

**PHU NHUAN JEWELRY JOINT STOCK COMPANY**

**CONSOLIDATED 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
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 THE RESPONSIBILITY OF THE BOARD OF MANAGEMENT IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Management of Phu Nhuan Jewelry Joint Stock Company ("the Company") is responsible for the consolidated financial statements of the Company and its subsidiaries (together, "the Group") which give a true and fair view of the financial position of the Group as at 31 December 2018, and of the results of its operations and its cash flows for the year then ended. In preparing these consolidated 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 consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

### APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements as set out on pages 5 to 41 which give a true and fair view of the financial position of the Group 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 Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements.

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 consolidated financial statements of Phu Nhuan Jewelry Joint Stock Company ("the Company") and its subsidiaries (together, "the Group") which were prepared on 31 December 2018 and approved by the Board of Management on 12 March 2019. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2018 the consolidated income statement and, the consolidated cash flow statement for the year then ended, and explanatory notes to the consolidated financial statements including significant accounting policies, as set out on page 5 to 41.

### **The Board of Management' Responsibility**

The Board of Management is responsible for the preparation and the true and fair presentation of the consolidated financial statements of the Group in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on the preparation and presentation of consolidated financial statements and for such internal control which the Board of Management determines necessary to enable the preparation and fair presentation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and true and fair presentation of the consolidated 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 Group'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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, its consolidated financial performance and consolidated 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 consolidated financial statements.

### Emphasis of Matter

We draw attention to Note 40 to the consolidated financial statements for the year ended 31 December 2018, the Board of Management has decided to restate certain items on the consolidated 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 consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 12 March 2018.

The independent auditor's 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: HCM7685  
Ho Chi Minh City, 12 March 2019

## CONSOLIDATED BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2018 VND	2017 VND (As restated – Note 40)
<b>100</b>	<b>CURRENT ASSETS</b>		<b>5,405,256,600,641</b>	<b>3,896,141,901,410</b>
<b>110</b>	<b>Cash and cash equivalents</b>	<b>3</b>	<b>206,721,179,629</b>	<b>175,208,552,187</b>
111	Cash		206,721,179,629	111,158,552,187
112	Cash equivalents		-	64,050,000,000
<b>120</b>	<b>Short-term investment</b>		<b>-</b>	<b>160,065,000,000</b>
123	Investments held to maturity	<b>4</b>	-	160,065,000,000
<b>130</b>	<b>Short-term receivables</b>		<b>155,196,257,825</b>	<b>84,622,464,067</b>
131	Short-term trade accounts receivable	<b>5</b>	57,664,060,443	39,946,216,659
132	Short-term prepayments to suppliers	<b>6</b>	57,981,679,202	33,682,107,963
136	Other short-term receivables	<b>7(a)</b>	39,159,008,338	10,858,761,425
139	Shortage of assets awaiting resolution		391,509,842	135,378,020
<b>140</b>	<b>Inventories</b>	<b>8</b>	<b>4,968,145,942,990</b>	<b>3,401,959,226,624</b>
141	Inventories		4,968,145,942,990	3,401,959,226,624
<b>150</b>	<b>Other current assets</b>		<b>75,193,220,197</b>	<b>74,286,658,532</b>
151	Short-term prepaid expenses	<b>9(a)</b>	68,191,416,708	69,117,536,788
152	Value Added Tax to be reclaimed		625,511,019	28,174,789
153	Tax and other receivables from the State Budget		6,376,292,470	5,140,946,955
<b>200</b>	<b>NON-CURRENT ASSETS</b>		<b>1,032,638,955,963</b>	<b>675,158,254,081</b>
<b>210</b>	<b>Long-term receivable</b>		<b>57,498,444,869</b>	<b>42,787,737,738</b>
216	Other long-term receivables	<b>7(b)</b>	57,498,444,869	42,787,737,738
<b>220</b>	<b>Fixed assets</b>		<b>719,287,274,744</b>	<b>487,243,774,697</b>
221	Tangible fixed assets	<b>10(a)</b>	225,960,569,846	205,748,326,607
222	Historical cost		454,178,423,940	396,615,581,684
223	Accumulated depreciation		(228,217,854,094)	(190,867,255,077)
227	Intangible fixed assets	<b>10(b)</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)
<b>240</b>	<b>Long-term asset in progress</b>		<b>70,822,681,154</b>	<b>9,665,078,966</b>
242	Construction in progress	<b>11</b>	70,822,681,154	9,665,078,966
<b>250</b>	<b>Long-term investments</b>		<b>-</b>	<b>-</b>
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)
<b>260</b>	<b>Other long-term assets</b>		<b>185,030,555,196</b>	<b>135,461,662,680</b>
261	Long-term prepaid expenses	<b>9(b)</b>	99,678,730,358	53,968,320,576
262	Deferred income tax assets	<b>21</b>	85,351,824,838	81,493,342,104
<b>270</b>	<b>TOTAL ASSETS</b>		<b>6,437,895,556,604</b>	<b>4,571,300,155,491</b>

The notes on pages 9 to 41 are an integral part of these consolidated financial statements.

