

PHU NHUAN JEWELRY JOINT STOCK COMPANY

(Incorporated in the Socialist Republic of Vietnam)

**AUDITED CONSOLIDATED FINANCIAL
STATEMENTS**

For the year ended 31 December 2016

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STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of Phu Nhuan Jewelry Joint Stock Company (the "Parent Company") and subsidiaries (the Parent Company and its subsidiaries are collectively referred to as the "Company") presents this report together with the Company's consolidated financial statements for the year ended 31 December 2016.

THE BOARDS OF MANAGEMENT AND DIRECTORS

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

Board of Management

Ms. Cao Thi Ngoc Dung	Chairwoman
Mr. Nguyen Vu Phan	Vice Chairman
Ms. Nguyen Thi Cuc	Member
Mr. Nguyen Tuan Quynh	Member
Ms. Nguyen Thi Bich Ha	Member
Ms. Pham Vu Thanh Giang	Member (resigned on 24 November 2016)
Ms. Pham Thi My Hanh	Member (appointed on 24 November 2016)
Mr. Andy Ho	Member (resigned on 26 February 2016)
Mr. Phan Quoc Cong	Member (resigned on 18 March 2016)
Mr. Le Huu Hanh	Member (appointed on 18 March 2016)
Mr. Le Quang Phuc	Member (appointed on 18 March 2016)

Board of Directors

Ms. Cao Thi Ngoc Dung	General Director
Mr. Le Huu Hanh	Deputy General Director
Ms. Nguyen Thi Cuc	Deputy General Director
Ms. Pham Thi My Hanh	Deputy General Director

Board of Supervisors

Mr. Nguyen Thanh Du	Head of Board of Supervisors (appointed on 01 July 2016)
Ms. Nguyen Ngoc Hue	Member
Mr. Tran Van Dan	Member (appointed on 01 July 2016)

BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board of Directors of the Company is responsible for preparing the consolidated financial statements, which give a true and fair view of the financial position of the Company as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. In preparing these financial statements, The Board of Directors is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- Prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- Design and implement an effective internal control system for the purpose of properly preparing and presenting the consolidated financial statements so as to minimize errors and frauds.

The Board of Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the consolidated financial position of the Company and that the consolidated financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. The Board of Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

STATEMENT OF THE BOARD OF DIRECTORS (Continued)

The Board of Directors confirms that the Company has complied with the above requirements in preparing these consolidated financial statements.

For and on behalf of the Board of Directors,



Cap Thi Ngoc Dung
General Director
20 March 2017

No. *431* /VN1A-HC-BC

INDEPENDENT AUDITORS' REPORT

**To: The shareholders, Boards of Board of Directors and Directors of
Phu Nhuan Jewelry Joint Stock Company**

We have audited the consolidated financial statements of Phu Nhuan Jewelry Joint Stock Company (the "Company"), prepared on 20 March 2017 as set out from page 5 to page 28, which comprise the consolidated balance sheet as at 31 December 2016, and the consolidated statement of income, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 requirements and plan and perform the audit to obtain reasonable assurance about 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation 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 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 Directors, 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.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting.

INDEPENDENT AUDITORS' REPORT (Continued)

Emphasis of matter

We have reviewed adjustment entries presented in Note 3 of Notes to the consolidated financial statements which were applied to restate the consolidated financial statements for the year ended 31 December 2015. In our opinion, these adjustment entries are appropriately and properly presented.



Võ Thái Hoa
Audit Partner
Audit Practising Registration Certificate
No. 0138-2013-001-1
For and on behalf of
Deloitte Vietnam Company Limited
20 March 2017
Ho Chi Minh City, S.R. Vietnam

Nguyen Trong The
Auditor
Audit Practising Registration Certificate
No. 2649-2013-001-1

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance (Restated)
A. CURRENT ASSETS	100		3,102,579,808,767	2,265,184,856,056
I. Cash and cash equivalents	110	6	155,348,026,509	37,884,639,212
1. Cash	111		70,848,026,509	37,884,639,212
2. Cash equivalents	112		84,500,000,000	-
II. Short-term financial investments	120	7	65,000,000	65,000,000
1. Held-to-maturity investments	123		65,000,000	65,000,000
III. Short-term receivables	130		62,721,123,570	47,171,239,844
1. Short-term trade receivables	131	8	34,105,257,366	29,214,405,782
2. Short-term advances to suppliers	132		18,769,437,915	9,292,551,705
3. Other short-term receivables	136	9	8,813,861,809	8,138,613,714
4. Short-term doubtful debts	137		(35,327,600)	(35,327,600)
5. Deficits in assets awaiting solution	139	10	1,067,894,080	560,996,243
IV. Inventories	140	11	2,838,689,610,580	2,135,224,563,617
1. Inventories	141		2,838,689,610,580	2,135,224,563,617
V. Other short-term assets	150		45,756,048,108	44,839,413,383
1. Short-term prepayments	151	12	45,053,483,750	43,731,216,274
2. Value added tax deductibles	152		9,315,542	-
3. Taxes and other receivables from the State budget	153	13	693,248,816	1,108,197,109
B. NON-CURRENT ASSETS	200		485,407,101,396	710,706,568,899
I. Long-term receivables	210		26,443,208,792	21,217,170,462
1. Other long-term receivables	216	9	26,443,208,792	21,217,170,462
II. Fixed assets	220		415,801,415,193	486,102,562,173
1. Tangible fixed assets	221	14	207,197,873,311	193,732,606,001
- Cost	222		370,598,131,345	326,471,653,080
- Accumulated depreciation	223		(163,400,258,034)	(132,739,047,079)
2. Intangible assets	227	15	208,603,541,882	292,369,956,172
- Cost	228		213,344,195,473	295,745,366,571
- Accumulated amortization	229		(4,740,653,591)	(3,375,410,399)
III. Long-term assets in progress	240		7,532,817,898	6,279,408,722
1. Long-term construction in progress	242	16	7,532,817,898	6,279,408,722
IV. Long-term financial investments	250		-	166,666,261,924
1. Investments in associates	252	17	-	81,974,511,924
2. Equity investments in other entities	253	18	395,271,613,400	395,271,613,400
3. Provision for impairment of long-term financial investments	254	7	(395,271,613,400)	(310,579,863,400)
V. Other long-term assets	260		35,629,659,513	30,441,165,618
1. Long-term prepayments	261	12	32,706,575,539	27,342,224,660
2. Deferred tax assets	262	19	2,923,083,974	3,098,940,958
TOTAL ASSETS (270=100+200)	270		3,587,986,910,163	2,975,891,424,955

