Era Company Limited	140,000,000	-
	<u>140,000,000</u>	<u>16,759,580,292</u>
v) Short-term trade accounts payable (Note 12)		
PNJ Laboratory Company Limited	-	732,685,250
PNJ Jewelry Production and Trading Company Limited	139,782,706,112	-
	<u>139,782,706,112</u>	<u>732,685,250</u>
vi) Short-term advances from customers (Note 13)		
PNJ Jewelry Production and Trading Company Limited	9,592,948,710	-
Customer Era Company Limited	188,534,000	-
	<u>9,781,482,710</u>	<u>-</u>
vii) Other short-term payables (Note 17)		
PNJ Laboratory Company Limited	317,216,438	332,219,180
PNJ Jewelry Production and Trading Company Limited	13,451,895	-
	<u>330,668,333</u>	<u>332,219,180</u>

35 RELATED PARTY DISCLOSURES (continued)

(b) Year end balances with related parties (continued)

	2018 VND	2017 VND
<i>viii) Short-term borrowings (Note 18)</i>		
PNJ Laboratory Company Limited	<u>12,000,000,000</u>	<u>11,000,000,000</u>

36 COMMITMENTS UNDER OPERATING LEASES

The future minimum lease payments under non-cancellable operating leases were as follows:

	<u>Property</u>	
	2018 VND	2017 VND
Within one year	122,608,861,472	77,845,676,728
Between one and five years	326,424,289,161	235,996,302,498
Over five years	193,339,720,890	69,137,458,984
Total minimum payments	<u>642,372,871,523</u>	<u>382,979,438,210</u>

37 CAPITAL COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not recognised in the separate financial statements was as follows:

	2018 VND	2017 VND
ERP's project	<u>26,093,720,312</u>	<u>65,830,000,000</u>

38 RESTATEMENT

For the year ended 31 December 2016, the Company has recognised full provision for a long-term investment into East Asia Commercial Joint Stock Bank and treated this provision as temporary deductible expense when calculating Business income tax. However, the Company has not recognised deferred income tax assets of VND79,054,322,680 for this provision on the separate financial statements for the year ended 31 December 2016 in accordance with Vietnamese Accounting Standard No. 17 – Business income tax. For the year ended 31 December 2018, the Board of Management of the Company has decided to retrospectively recognise deferred income tax assets of provision for this long-term investment. Accordingly, the Board of Management of the Company has restated certain items on the separate financial statements for the year ended 31 December 2017. Details are as follows:

		As at 31 December 2017		
Code	Items	As previously reported VND	Restatement VND	Restated VND
200	NON-CURRENT ASSETS	608,883,714,734	79,054,322,680	687,938,037,414
260	Other long-term assets	52,772,527,968	79,054,322,680	131,826,850,648
262	Deferred income tax assets	2,439,019,424	79,054,322,680	81,493,342,104
270	TOTAL ASSETS	4,496,304,527,969	79,054,322,680	4,575,358,850,649
400	OWNERS' EQUITY	2,946,640,145,922	79,054,322,680	3,025,694,468,602
410	Capital and reserves	2,946,640,145,922	79,054,322,680	3,025,694,468,602
421	Undistributed earnings	768,778,056,546	79,054,322,680	847,832,379,226
440	TOTAL RESOURCES	4,496,304,527,969	79,054,322,680	4,575,358,850,649

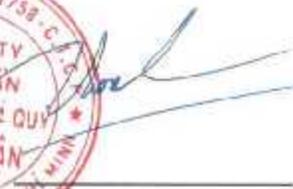
The separate financial statements were approved by the Board of Management on 12 March 2019.



Nguyen Thanh Dat
Preparer



Duong Quang Hai
Chief Accountant

Le Tri Thong
General Director