**CONSOLIDATED BALANCE SHEET  
(continued)**

Code	RESOURCES	Note	As at 31 December	
			2018 VND	2017 VND (As restated – Note 40)
<b>300</b>	<b>LIABILITIES</b>		<b>2,692,822,128,700</b>	<b>1,542,697,241,029</b>
<b>310</b>	<b>Current liabilities</b>		<b>2,677,317,785,700</b>	<b>1,488,758,034,029</b>
311	Short-term trade accounts payable	12	342,676,925,196	278,898,463,294
312	Short-term advances from customers	13	82,798,544,221	37,773,098,354
313	Tax and other payables to the State Budget	14	153,579,308,096	117,206,887,902
314	Payable to employees	15	228,337,052,181	99,466,563,099
315	Short-term accrued expenses	16	10,833,940,595	4,629,017,766
319	Other short-term payables	17	237,629,562,960	52,071,661,615
320	Short-term borrowings	18(a)	1,558,482,498,026	846,278,850,200
322	Bonus and welfare fund	19	62,979,954,425	52,433,491,799
<b>330</b>	<b>Non-current liabilities</b>		<b>15,504,343,000</b>	<b>53,939,207,000</b>
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	7,076,317,000	7,076,317,000
<b>400</b>	<b>OWNERS' EQUITY</b>		<b>3,745,073,427,904</b>	<b>3,028,602,914,462</b>
<b>410</b>	<b>Capital and reserves</b>		<b>3,745,073,427,904</b>	<b>3,028,602,914,462</b>
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	884,565,278,528	850,740,825,086
421a	- Undistributed post-tax profits of previous years		98,780,546,381	233,985,702,026
421b	- Post-tax profits of current year		785,784,732,147	616,755,123,060
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>6,437,895,556,604</b>	<b>4,571,300,155,491</b>

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

  
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 Duong Quang Hai  
 Chief Accountant

  
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 Le Tri Thong  
 General Director  
 12 March 2019





## CONSOLIDATED INCOME STATEMENT

Code	Note	Year ended 31 December	
		2018 VND	2017 VND
01	Revenue from sale of goods and rendering of services	14,678,799,605,798	11,049,024,104,831
02	Less deductions	(107,663,860,948)	(72,187,214,867)
10	Net revenue from sale of goods and rendering of services	14,571,135,744,850	10,976,836,889,964
11	Cost of goods sold and services rendered	(11,792,052,183,391)	(9,064,872,939,048)
20	Gross profit from sale of goods and rendering of services	2,779,083,561,459	1,911,963,950,916
21	Financial income	6,846,027,091	8,794,872,100
22	Financial expenses	(66,345,864,211)	(56,475,629,564)
23	- including: Interest expense	(61,109,042,390)	(54,981,032,499)
25	Selling expenses	(1,170,069,069,426)	(774,978,169,326)
26	General and administration expenses	(345,868,153,940)	(187,936,351,549)
30	Net operating profit	1,203,646,500,973	901,368,672,577
31	Other income	4,637,809,502	7,394,867,935
32	Other expenses	(2,734,037,354)	(1,384,144,655)
40	Net other income	1,903,772,148	6,010,723,280
50	Net accounting profit before tax	1,205,550,273,121	907,379,395,857
51	Business income tax - current	(249,485,408,708)	(182,038,883,247)
52	Business income tax - deferred	3,858,482,734	(484,064,550)
60	Net profit after tax	959,923,347,147	724,856,448,060
	Attributable to:		
61	Profit after tax of the parent company	959,923,347,147	724,856,448,060
70	Earnings per share	6,481	6,434
71	Diluted earnings per share	6,481	6,434