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2016

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance (Restated)
C. LIABILITIES	300		2,087,660,199,499	1,660,638,093,551
I. Current liabilities	310		2,021,660,998,255	1,581,405,866,182
1. Short-term trade payables	311	20	325,730,741,078	191,247,911,541
2. Short-term advances from customers	312		56,039,039,794	20,139,296,256
3. Taxes and amounts payable to the State budget	313	13	87,438,899,372	110,436,940,943
4. Payables to employees	314		27,859,516,199	17,885,744,572
5. Short-term accrued expenses	315		6,354,714,739	5,022,483,042
6. Other current payables	319	21	27,608,104,037	29,031,191,004
7. Short-term loans	320	22	1,448,954,945,047	1,189,260,458,896
8. Bonus and welfare funds	322		41,675,037,989	18,381,839,928
II. Long-term liabilities	330		65,999,201,244	79,232,227,369
1. Other long-term payables	337	21	628,026,000	403,668,000
2. Long-term loans	338	23	58,994,000,000	72,388,000,000
3. Long-term provisions	342	24	6,377,175,244	6,440,559,369
D. EQUITY	400		1,500,326,710,664	1,315,253,331,404
I. Owners' equity	410	25	1,500,326,710,664	1,315,253,331,404
1. Owners' contributed capital	411		982,745,770,000	982,745,770,000
- Ordinary shares carrying voting rights	411a		982,745,770,000	982,745,770,000
2. Treasury shares	415		(7,090,000)	(7,090,000)
3. Investment and development fund	418		144,087,556,918	219,647,610,783
4. Retained earnings	421		373,500,473,746	112,867,040,621
- Retained earnings accumulated to the prior year end	421a		-	37,321,323,959
- Retained earnings of the current year	421b		373,500,473,746	75,545,716,662
TOTAL RESOURCES (440=300+400)	440		3,587,986,910,163	2,975,891,424,955



Nguyen Thanh Dat
 Preparer



Duong Quang Hai
 Chief Accountant





Cao Thi Ngoc Dung
 General Director
 20 March 2017

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PHU NHUAN JEWELRY JOINT STOCK COMPANY170E Phan Dang Luu Street, Ward 3, Phu Nhuan
District, Ho Chi Minh City, Vietnam**FORM B 02-DN/HN**Issued under Circular No.200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance**CONSOLIDATED INCOME STATEMENT**

For the year ended 31 December 2016

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year (Restated)
1. Gross revenue from goods sold and services rendered	01		8,615,363,154,443	7,739,128,121,334
2. Deductions	02		50,772,664,226	33,092,915,485
3. Net revenue from goods sold and services rendered (10=01-02)	10	28	8,564,590,490,217	7,706,035,205,849
4. Cost of goods sold and services rendered	11	29	7,153,297,291,319	6,537,985,006,949
5. Gross profit from goods sold and services rendered (20=10-11)	20		1,411,293,198,898	1,168,050,198,900
6. Financial income	21	31	5,265,793,888	1,327,860,382
7. Financial expenses	22	32	181,560,472,623	430,803,003,461
<i>In which: Interest expense</i>	23		73,196,281,440	81,048,729,469
8. Selling expenses	25	33	553,623,183,284	423,930,312,468
9. General and administration expenses	26	34	133,281,909,539	117,548,223,185
10. Operating profit (30=20+(21-22)-(25+26))	30		548,093,427,340	197,096,520,168
11. Other income	31	35	47,317,460,372	1,626,760,778
12. Other expenses	32	35	3,868,981,822	12,129,659,586
13. Profit/(Loss) from other activities (40=31-32)	40		43,448,478,550	(10,502,898,808)
14. (Loss)/Profit from associates	45	17	(913,939,311)	518,169,336
15. Accounting profit before tax (50=30+40+45)	50		590,627,966,579	187,111,790,696
16. Current corporate income tax expense	51	36	139,964,060,336	113,507,690,366
17. Deferred corporate income tax expense/(income)	52	19	175,856,983	(1,941,616,332)
18. Profit after corporate income tax (60=50-51-52)	60		450,488,049,260	75,545,716,662
<i>Attributable to:</i>				
- The Parent Company's shareholders	62		450,488,049,260	75,545,716,662
19. Basic earnings per share	70	37	4,383	568



Nguyen Thanh Dat
Preparer



Duong Quang Hai
Chief Accountant



Cao Thi Ngoc Dung
General Director
20 March 2017

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CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2016

Unit: VND

ITEMS	Codes	Prior year	
		Current year	(Restated)
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	590,627,966,579	187,111,790,696
2. Adjustments for:			
Depreciation and amortization	02	34,398,406,238	30,451,035,779
Provisions	03	81,777,975,537	292,518,531,341
Foreign exchange loss arising from translating foreign currency items	04	3,448,968,082	286,018,688
(Gain)/Loss from investing activities	05	(20,718,880,379)	38,178,084,255
Interest expense	06	73,196,281,440	81,048,729,469
3. Operating profit before movements in working capital	08	762,730,717,497	629,594,190,228
(Increase)/Decrease in account receivables	09	(26,455,422,977)	31,791,940,883
Increase in inventories	10	(703,465,046,963)	(463,209,702,616)
Increase in account payables	11	170,232,020,319	75,725,067,250
Increase in prepaid expenses	12	(6,686,618,355)	(31,247,149,599)
Interest paid	14	(70,946,216,904)	(80,553,486,249)
Corporate income tax paid	15	(160,482,205,140)	(67,771,689,466)
Other cash inflows/(outflows)	17	7,686,200,383	(20,624,506,660)
Net cash (used in)/ generated by operating activities	20	(27,386,572,140)	73,704,663,771
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition of fixed assets and other long-term assets	21	(87,266,757,467)	(70,364,650,219)
2. Proceeds from disposal of fixed assets	22	164,944,000,000	301,946,364
3. Cash recovered from Time deposits, selling debt instrument of other entities	24	-	26,152,150,000
4. Cash recovered from investments in other entities	26	64,306,410,000	-
5. Interest earned	27	3,951,477,458	230,025,045
Net cash generated by/(used in) investing activities	30	145,935,129,991	(43,680,528,810)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	3,251,108,227,438	4,745,829,672,583
2. Repayment of borrowings	34	(3,006,684,533,136)	(4,752,996,341,728)
3. Dividends paid	36	(245,684,670,000)	(22,678,897,800)
Net cash used in financing activities	40	(1,260,975,698)	(29,845,566,945)
Net increase/(decrease) in cash (50=20+30+40)	50	117,287,582,153	178,568,016
Cash at the beginning of the year	60	37,884,639,212	37,706,071,196
Effect of changes in foreign exchange rates	61	175,805,144	-
Cash and cash equivalents at the end of the year (70=50+60+61)	70	155,348,026,509	37,884,639,212

Nguyen Thanh Dat
Preparer

Duong Quang Hai
Chief Accountant



Cao Thi Ngoc Dung
General Director
20 March 2017



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

1. GENERAL INFORMATION

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

The Parent Company has been listed on the Ho Chi Minh City Stock Exchange ("HOSE") with code PNJ since 23 March 2009 pursuant to the Decision No.129/ĐKNY issued by the General Director of HOSE on 26 December 2008.