  
 Nguyen Thanh Dat  
 Preparer

  
 Duong Quang Hai  
 Chief Accountant

  
 Le Tri Thong  
 General Director  
 12 March 2019



**CONSOLIDATED CASH FLOW STATEMENT**  
**(Indirect method)**

Code	Note	Year ended 31 December	
		2018 VND	2017 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
01		<b>1,205,550,273,121</b>	<b>907,379,395,857</b>
	Adjustments for:		
02	Depreciation	42,101,648,087	39,339,871,537
03	Provisions	-	663,814,156
04	Unrealised foreign exchange gains	(169,041,343)	(603,950,650)
05	Profits from investing activities	(7,406,944,577)	(15,184,214,057)
06	Interest expense	61,109,042,390	54,981,032,499
08	<b>Operating profit before changes in working capital</b>	<b>1,301,184,977,678</b>	<b>986,575,949,342</b>
09	Increase in receivables	(86,037,746,014)	(41,626,904,137)
10	Increase in inventories	(1,566,186,716,366)	(563,269,616,044)
11	Increase in payables	412,203,203,546	16,952,354,627
12	Increase in prepaid expenses	(44,784,289,702)	(45,325,798,075)
14	Interest paid	(60,443,657,529)	(55,960,918,599)
15	Business income tax paid	(231,958,086,112)	(153,619,666,783)
17	Other payments on operating activities	(26,117,591,079)	(34,241,546,190)
20	<b>Net cash (outflows)/inflows from operating activities</b>	<b>(302,139,905,578)</b>	<b>109,483,854,141</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchases of fixed assets and other long-term assets	(336,378,415,370)	(115,444,131,166)
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	-
27	Interest received	6,331,279,529	2,932,220,359
30	<b>Net cash outflows from investing activities</b>	<b>(168,906,470,793)</b>	<b>(264,085,937,170)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
31	Proceeds from issue of shares and capital contribution	97,273,160,000	975,035,852,458
33	Proceeds from borrowings	4,320,772,043,080	3,091,939,199,843
34	Repayments of borrowings	(3,647,003,259,254)	(3,707,380,368,318)
36	Dividends paid	(268,371,812,300)	(185,194,405,300)
40	<b>Net cash inflows from financing activities</b>	<b>502,670,131,526</b>	<b>174,400,278,683</b>
50	<b>Net increase in cash and cash equivalents</b>	<b>31,623,755,155</b>	<b>19,798,195,654</b>
60	<b>Cash and cash equivalents at beginning of year</b>	<b>175,208,552,187</b>	<b>155,348,026,509</b>
61	Effect of foreign exchange differences	(111,127,713)	62,330,024
70	<b>Cash and cash equivalents at end of year</b>	<b>206,721,179,629</b>	<b>175,208,552,187</b>

  
 Nguyen Thanh Dat  
 Preparer

  
 Duong Quang Hai  
 Chief Accountant



  
 Le Tri Thong  
 General Director  
 12 March 2019

**NOTES TO THE CONSOLIDATED 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 initially 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 to trade gold, silver, jewelry and gemstones, and to import and export jewelry in gold, silver and gemstones.

The normal business cycle of the Company and its subsidiaries (together, the Group") 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 jewelry 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 Group had 52 branches (as at 31 December 2017: 50 branches) located in various provinces and cities in Vietnam.

As at 31 December 2018, the Group had 6,018 employees (as at 31 December 2017: 5,060 employees).

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

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

The accompanying consolidated 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.

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

**2.2 Fiscal year**

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

**2.3 Currency**

The consolidated 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 consolidated income statement.

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

**2.4 Basis of consolidation****Subsidiaries**

Subsidiaries are all entities over which the Group 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 Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.4 Basis of consolidation (continued)****Subsidiaries (continued)**

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**2.5 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.

**2.6 Trade receivables**

Trade receivables are carried at the 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.

**2.7 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 Group 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 year.

**2.8 Investments****(a) Investments 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 term deposits. 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 the whole of the investment is uncollectible.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.8 Investments (continued)****(b) Investments in equity of other entity**

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

**2.9 Fixed assets***Tangible 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 consolidated 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.

**2.10 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 consolidated income statement on a straight-line basis over the term of the lease.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.11 Prepaid expenses**

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

**2.12 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 are non-trade payables, and not relating to purchase of goods and services.

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

**2.13 Borrowing costs**

Borrowings include borrowings from banks and individuals.

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 consolidated income statement when incurred.

**2.14 Accrued expenses**

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

**2.15 Provisions**

Provisions are recognised when the Group 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)****2.16 Provision for severance allowances**

In accordance with Vietnamese labour laws, employees of the Group 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 Group less the period during which the employee participates the unemployment insurance scheme in accordance with the labour regulations and the working period for which the employee has received severance allowance from the Group.

The severance allowance is accrued at the end of the reporting period, on the basis that a half of an average monthly salary per 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 according with current regulations.

**2.17 Owners' capital**

Contributed capital of the shareholders is recorded according to actual amount contributed. Contributions from owners 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 Group's results (profit) after business income tax at the reporting date.

**2.18 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 Group is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Group's General Shareholders' Meeting.