The number of employees at parent Company as at 31 December 2016 was 3,951 (as at 31 December 2015: 3,443).

Operating industry and principal activities

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

Normal production and business cycle

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

The Parent Company's structure

The Parent Company's head office is located at 170 Phan Dang Luu Street, Ward 3, Phu Nhuan District, Ho Chi Minh City, Vietnam. In addition, the Parent Company also has two hundred sixteen (216) retail shops located in various provinces and cities in Vietnam.

As at 31 December 2016, the Parent Company's subsidiaries were:

- CAO Fashion Company Limited ("CFC"), a one-member limited liability company, was established under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate No. 0309279212 issued by the Department of Planning and Investment of Ho Chi Minh City on 14 August 2009. CFC's registered head office is located at 170E Phan Dang Luu Street, Phu Nhuan District, Ho Chi Minh City, Vietnam. CFC's principal activities are to produce and trade fashion products, silver and gold jewelry, and arts and crafts products, and to import and export art and craft products. The charter capital of CFC is of VND 10,000,000,000. The voting power of Parent Company as at 31 December 2016 is 100% (as at 31 December 2015: same).

- PNJ Laboratory Company Limited ("PLC"), a one-member limited liability company, was established under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate No.0310521330 issued by the Department of Planning and Investment of Ho Chi Minh City on 16 December 2010. PLC's registered head office is located at 205 Phan Dang Luu Street, Phu Nhuan District, Ho Chi Minh City, Vietnam. PLC's principal activities are to provide jewelry inspection and consultancy services. The voting power of Parent Company as at 31 December 2016 is 100% (as at 31 December 2015: same).

As at 31 December 2016, the Parent Company also had forty three (43) branches located in various provinces and cities in Vietnam, in which, the big branches were:

- Branch of Phu Nhuan Jewelry Joint Stock Company- Bien Hoa Branch
- Branch of Phu Nhuan Jewelry Joint Stock Company- Hue City
- Branch of Phu Nhuan Jewelry Joint Stock Company- Vinh Long Branch
- Branch of Phu Nhuan Jewelry Joint Stock Company- Nha Trang Branch
- Branch of Phu Nhuan Jewelry Joint Stock Company- Da Nang Branch
- Branch of Phu Nhuan Jewelry Joint Stock Company- Ha Noi Branch
- Branch of Phu Nhuan Jewelry Joint Stock Company- Can Tho Branch
- Branch of Phu Nhuan Jewelry Joint Stock Company- Tay Nguyen Branch

Disclosure of information comparability in the consolidated financial statements

Comparative figures are the figures of the audited financial statements for the year ended 31 December 2015 which is restated.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

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

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

Financial year

The Company's financial year begins on 1 January and ends on 31 December.

3. RESTATEMENT OF PRIOR YEAR FIGURES

During the year, the Board of Directors decided to restate the consolidated financial statements for the year ended 31 December 2015 to carry out some adjustments related to the re-calculation of corporation income tax which the Company must supplement relating to provision for impairment of the investments in Dong A Joint Stock Commercial Bank and finalize corporate income tax, value added tax, personal income tax and withholding tax for the period from 2014 to 2015 under Decision No. 2448/QĐ-TCT dated 9 December 2016 issued by Tax Department. The preparation and restatement of prior year consolidated financial statements have been performed in accordance with Vietnamese Accounting Standard No. 29 - "Change in accounting policies, accounting estimates and errors".

Details of the impact of these restatements on the prior year consolidated financial statements are as:

Consolidated Balance sheet as at 31 December 2015				
Codes	As previously reported	As restated	Changes	
	VND	VND	VND	
Deferred tax assets	262	2,496,952,070	3,098,940,958	601,988,888
Taxes and amounts payable to the State budget	313	30,738,737,942	110,436,940,943	79,698,203,001
Retained earnings	421	191,963,254,734	112,867,040,621	(79,096,214,113)
- Retained earnings accumulated to the prior year end	421a	39,660,441,986	37,321,323,959	(2,339,118,027)
- Retained earnings of the current year	421b	152,302,812,748	75,545,716,662	(76,757,096,086)

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Consolidated Income Statement
For the year ended 31 December 2015

	Codes	As previously reported	As restated	Changes
		VND	VND	VND
Gross revenue from goods sold and services rendered	01	7,741,445,592,122	7,739,128,121,334	(2,317,470,788)
Net revenue from goods sold and services rendered	10	7,708,352,676,637	7,710,670,147,425	2,317,470,788
Gross profit from goods sold and services rendered	20	1,165,732,728,112	1,168,050,198,900	2,317,470,788
Other expenses	32	4,235,541,568	12,129,659,586	7,894,118,018
Loss from other activities	40	(2,608,780,790)	(10,502,898,808)	(7,894,118,018)
Accounting profit before tax	50	197,323,379,502	187,111,790,696	(10,211,588,806)
Current corporate income tax expense	51	46,596,055,972	113,507,690,366	66,911,634,394
Deferred corporate income tax	52	(1,575,489,218)	(1,941,616,332)	(366,127,114)
Net profit after corporate income tax	60	152,302,812,748	75,545,716,662	(76,757,096,086)
Basic earnings per share	70	1,347	568	(779)

Cash Flow Statement
For the year ended 31 December 2015

	Codes	As previously reported	As restated	Changes
		VND	VND	VND
Profit before tax	01	197,323,379,502	187,111,790,696	(10,211,588,806)
Operating profit before movements in working capital	08	639,805,779,034	629,594,190,228	(10,211,588,806)
Increase in account payables	11	65,513,478,444	75,725,067,250	10,211,588,806

4. ADOPTION OF NEW ACCOUNTING GUIDANCE

On 21 March 2016, the Ministry of Finance issued Circular No. 53/2016/TT-BTC ("Circular 53") amending and supplementing certain articles of Circular 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance guiding the accounting regime for enterprises. Circular 53 is effective for the financial years beginning on or after 1 January 2016. The Board of Directors has adopted Circular 53 in the preparation and presentation of the Company's financial statements for the year ended 31 December 2016. However, the adoption of Circular 53 does not have significant impact on the comparability of the figures in the Company's financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Company in the preparation of these consolidated financial statements, are as follows:

Estimates

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and enterprises controlled by the Parent Company (its subsidiaries) up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Company.

Intragroup transactions and balances are eliminated in full on consolidation.

Non-controlling interests consist of the amount of those non-controlling interests at the date of the original business combination (see below) and the non-controlling interests' share of changes in equity since the date of the combination. Losses in subsidiaries are respectively attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Interests in associates are carried in the consolidated balance sheet at cost as adjusted by post-acquisition changes in the Parent Company's share of the net assets of the associate. Losses of an associate in excess of the Parent Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are not recognised.

Where a group entity transacts with an associate of the Parent Company, unrealised profits and losses are eliminated to the extent of the Parent Company's interest in the relevant associate.

Cash and cash equivalents

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

Financial investments

Held-to-maturity investments

Held-to-maturity investments comprise investments that the Company has the positive intent or ability to hold to maturity, including term deposits (commercial bills), bonds, preference shares which the issuer shall redeem at a certain date in the future, loans held to maturity to earn periodic interest.

Other long-term investments

Other long-term investments are investments in other entities which the Company owns less than 20% voting rights and does not have significant influence, with maturity over 1 year. The other long-term investments are recorded at the starting date of acquisition and the initial value are determined based on the cost and other cost related to the investments. In the next fiscal year, the other long-term investments is determined at cost less the impairment in value of investments.

Provisions for impairment of investments

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



Receivables

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

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

Inventories

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

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realisable values as at the consolidated balance sheet date.

Tangible fixed assets and depreciation

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

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

	<u>Years</u>
Buildings and structures	03 - 25
Machinery and equipment	03 - 15
Motor vehicles	04 - 10
Office equipment	03 - 08

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

Leasing

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

Intangible assets and amortisation

Intangible assets represents the value of computer software that is stated at cost less accumulated amortisation and is amortized on the straight-line basis over their estimated useful lives of 3 years.

Land use rights are recorded as an intangible asset in the consolidated balance sheet when the Company received the certificate of land use rights. The history cost of the land use rights comprises all directly attributable costs of bringing the land lot to the condition available for intended use and is not amortized because the land use rights have long usage time.



Construction in progress

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

Prepayments

Prepayments include short-term prepayments or long-term prepayment in the consolidated balance sheet and are amortised over the period for which the amounts are paid or the period in which economic benefits are generated in relation to these expenses.

Long-term prepaid expenses comprise:

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

Borrowing costs

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

Revenue recognition

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

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

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

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

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

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

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Severance allowance payable

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

Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date.

Payable provisions

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on significant differences between carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

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

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6. CASH AND CASH EQUIVALENTS

	Closing balance VND	Opening balance VND
Cash on hand	46,916,373,423	25,879,052,458
Cash in bank	19,475,220,750	9,926,639,754
Cash in transit	4,456,432,336	2,078,947,000
Cash equivalents (*)	<u>84,500,000,000</u>	<u>-</u>
	<u>155,348,026,509</u>	<u>37,884,639,212</u>

(*) Cash equivalents represent deposits with periods under 3 months with the interest rate at 5,5% per annum.

7. FINANCIAL INVESTMENTS

	Closing balance			Opening balance		
	Cost VND	Provision VND	Fair value VND	Cost VND	Provision VND	Fair value VND
a. Held-to-maturity investments	65,000,000	-	65,000,000	65,000,000	-	65,000,000
- Time deposit	65,000,000	-	65,000,000	65,000,000	-	65,000,000
An Binh Commercial Joint Stock Company ("AB Bank")	65,000,000	-	65,000,000	65,000,000	-	65,000,000
b. Investments in other entities			-			84,691,750,000
- Investments in other entities	395,271,613,400	(395,271,613,400)	-	395,271,613,400	(310,579,863,400)	84,691,750,000
- Dong A Joint Stock Commercial Bank ("DAB")	<u>395,271,613,400</u>	<u>(395,271,613,400)</u>	<u>-</u>	<u>395,271,613,400</u>	<u>(310,579,863,400)</u>	<u>84,691,750,000</u>
	<u>395,336,613,400</u>	<u>(395,271,613,400)</u>	<u>65,000,000</u>	<u>395,336,613,400</u>	<u>(310,579,863,400)</u>	<u>84,756,750,000</u>

On 14 August 2015, the State Bank of Vietnam decided to put Dong A Joint Stock Commercial Bank under special control. The Board of Directors believes that the Company made provision for impairment of the investments in this bank fully and in accordance with current accounting regulations as at the consolidated balance sheet date.

8. SHORT-TERM TRADE RECEIVABLES

	Closing balance VND	Opening balance VND
ToTal Gaz Vietnam Limited	-	362,078,769
FH Trautz GmbH	8,044,011,168	6,531,852,825
DC&D Company	3,448,548,729	-
Others	22,612,697,469	22,320,474,188
	<u>34,105,257,366</u>	<u>29,214,405,782</u>

9. OTHER RECEIVABLES

	Closing balance VND	Opening balance VND
a. Short-term receivables		
- Advances to employees	705,372,244	1,050,979,825
- Others	8,108,489,565	7,087,633,889
	<u>8,813,861,809</u>	<u>8,138,613,714</u>
b. Long-term receivables		
- Deposits for renting the stores	26,443,208,792	21,217,170,462
	<u>26,443,208,792</u>	<u>21,217,170,462</u>

10. DEFICITS IN ASSETS AWAITING SOLUTION

	Closing balance		Opening balance	
	Quantity VND	Amount VND	Quantity VND	Amount VND
Gold (3,75 gram)	230	770,583,999	161.83	485,490,600
Others		297,310,081		75,505,643
	<u>230</u>	<u>1,067,894,080</u>	<u>161.83</u>	<u>560,996,243</u>



11. INVENTORIES

	Closing balance VND	Opening balance VND
Goods in transit	86,017,812,275	9,502,592,792
Raw materials	147,661,925,780	91,664,955,905
Tools and supplies	25,257,327,045	20,813,328,324
Works in progress	284,243,247,575	131,664,308,110
Finished goods	233,956,735,746	134,240,935,308
Merchandise	1,998,687,743,477	1,736,881,061,410
Goods on consignment	62,864,818,682	10,457,381,768
	<u>2,838,689,610,580</u>	<u>2,135,224,563,617</u>

As at 31 December 2016, inventories of VND 1,690,467,990,000 (as at 31 December 2015: VND 465,916,000,000) were used as collateral for short-term loans obtained from commercial banks (Note 22).