The Group's funds are as below:

**(a) Development and investment fund**

Development and investment fund is appropriated from net profit of the Group 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)****2.18 Appropriation of net profit (continued)****(b) Bonus and welfare fund**

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

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

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

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group 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 Group; 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 Group gives promotional goods to customers associated with customers' purchase, the Group allocates total consideration received for goods sold and promotional goods. Cost of promotional goods is recognised as cost of sales in the consolidated income statement.

**(b) Rendering of services**

Revenue from rendering of services is recognised in the consolidated 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 Group;
- 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.

**(c) Interest income**

Interest income is recognised on an earned basis.

**(d) Dividend income**

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

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.20 Sales deductions**

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

Sales deductions 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 consolidated financial statements are recorded as deduction of revenue of the period.

**2.21 Cost of goods sold and services rendered**

Cost of goods sold and 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.

**2.22 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.

**2.23 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.

**2.24 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.

**2.25 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 with which the Socialist Republic of Vietnam has not signed any double taxation 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 year 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 recognised, in the same or a different period, directly in equity.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 consolidated 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.

**2.26 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 Group, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including General Directors of the Group 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 Group considers the substance of the relationship not merely the legal form.

**2.27 Accounting estimates**

The preparation of the consolidated financial statements in conformity with Vietnamese Accounting Standards, the 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 and liabilities, the disclosures of contingent assets and liabilities at the date of consolidated financial statements and the amounts of revenues and expenses during the year. Although these estimates are based on the Board of Management' best knowledge of current events and actions, actual results may differ from those estimates.

**2.28 Segment reporting**

A segment is a component which can be consolidated by the Group engaged in providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment). Each segment is subject to risks and returns that are different from those of other segments. A reportable segment is the Group's business segment or the Group's geographical segment.

Segment reporting is prepared and presented in accordance with accounting policies applied to the preparation and presentation of the Group's consolidated financial statements in order to help users of financial statements understand and evaluate the Group's operations in a comprehensive way.

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3 CASH AND CASH EQUIVALENTS

	2018 VND	2017 VND
Cash on hand	96,206,858,391	62,618,514,523
Cash at bank	102,660,788,350	41,098,189,621
Cash in transit	7,853,532,888	7,441,848,043
Cash equivalents	-	64,050,000,000
	<u>206,721,179,629</u>	<u>175,208,552,187</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 entity

	2018			2017		
	Cost VND	Fair value (*) VND	Provision VND	Cost VND	Fair value (*) VND	Provision VND
Dong A Commercial Joint Stock Bank (**)	395,271,613,400	-	(395,271,613,400)	395,271,613,400	-	(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 investment 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 has decided to recognise full provision for diminution in value of this investment as at the balance sheet date.

**5 SHORT-TERM TRADE ACCOUNTS RECEIVABLE**

	<b>2018 VND</b>	<b>2017 VND</b>
FH Trautz GmbH	5,954,125,254	6,579,765,533
DC&D Co.	3,820,943,012	3,934,729,248
Others	47,888,992,177	29,431,721,878
	<u>57,664,060,443</u>	<u>39,946,216,659</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**

	<b>2018 VND</b>	<b>2017 VND</b>
PT Kinara Gilang Semesta	11,920,440,928	-
Others	46,061,238,274	33,682,107,963
	<u>57,981,679,202</u>	<u>33,682,107,963</u>

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

	<b>2018 VND</b>	<b>2017 VND</b>
Advances to employees	29,038,158,837	769,950,291
Others	10,120,849,501	10,088,811,134
	<u>39,159,008,338</u>	<u>10,858,761,425</u>

**(b) Long-term**

	<b>2018 VND</b>	<b>2017 VND</b>
Deposits	<u>57,498,444,869</u>	<u>42,787,737,738</u>

**8 INVENTORIES**

	<b>2018 VND</b>	<b>2017 VND</b>
Goods in transit	174,543,310,840	74,485,287,071
Raw materials	87,899,638,302	195,479,212,962
Tools and supplies	44,576,286,366	37,983,205,995
Work in progress	1,011,126,019,888	241,475,582,475
Finished goods	397,322,929,019	336,815,539,305
Merchandise	3,165,377,043,067	2,464,718,787,076
Goods on consignment	87,300,715,508	51,001,611,740
	<u>4,968,145,942,990</u>	<u>3,401,959,226,624</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 collaterals for short-term borrowings from commercial banks (Note 18(a)).

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

	<b>2018 VND</b>	<b>2017 VND</b>
Tools and supplies	36,385,614,710	44,714,948,449
Operating lease	17,859,143,517	10,582,202,902
Employee's uniform	6,453,705,433	3,021,579,248
Signboard rental	2,500,842,774	2,716,332,886
Repairs and maintenance	3,273,294,102	3,854,695,805
Others	1,718,816,172	4,227,777,498
	<u>68,191,416,708</u>	<u>69,117,536,788</u>

**(b) Long-term**

	<b>2018 VND</b>	<b>2017 VND</b>
Tools and supplies	55,351,914,816	23,740,082,367
Office and store renovation	38,119,567,939	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	3,806,485,911
	<u>99,678,730,358</u>	<u>53,968,320,576</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
<b>Historical cost</b>					
As at 1 January 2018	135,768,102,826	189,513,534,605	25,238,934,607	46,095,009,646	396,615,581,684
New purchases	3,064,122,398	35,829,817,996	6,833,350,000	16,297,022,788	62,024,313,182
Disposals	-	(3,093,157,126)	(717,765,800)	(650,548,000)	(4,461,470,926)
As at 31 December 2018	138,832,225,224	222,250,195,475	31,354,518,807	61,741,484,434	454,178,423,940
<b>Accumulated depreciation</b>					
As at 1 January 2018	31,463,676,396	117,703,703,997	12,749,916,510	28,949,958,174	190,867,255,077
Charge for the year	5,983,948,505	25,520,765,898	3,203,406,121	5,928,284,371	40,736,404,895
Disposals	-	(2,017,492,078)	(717,765,800)	(650,548,000)	(3,385,805,878)
As at 31 December 2018	37,447,624,901	141,306,977,817	15,235,556,831	34,227,694,545	228,217,854,094
<b>Net book value</b>					
As at 1 January 2018	104,304,426,430	71,809,830,608	12,489,018,097	17,145,051,472	205,748,326,607
As at 31 December 2018	101,384,600,323	80,943,217,658	16,118,961,976	27,513,789,889	225,960,569,846

As at 31 December 2018, tangible fixed assets of the Group with the carrying amount of VND89,122,920,263 (as at 31 December 2017: VND39,513,739,868) were pledged with banks as collaterals for borrowings from commercial banks granted to the Group (Note 18).

As at 31 December 2018, cost of fully depreciated fixed assets but still in use was VND89,920,251,433 (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
<b>Historical cost</b>			
As at 1 January 2018	279,662,657,290	7,078,250,583	<b>286,740,907,873</b>
New purchases	179,514,500,000	33,682,000,000	<b>213,196,500,000</b>
As at 31 December 2018	<u>459,177,157,290</u>	<u>40,760,250,583</u>	<u><b>499,937,407,873</b></u>
<b>Accumulated amortisation</b>			
As at 1 January 2018	-	5,245,459,783	<b>5,245,459,783</b>
Charge for the year	-	1,365,243,192	<b>1,365,243,192</b>
As at 31 December 2018	<u>-</u>	<u>6,610,702,975</u>	<u><b>6,610,702,975</b></u>
<b>Net book value</b>			
As at 1 January 2018	279,662,657,290	1,832,790,800	<b>281,495,448,090</b>
As at 31 December 2018	<u>459,177,157,290</u>	<u>34,149,547,608</u>	<u><b>493,326,704,898</b></u>

As at 31 December 2018, net carrying amount of land use rights of the Group amounting VND49,837,617,572 (as at 31 December 2017: VND49,837,617,572) were pledged with bank as collaterals for borrowings from commercial banks (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	9,468,078,966	9,468,078,966
ERP's project	56,023,422,424	-
Others	5,331,179,764	197,000,000
	<u>70,822,681,154</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	61,157,602,188	2,132,261,068
End of year	<u>70,822,681,154</u>	<u>9,665,078,966</u>

**12 SHORT-TERM TRADE ACCOUNTS PAYABLE**

	2018 VND	2017 VND
Shrenuj Fareast Co., Ltd.	123,175,663,382	27,539,371,113
Forte Jewellery (HK) Co., Ltd.	43,363,695,805	65,477,465,822
Quang Vinh Nguyen Co., Ltd.	4,441,946,777	39,082,098,777
Others	171,695,619,232	146,799,527,582
	<u>342,676,925,196</u>	<u>278,898,463,294</u>

**13 SHORT-TERM PREPAYMENTS FROM CUSTOMERS**

	2018 VND	2017 VND
DHG Pharmaceutical Joint Stock Company	9,187,651,900	-
Dry Cell and Storage Battery Joint Stock Company	6,670,599,888	-
AIA Vietnam Company Limited	3,963,768,008	-
Others	62,976,524,425	37,773,098,354
	<u>82,798,544,221</u>	<u>37,773,098,354</u>