12. PRREPAYMENTS

	Closing balance VND	Opening balance VND
a. Short-term prepayments		
- Stores rental	4,941,083,841	4,854,961,022
- Tools and supplies	29,305,830,517	32,298,885,139
- Others	10,806,569,392	6,577,370,113
	<u>45,053,483,750</u>	<u>43,731,216,274</u>
b. Long-term prepayments		
- Office and Stores renovation cost	16,258,714,354	12,193,523,193
- Stores rental	898,700,471	3,341,918,467
- Tools and supplies	14,116,115,437	9,231,231,710
- Marketing expense	1,433,045,277	2,575,551,290
	<u>32,706,575,539</u>	<u>27,342,224,660</u>

13. TAXES AND OTHER RECEIVABLES FROM/PAYABLES TO THE STATE BUDGET

	Opening balance (Restated) VND	Receivable/Payable during the year VND	Received/Paid during the year VND	Closing balance VND
a. Receivables				
Value added tax	883,496,374	(43,660,388,319)	43,404,224,162	627,332,217
Import-export tax	187,884,767	(6,711,505,348)	6,533,463,694	9,843,113
Corporate income tax	-	-	51,073,486	51,073,486
Others	36,815,968	(36,815,968)	5,000,000	5,000,000
	<u>1,108,197,109</u>	<u>(50,408,709,635)</u>	<u>49,993,761,342</u>	<u>693,248,816</u>
b. Payables				
Value added tax	22,744,366,537	153,978,524,946	(158,496,356,677)	18,226,534,806
Corporate income tax	78,816,066,018	139,964,060,336	(160,431,131,654)	58,348,994,700
Personal income tax	874,884,534	10,557,073,603	(8,459,181,713)	2,972,776,424
Others	8,001,623,854	6,586,053,972	(6,697,084,384)	7,890,593,442
	<u>110,436,940,943</u>	<u>311,085,712,857</u>	<u>(334,083,754,428)</u>	<u>87,438,899,372</u>



14. INCREASES, DECREASES IN TANGIBLE FIXED ASSETS

	Buildings and structures VND	Machinery and equipment VND	Office equipment VND	Motor vehicles VND	Total VND
COST					
Opening balance	125,446,320,504	151,843,046,642	34,746,394,609	14,435,891,325	326,471,653,080
Additions	12,912,317,453	32,036,762,577	5,286,703,709	4,908,304,300	55,144,088,039
Disposals	(9,423,420,273)	(140,576,078)	(43,267,852)	(1,410,345,571)	(11,017,609,774)
Closing balance	<u>128,935,217,684</u>	<u>183,739,233,141</u>	<u>39,989,830,466</u>	<u>17,933,850,054</u>	<u>370,598,131,345</u>
ACCUMULATED DEPRECIATION					
Opening balance	21,605,908,634	85,546,479,087	20,018,423,208	5,568,236,150	132,739,047,079
Charge for the year	5,186,573,321	19,272,728,127	7,238,903,169	1,334,958,429	33,033,163,046
Disposals	(843,208,952)	(140,576,078)	(39,367,852)	(1,348,799,209)	(2,371,952,091)
Closing balance	<u>25,949,273,003</u>	<u>104,538,055,058</u>	<u>27,178,590,673</u>	<u>4,205,596,161</u>	<u>163,400,258,034</u>
NET BOOK VALUE					
Closing balance	<u>102,985,944,681</u>	<u>79,201,178,083</u>	<u>12,811,239,793</u>	<u>13,728,253,893</u>	<u>207,197,873,311</u>
Opening balance	<u>103,840,411,870</u>	<u>66,296,567,555</u>	<u>14,727,971,401</u>	<u>8,867,655,175</u>	<u>193,732,606,001</u>

As presented in Note 22 and 23, the value of land on land using rights used as collateral for the loans in commercial banks as at 31 December 2016 is VND 94,842,285,330 (as at 31 December 2015: VND 94,842,285,330).

The cost of tangible fixed assets as at 31 December 2016 comprises fully depreciated fixed assets which are still in use with the total amount of VND 72,857,449,096 (as at 31 December 2015: VND 61,407,021,450).

15. INCREASES, DECREASES IN INTANGIBLE ASSETS

	Land use rights VND	Computer software VND	Total VND
COST			
Opening balance	287,806,678,988	7,938,687,583	295,745,366,571
Additions	30,325,170,052	-	30,325,170,052
Disposals	(112,726,341,150)	-	(112,726,341,150)
Closing balance	<u>205,405,507,890</u>	<u>7,938,687,583</u>	<u>213,344,195,473</u>
ACCUMULATED AMORTIZATION			
Opening balance	-	3,375,410,399	3,375,410,399
Charge for the year	-	1,365,243,192	1,365,243,192
Closing balance	-	<u>4,740,653,591</u>	<u>4,740,653,591</u>
NET BOOK VALUE			
Closing balance	<u>205,405,507,890</u>	<u>3,198,033,992</u>	<u>208,603,541,882</u>
Opening balance	<u>287,806,678,988</u>	<u>4,563,277,184</u>	<u>292,369,956,172</u>

As presented in Note 22 and 23, the value of land use rights used as collateral for the loans in commercial banks as at 31 December 2016 is VND 197,828,664,410 (as at 31 December 2015: VND 106,543,452,000).

The cost of intangible assets as at 31 December 2016 comprises fully depreciated fixed assets which are still in use with the total amount of VND 1,112,471,613 (as at 31 December 2015: VND 1,112,471,613).