14 TAXES AND OTHER PAYABLES TO THE STATE BUDGET

	2018 VND	2017 VND
Value added tax	40,456,009,619	24,774,662,308
Business income tax	104,295,533,760	86,768,211,164
Personal income tax	4,230,081,499	1,014,111,735
Other taxes	4,597,683,218	4,649,902,695
	<u>153,579,308,096</u>	<u>117,206,887,902</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	Paid during the year VND	As at 31.12.2018 VND
Value add tax	24,774,662,308	306,997,887,705	(291,316,540,394)	40,456,009,619
Business income tax	86,768,211,164	249,485,408,708	(231,958,086,112)	104,295,533,760
Personal income tax	1,014,111,735	44,672,432,057	(41,456,462,293)	4,230,081,499
Other taxes	4,649,902,695	220,933,351	(273,152,828)	4,597,683,218
	<u>117,206,887,902</u>	<u>601,376,661,821</u>	<u>(565,004,241,627)</u>	<u>153,579,308,096</u>

15 PAYABLE TO EMPLOYEES

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

16 SHORT-TERM ACCRUED EXPENSES

	2018 VND	2017 VND
Advertising and marketing	4,057,105,404	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	812,758,233	989,454,208
	<u>10,833,940,595</u>	<u>4,629,017,766</u>

17 OTHER SHORT-TERM PAYABLES

	2018 VND	2017 VND
Materials payable to outside processing service	190,391,602,529	-
Bonus for the Board of Directors and Board of Management	9,792,723,602	12,200,000,000
Union trade	14,296,566,119	7,448,351,440
Personal income tax paid on behalf of the shareholders	4,531,133,392	4,531,133,392
Dividend payable	4,744,192,345	2,876,064,645
Others	13,873,344,973	25,016,112,138
	<u>237,629,562,960</u>	<u>52,071,661,615</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	(105,595,771,105)	-
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
	<u>846,278,850,200</u>	<u>4,284,244,043,080</u>	<u>(3,572,040,395,254)</u>	<u>1,558,482,498,026</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
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
Shinhan Bank Vietnam Limited	29,000,000,000	To 28 March 2019	6%	Unsecured
	<u>1,423,473,895,742</u>			

(\*\*) Individual loans represent unsecured loans from the Group's employees with original maturity of 12 months and bear interest at the interest rate of 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 at 31 December 2018 as collaterals for borrowings from that bank.

(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 Group'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 Group (Note 10).

(\*\*) Individual loans represent unsecured loans from the Group'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	52,433,491,799	41,675,037,989
Appropriation from undistributed earnings (Note 23)	36,664,053,705	45,000,000,000
Utilisation during the year	(26,117,591,079)	(34,241,546,190)
End of year	<u>62,979,954,425</u>	<u>52,433,491,799</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 40)
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 the 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 40)
Beginning of year	81,493,342,104	81,977,406,654
Income statement credit/(charge) (Note 33)	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 40)
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 Group 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	%
Ms 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, Ms. Truong Ngoc Phuong is the representative of a group of foreign investors.

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

## (c) Movement of share capital

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

Par value per share: VND10,000 per share.

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23 MOVEMENTS IN OWNERS' EQUITY

	Owners' capital VND	Share premium VND	Treasury shares VND	Investment and development fund VND	Undistributed earnings VND (As restated – Note 40)	Total VND (As restated – Note 40)
As at 1 January 2017	982,745,770,000	-	(7,090,000)	144,087,556,918	452,554,796,426	1,579,381,033,344
Capital contribution (**)	98,274,570,000	876,761,282,458	-	-	-	975,035,852,458
Net profit for the year	-	-	-	-	724,856,448,060	724,856,448,060
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	850,740,825,086	3,028,602,914,462
Dividend paid by shares (Note 24) (*) Issuance of ordinary shares under Employee Stock Ownership Plan to employees (**)	540,372,900,000	-	-	-	(540,372,900,000)	-
Net profit for the year	48,636,580,000	48,636,580,000	-	-	959,923,347,147	97,273,160,000
Appropriation to dividends (Note 24) (*) (***)	-	-	-	-	(270,239,940,000)	(270,239,940,000)
Appropriation to bonus and welfare fund (Note 19) (*)	-	-	-	45,000,000,000	(36,664,053,705)	(36,664,053,705)
Appropriation to investment and development fund (*)	-	-	-	-	(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	884,565,278,528	3,745,073,427,904

**23 MOVEMENTS IN OWNERS' EQUITY (continued)**

(\*) According to Resolution of Shareholders No. 378/2018/NQ-DHDCD-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: VND32,822,000,000.