16. CONSTRUCTION IN PROGRESS

	Closing balance VND	Opening balance VND
Store at Vincom Thanh Hoa	7,337,817,898	5,540,318,522
Construction expense of stores	195,000,000	739,090,200
	<u>7,532,817,898</u>	<u>6,279,408,722</u>

17. INVESTMENTS IN ASSOCIATES

	Closing balance VND	Opening balance VND
Investments in associates	91,866,300,000	91,866,300,000
Share of post-acquisition loss from the prior year	(9,891,788,076)	(10,409,957,412)
Parent Company's share of associates' loss/net profit	(913,939,311)	518,169,336
Investment disposal	<u>(81,060,572,613)</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>81,974,511,924</u></u>

Dong A Land Joint Stock Company ("DAL") was disposed in accordance with the Share Transfer Contract No. 01/2016/HĐCN-DALAND dated 12 October 2016, in which the transfer price is VND 7,000 per share. The amount received from this disposal as at 26 October 2016 was VND 64,306,410,000.

18. EQUITY INVESTMENTS IN OTHER ENTITIES

	Closing balance VND	Opening balance VND
Dong A Joint Stock Commercial Bank ("DAB")	<u>395,271,613,400</u>	<u>395,271,613,400</u>
	<u><u>395,271,613,400</u></u>	<u><u>395,271,613,400</u></u>

Detailed information about this companies as at 31 December 2016 was as follows:

Company name	Place of Incorporation and operation	Proportion of ownership interest (%)	Proportion of voting power held (%)	Principal activity
Dong A Joint Stock Commercial Bank ("DAB")	Ho Chi Minh City	7.69	7.69	Business operations related to finance and banking

19. DEFERRED TAX

The deferred tax assets recorded by the Company and changes of these items in this year and prior years are as follow:

	Accruals and other provisions VND
Prior year's opening balance	1,157,324,625
Credit to the consolidated income statement	1,941,616,332
Current year's opening balance (Restated)	<u>3,098,940,957</u>
Credit to the consolidated income statement	(175,856,983)
Current year's closing balance	<u><u>2,923,083,974</u></u>

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20. SHORT-TERM TRADE PAYABLES

	Closing balance		Opening balance	
	Amount VND	Amount able to be paid off VND	Amount VND	Amount able to be paid off VND
Forte Jewellery (HK) Limited Company Sherenuj Fareast Limited Company	91,846,814,195	91,846,814,195	13,580,648,775	13,580,648,775
Other suppliers	54,758,478,557	54,758,478,557	12,596,607,000	12,596,607,000
	179,125,448,326	179,125,448,326	165,070,655,766	165,070,655,766
	325,730,741,078	325,730,741,078	191,247,911,541	191,247,911,541

21. OTHER PAYABLES

	Closing balance VND	Opening balance VND
a. Current payables	27,608,104,037	29,031,191,004
- Surpluses in assets awaiting solution	533,501,183	666,637,223
- Trade union fee	962,909,881	2,679,311,205
- Social insurance	7,942,084	8,131,384
- Health insurance	-	309,565
- Unemployment insurance	342,266	615,766
- Payables to Board of Management fund	494,729,568	803,029,644
- Payables to Board of Directors fund	3,571,168,667	6,071,220,092
- Payables to Trade union fund	5,902,835,563	4,241,530,139
- PIT payable on behalf of shareholders	1,350,050,545	8,318,214,645
- Others	14,784,624,280	6,242,191,341
b. Long-term payables	628,026,000	403,668,000
- Others	628,026,000	403,668,000
	28,236,130,037	29,434,859,004

22. SHORT-TERM LOANS

	Opening balance		In the year		Closing balance	
	Amount VND	Amount able to be paid off VND	Increase VND	Decrease VND	Amount VND	Amount able to be paid off VND
Asia Commercial Joint Stock Bank	-	-	330,884,630,000	(287,000,000,000)	43,884,630,000	43,884,630,000
Vietnam Joint Stock Commercial Bank for Industry and Trade	31,000,000,000	31,000,000,000	700,228,875,453	(483,482,875,453)	247,746,000,000	247,746,000,000
Joint Stock Company Bank for Foreign trade of Vietnam	279,947,647,855	279,947,647,855	561,537,918,780	(580,982,000,098)	260,503,558,537	260,503,558,537
Southeast Asia Commercial Joint Stock Bank	100,000,000,000	100,000,000,000	60,000,000,000	(160,000,000,000)	-	-
CTBC Bank Company Limited	65,669,000,000	65,669,000,000	215,210,000,000	(214,479,000,000)	66,400,000,000	66,400,000,000
Shinhan Bank Vietnam Limited	60,000,000,000	60,000,000,000	180,000,000,000	(180,000,000,000)	60,000,000,000	60,000,000,000
Military Commercial Joint Stock Bank	60,267,509,526	60,267,509,526	100,794,991,964	(139,062,501,490)	4,000,000,000	4,000,000,000
Joint Stock Commercial Bank for Investment and Development of Vietnam	-	-	79,295,679,416	-	79,295,679,416	79,295,679,416
Vietnam International Commercial Joint Stock Bank	-	-	247,426,771,296	(148,346,816,763)	99,079,954,535	99,079,954,535
Petrolimex Group Commercial Joint Stock Bank	-	-	258,793,140,000	(125,085,060,000)	133,708,080,000	133,708,080,000
China Construction Bank	-	-	110,199,768,760	(6,012,000,000)	104,187,768,760	104,187,768,760
Ban Viet Joint Stock Bank	-	-	59,399,532,596	-	59,399,532,596	59,399,532,596
Orient Commercial Joint Stock Bank	300,000,000,000	300,000,000,000	18,867,373,805	(300,000,000,000)	18,867,373,805	18,867,373,805
Other individuals	265,572,301,515	265,572,301,515	309,846,337,215	(335,430,271,332)	239,988,367,398	239,988,367,398
Current portion of bond liabilities (see Note 23)	26,804,000,000	26,804,000,000	31,894,000,000	(26,804,000,000)	31,894,000,000	31,894,000,000
	1,189,260,458,896	1,189,260,458,896	3,266,379,019,287	(3,006,684,533,136)	1,448,954,945,047	1,448,954,945,047



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

FORM B 09-DN

Detail of short-term loans at commercial banks with floating interest rates to accommodate the Company's working capital are presented as follows:

Bank name	Closing balance VND	Maturity date	Interest % p.a	Collateral
Asia Commercial Joint Stock Bank	43,884,630,000	From 17 February 2017 to 24 February 2017	5.6	Inventories
Vietnam Joint Stock Commercial Bank for Industry and Trade	247,746,000,000	From 12 January 2017 to 24 April 2017	5.4	Inventories
Joint Stock Company Bank for Foreign trade of Vietnam	260,503,558,537	From 12 January 2017 to 30 June 2017	5.5	Unsecured loan and Land use rights and land-based
CTBC Bank Company Limited	66,400,000,000	From 22 March 2017 to 16 June 2017.	5.5-6.0	Inventories
Shinhan Bank Vietnam Limited	60,000,000,000	From 05 January 2017 to 30 May 2017	5.6	Unsecured
Military Commercial Joint Stock Bank	4,000,000,000	15 February 2017	5.4	Unsecured
Joint Stock Commercial Bank for Investment and Development of Vietnam	79,295,679,416	From 09 April 2017 to 02 July 2017	2.5 - 6	Inventories
Vietnam International Commercial Joint Stock Bank	99,079,954,535	From 06 January 2017 to 03 October 2017	2.3 - 6	Inventories
Petrolimex Group Commercial Joint Stock Bank	133,708,080,000	From 13 January 2017 to 30 March 2017	5.9	Unsecured
China Construction Bank	104,187,768,760	From 17 March 2017 to 08 June 2017	6 - 6.7	Inventories
Ban Viet Joint Stock Bank	59,399,532,596	From 30 January 2017 to 24 April 2017	2.4	Unsecured
Orient Commercial Joint Stock Bank	18,867,373,805	From 22 February 2017 to 01 March 2017	2.2	Unsecured
Other individuals	239,988,367,398	From 2 December 2017 to 12 December 2017	3.0-8.0	Unsecured
Current portion of bond liabilities	31,894,000,000			
	<u>1,448,954,945,047</u>			

23. LONG-TERM LOANS

	Opening balance		In the year		Closing balance	
	Amount VND	Amount able to be paid off VND	Increase VND	Decrease VND	Amount VND	Amount able to be paid off VND
Dong A Joint Stock Commercial Bank	26,370,000,000	26,370,000,000	-	(16,680,000,000)	9,690,000,000	9,690,000,000
Asia Commercial Joint Stock Bank	46,018,000,000	46,018,000,000	-	(11,514,000,000)	34,504,000,000	34,504,000,000
Vietnam Bank For Agriculture And Rual Development	-	-	18,500,000,000	(3,700,000,000)	14,800,000,000	14,800,000,000
	<u>72,388,000,000</u>	<u>72,388,000,000</u>	<u>18,500,000,000</u>	<u>(31,894,000,000)</u>	<u>58,994,000,000</u>	<u>58,994,000,000</u>

Terms and conditions of the loans are detailed as follows:

Bank	Closing balance VND	Interest %/ year	Maturity date	Collateral
Dong A Commercial Joint stock bank	9,690,000,000	6	2018	Land use rights and land-based assets at 52A+52B Nguyen Van Troi Street, Phu Nhuan District, Ho Chi Minh City (HCMC); 159A Phan Dang Luu Street, Phu Nhuan District, HCMC; 577 Nguyen Kiem, Phu Nhuan District, HCMC; 174 Le Thanh Ton, District 1, HCMC
Asia Commercial Joint Stock Bank	34,504,000,000	8.2	2020	Land use rights at 7 An Duong Vuong Street, Ward 8, District 5, Ho Chi Minh City and 6A Tran Nhan Tong street, Bui Thi Xuan Ward, Hai Ba Trung District. Ha Noi
Vietnam Bank For Agriculture And Rual Development	14,800,000,000	7	2021	02 Shop-house No.PG1-05 and PG1-05A at No.209, 30/4 Street, Xuan Khanh Ward, Ninh Kieu District, Can Tho City.

58,994,000,000



Long-term liabilities are redeemable as the following schedule:

	Closing balance VND	Opening balance VND
On demand or within one year	31,894,000,000	26,804,000,000
In the second year	24,904,000,000	28,194,000,000
In the third to fifth year inclusive	<u>34,090,000,000</u>	<u>44,194,000,000</u>
	90,888,000,000	99,192,000,000
Less: Amount due for settlement within 12 months (shown under Note 22)	<u>31,894,000,000</u>	<u>26,804,000,000</u>
Amount due for settlement after 12 months	<u>58,994,000,000</u>	<u>72,388,000,000</u>

24. LONG-TERM PROVISIONS

Long-term provision was the severance allowance for employees accrued at the end of each reporting period for all employees who have worked at the Company before 31 December 2008.

5. OWNERS' EQUITY

	Owners' contributed capital VND	Share premium VND	Treasury shares VND	Investment and development fund VND	Retained earnings VND	Total VND
Prior year's opening balance	755,970,350,000	105,021,650,000	(7,090,000)	232,805,050,783	200,393,732,759	1,294,183,693,542
Capital increase	226,775,420,000	(105,021,650,000)	-	(46,157,440,000)	(75,596,330,000)	-
Profit for the year	-	-	-	-	75,545,716,662	75,545,716,662
Dividend declared	-	-	-	-	(22,678,897,800)	(22,678,897,800)
Profit appropriation	-	-	-	33,000,000,000	(33,000,000,000)	-
Transfer to bonus and welfare funds	-	-	-	-	(26,797,181,000)	(26,797,181,000)
Other funds	-	-	-	-	(5,000,000,000)	(5,000,000,000)
Current year's opening balance (Restated)	982,745,770,000	-	(7,090,000)	219,647,610,783	112,867,040,621	1,315,253,331,404
Profit for the year	-	-	-	-	450,488,049,260	450,488,049,260
Investment and development fund appropriate	-	-	-	(75,560,053,865)	75,560,053,865	-
Dividend declared	-	-	-	-	(245,684,670,000)	(245,684,670,000)
Board of management and Board of Supervisors funds	-	-	-	-	(2,000,000,000)	(2,000,000,000)
Transfer to bonus and welfare funds	-	-	-	-	(15,230,000,000)	(15,230,000,000)
Board of Directors funds	-	-	-	-	(2,500,000,000)	(2,500,000,000)
Current year's closing balance	982,745,770,000	-	(7,090,000)	144,087,556,918	373,500,473,746	1,500,326,710,664

According to the Resolution of annual general shareholders' meeting following No. 580/2016/NQ-DHDCD-CTY on April 2 2016, the shareholders approved the plan for profit's distribution in 2015 and the resolution of the Board of Directors No. 1629/2016/NQ-HDQT-CTY on November 1 2016 for the first dividends' distribution in 2016 following:

- Dividend's distribution in 2015 and 2016 with the amount of VND 147.410.802.000 and 98,273.868.000 respectively. During the year, the Company paid dividends with the amount of VND 245.684.670.000.
- Appropriation to Board of Directors and Board of Supervisors funds, Bonus and welfare funds and Board of Directors funds with the amounts of VND 2,000,000,000 VND; VND 15,230,000,000; VND 2,500,000,000 respectively.