(\*\*) 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 Group 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	(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 EARNINGS PER SHARE****(a) Basic earnings per share**

Basic earnings per share is calculated by dividing the net profit attributable to shareholders after deducting the bonus and welfare fund by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares repurchased by the Company and held as treasury shares:

	<b>2018</b>	<b>2017</b>
Net profit attributable to shareholders (VND)	959,923,347,147	724,856,448,060
Less amount allocated to bonus and welfare funds (VND) (Note 23)	(70,486,053,705)	(63,950,000,000)
	<u>889,437,293,442</u>	<u>660,906,448,060</u>
Weighted average number of ordinary shares in issue (shares)	137,235,593	102,716,417
Basic earnings per share (VND)	<u>6,481</u>	<u>6,434</u>

**(b) Diluted earnings per share**

Diluted earnings per share is calculated by dividing the net profit attributable to shareholders, which already subtracted the bonus and welfare fund, by the weighted average number of ordinary shares outstanding during the year and the ordinary shares expected to be issued.

The Group has no diluted earnings per share during the year and at the reporting date. Therefore, the diluted earnings per share is equal to the basic earnings per share.

**26 OFF BALANCE SHEET ITEMS****(a) Included in cash and cash equivalents were balances held in foreign currencies of:**

	<b>2018</b>	<b>2017</b>
United States Dollar – USD	1,007,866	83,539
Euro – EUR	56,723	7,671
Hong Kong Dollar – HKD	-	970
Australia Dollar – AUD	758	478
Singapore Dollar – SGD	174	174
	<u>          </u>	<u>          </u>

## 26 OFF BALANCE SHEET ITEMS (continued)

- (b) The future minimum lease payments under non-cancellable operating leases were VND697.287.818.238 and VND433,241,406,006 for year ended 31 December 2018 and 31 December 2017, respectively (Note 37).
- (c) As at 31 December 2018, the Group has not hold mortgaged gold and jewelry (as at 31 December 2017: VND1,157,900,000).

## 27 NET REVENUE FROM SALES OF GOODS AND RENDERING SERVICES

	2018 VND	2017 VND
<b>Revenue</b>		
Revenue from sales of jewelry	14,940,057,253,163	11,202,683,725,240
Revenue from sales of accessories	27,304,685,008	23,646,064,868
Revenue from rendering of services	24,992,575,206	30,486,341,492
Direct value added tax	(313,554,907,579)	(207,792,026,769)
	<u>14,678,799,605,798</u>	<u>11,049,024,104,831</u>
<b>Sales deductions</b>		
Sales returns	(103,171,892,875)	(72,187,214,867)
Trade discount	(4,491,968,073)	
	<u>(107,663,860,948)</u>	<u>(72,187,214,867)</u>
<b>Net revenue from sales of goods and rendering of service</b>	<u>14,571,135,744,850</u>	<u>10,976,836,889,964</u>

## 28 COST OF GOODS SOLD AND SERVICES RENDERED

	2018 VND	2017 VND
Cost of jewelry sold	11,767,150,002,670	9,043,331,427,715
Sales of services rendered	6,268,344,066	6,433,172,292
Cost of accessories sold	18,633,836,655	15,108,339,041
	<u>11,792,052,183,391</u>	<u>9,064,872,939,048</u>

## 29 FINANCIAL INCOME

	2018 VND	2017 VND
Interest income	6,331,279,529	2,932,220,359
Realised foreign exchange gains	297,889,012	3,244,355,462
Net gain from foreign currency translation at year-end	169,041,343	603,950,650
Others	47,817,207	2,014,345,629
	<u>6,846,027,091</u>	<u>8,794,872,100</u>

## 30 FINANCIAL EXPENSES

	2018 VND	2017 VND
Interest expense	61,109,042,390	54,981,032,499
Realised foreign exchange losses	4,904,032,297	1,311,178,803
Others	332,789,524	183,418,262
	<u>66,345,864,211</u>	<u>56,475,629,564</u>

## 31 SELLING EXPENSES

	2018 VND	2017 VND
Staff costs	550,869,671,123	349,843,698,389
Advertising and marketing	134,119,367,395	89,381,610,665
Tools and supplies	105,816,184,897	61,218,313,031
Depreciation	8,908,607,278	6,221,947,014
Outside services	229,975,622,365	164,205,529,517
Others	140,379,616,368	104,107,070,710
	<u>1,170,069,069,426</u>	<u>774,978,169,326</u>

## 32 GENERAL AND ADMINISTRATION EXPENSES

	2018 VND	2017 VND
Staff costs	253,755,888,964	120,247,230,674
Tools and supplies	12,144,426,640	7,626,649,011
Depreciation and amortisation	8,854,593,230	10,136,765,231
Fee charges	316,215,160	266,397,105
Outside services	14,096,815,386	7,296,783,734
Others	56,700,214,560	42,362,525,794
	<u>345,868,153,940</u>	<u>187,936,351,549</u>

## 33 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	<u>1,205,550,273,121</u>	<u>907,379,395,857</u>
Including:		
Net accounting profit before tax	1,219,979,640,903	907,379,395,857
Net accounting loss before tax	(14,429,367,782)	-
	<u>243,995,928,181</u>	<u>181,475,879,171</u>
Tax calculated at a rate of 20%	243,995,928,181	181,475,879,171
Effect of:		
Under provision in previous year	-	33,945,000
Expenses not deductible for tax purposes	1,630,997,793	1,013,123,626
	<u>245,626,925,974</u>	<u>182,522,947,797</u>
(Credited)/charged to income statement:		
Business income tax – current	249,485,408,708	182,038,883,247
Business income tax – deferred (Note 21)	(3,858,482,734)	484,064,550
	<u>245,626,925,974</u>	<u>182,522,947,797</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.



## 34 COST OF OPERATION BY FACTOR

	2018 VND	2017 VND
Raw materials	13,702,592,228,082	10,404,904,576,757
Staff costs	1,050,084,767,861	678,404,766,630
Depreciation and amortisation	42,101,648,087	39,339,871,537
Outside services	387,750,563,424	267,238,963,402
Others	427,528,663,646	227,876,277,676
	<u>15,610,057,871,100</u>	<u>11,617,764,456,002</u>

## 35 ADDITIONAL INFORMATION FOR THE ITEMS OF THE CASH FLOWS STATEMENT

**Non-cash transactions affect of cashflows statement**

	2018 VND	2017 VND
Stock dividends	540,372,900,000	-
Interest paid	-	2,542,358,151
Dividends not yet paid	<u>1,868,127,700</u>	<u>-</u>

## 36 RELATED PARTY DISCLOSURES

**Related party transactions**

During the year, the following major transactions were carried out with related parties:

	2018 VND	2017 VND
<b><i>i) Interest expenses</i></b>		
Dong A Commercial Joint Stock Bank	<u>-</u>	<u>1,066,190,584</u>
<b><i>ii) Compensation of key management</i></b>		
Gross salaries and other benefits	<u>35,981,403,981</u>	<u>22,043,447,916</u>

**37 COMMITMENTS UNDER OPERATING LEASES**

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

	<b>Real estate</b>	
	<b>2018 VND</b>	<b>2017 VND</b>
Within one year	142,843,036,792	84,990,950,626
Between one and five years	352,788,934,763	260,336,436,396
Over five years	201,655,846,683	87,914,018,984
Total minimum payments	<u>697,287,818,238</u>	<u>433,241,406,006</u>

**38 CAPITAL COMMITMENTS**

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

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

**39 SEGMENT REPORTING***Geographical segment*

The Group has performed all manufacturing and trading activities of gold, silver, jewelry, gemstones and services in Vietnam only. Therefore, the Group does not present the Geography segments.

*Business activity segment*

Manufacturing and trading gold, silver, jewelry and gemstones is the principal activities of the Group to generate revenue and earn profit for the Group, whereas, other income accounts for a small portion in total revenue of the Group, therefore, the Board of Management assumed that the Group is in one business activity segment, only.

40 RESTATEMENT

For the year ended 31 December 2016, the Group 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 BIT. However, the Group has not recognised deferred income tax assets of VND79,054,322,680 for this provision on the consolidated 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 has decided to retrospectively recognise deferred income tax assets of provision for this long-term investment. Accordingly, the Board of Management has restated certain items on the consolidated 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	As restated VND
200	<b>NON-CURRENT ASSETS</b>	<b>596,103,931,401</b>	<b>79,054,322,680</b>	<b>675,158,254,081</b>
260	Other long-term assets	56,407,340,000	79,054,322,680	135,461,662,680
262	Deferred income tax assets	2,439,019,424	79,054,322,680	81,493,342,104
270	<b>TOTAL ASSETS</b>	<b>4,492,245,832,811</b>	<b>79,054,322,680</b>	<b>4,571,300,155,491</b>
400	<b>OWNERS' EQUITY</b>	<b>2,949,548,591,782</b>	<b>79,054,322,680</b>	<b>3,028,602,914,462</b>
410	Capital and reserves	2,949,548,591,782	79,054,322,680	3,028,602,914,462
421	Undistributed earnings	771,686,502,406	79,054,322,680	850,740,825,086
440	<b>TOTAL RESOURCES</b>	<b>4,492,245,832,811</b>	<b>79,054,322,680</b>	<b>4,571,300,155,491</b>

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

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

  
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 Duong Quang Hai  
 Chief Accountant

  
 \_\_\_\_\_  
 Lê Tri Thong  
 General Director