In year, base on some adjustments related to the re-calculation of corporation income tax which the Company must supplement relating to provision for impairment of the investments in Dong A Joint Stock Commercial Bank and finalized corporate income tax, value added tax, personal income tax and withholding tax, the Board of Directors has decided to revert the amount of 75,560,053,865 VND from investment and development fund to retained earnings to pay dividends in 2015. The decision of reversion of investment and development fund was approved by the Board of Management.

The final dividend's distribution and funds allocation will be approved by shareholders at the Annual general shareholders' meeting in 2017.



Shares - Ordinary shares

	Closing balance Number of shares	Opening balance Number of shares
Shares issued to the public	98,274,577	98,274,577
<i>Ordinary shares</i>	98,274,577	98,274,577
Treasury shares	(709)	(709)
<i>Ordinary shares</i>	(709)	(709)
Shares in circulation	98,273,868	98,273,868
<i>Ordinary shares</i>	<u>98,273,868</u>	<u>98,273,868</u>

An ordinary share has par value of VND 10,000.

Owners' contributed capital

As at 31 December 2016, the owners' contributed capital was fully contributed by the shareholders as follows:

	Closing balance		Opening balance	
	VND	%	VND	%
Cao Thi Ngoc Dung	99,667,140,000	10.14%	99,667,140,000	10.14%
Azalea Vietnam investment fund (i)	-	0.00%	64,568,210,000	6.57%
Aims Asset Management Sdn Bhn (ii)	55,320,900,000	5.63%	36,320,900,000	3.70%
Other shareholders	827,757,730,000	84.23%	782,189,520,000	79.59%
	<u>982,745,770,000</u>	<u>100%</u>	<u>982,745,770,000</u>	<u>100%</u>

(i) The Azalea Vietnam investment fund divested all 6.456.821 shares, which occupied 6.57% of the total issued shares. Hence, it has not been a shareholder of Company since 30 September 2016.

(ii) Aims Asset Board of Directors Sdn Bhn has increased its owning proportion from 3,632,090 shares which made up 3.7% of total shares to 5.532.090 shares which makes up 5.63% of total shares in circulation since 18 November 2016.

26. OFF BALANCE SHEET ITEMS

Foreign currencies:

	Unit	Closing balance	Opening balance
United States Dollar	USD	137,582	68,831
Australia Dollar	AUD	495	519
Singapore Dollar	SGD	<u>518</u>	<u>174</u>

Pledged, mortgaged goods

Phu Nhuan Jewelry Joint Stock Company is receiving the pledged, mortgaged gold jewelry and precious stones at 31 December 2016 with the value of VND 3,301,900,000 (as at 31 December 2015: VND 3,302,900,000).

27. BUSINESS AND GEOGRAPHICAL SEGMENTS

The principal activity of the Company is to trade gold, silver, jewelry and gemstones. Additionally, the other activities mainly are trading accessories, jewellery inspection services. Revenue from the other operating activities merely accounts for an immaterial rate in the total revenue. For the year ended 31 December 2016, it is lower than 1% (2015: lower than 1%). Revenue and cost of sales from operating activities are presented in Note 28 and Note 29 of the Notes to the consolidated financial statements. In respect of geographical segments, the Company merely operates within Vietnam (export activities take up 1.18% of total revenue). Accordingly, the Board of Directors assessed and believed that no segment reporting prepared in the consolidated financial statements for the year ended 31 December 2016 was in accordance with Vietnamese Accounting Standard No. 28 - "Segment Reporting" and the Company's current operating situation.



28. NET REVENUE FROM GOODS SOLD AND SERVICES RENDERED

	Current year VND	Prior year VND
Sales from gold, silver and jewelry	8,738,329,531,046	7,821,140,510,468
Rendering services	18,883,247,365	23,491,258,304
Sales from accessories	10,337,013,944	19,285,807,269
Value added tax applying direct method	<u>(152,186,637,912)</u>	<u>(124,789,454,707)</u>
	<u>8,615,363,154,443</u>	<u>7,739,128,121,334</u>
Goods returned	<u>(50,772,664,226)</u>	<u>(33,092,915,485)</u>
	<u>8,564,590,490,217</u>	<u>7,706,035,205,849</u>

29. COST OF GOODS SOLD AND SERVICES RENDERED

	Current year VND	Prior year VND
Cost of gold, silver and jewelry	7,135,476,919,591	6,520,722,575,159
Cost of services rendered	4,860,038,761	4,027,952,554
Cost of accessories	12,960,332,967	13,234,479,236
	<u>7,153,297,291,319</u>	<u>6,537,985,006,949</u>

30. PRODUCTION AND OPERATING COST BY NATURE

	Current year VND	Prior year VND
Raw materials	7,528,678,149,605	5,991,515,125,700
Labour	456,482,505,755	374,547,137,576
Depreciation and amortisation	34,398,406,238	30,451,035,779
Outside services	135,612,428,977	103,369,636,789
Other monetary expenses	242,647,709,316	262,902,156,258
	<u>8,397,819,199,891</u>	<u>6,762,785,092,102</u>

31. FINANCIAL INCOME

	Current year VND	Prior year VND
Interest income	4,426,139,412	230,025,045
Realized foreign exchange gain	838,154,476	1,081,780,830
Others	1,500,000	16,054,507
	<u>5,265,793,888</u>	<u>1,327,860,382</u>

32. FINANCIAL EXPENSES

	Current year VND	Prior year VND
Interest expense	73,196,281,440	81,048,729,469
Provision for impairment of investments	81,777,975,537	300,270,750,000
Loss from disposal of investments	19,667,937,077	39,228,225,000
Foreign exchange loss	5,002,263,571	9,253,442,646
Others	1,916,014,998	1,001,856,346
	<u>181,560,472,623</u>	<u>430,803,003,461</u>

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33. SELLING EXPENSES

	Current year VND	Prior year VND
Management materials	13,867,938,450	21,656,836,175
Management staff	236,023,873,950	180,521,472,970
Office equipment	34,553,516,161	28,524,688,354
Depreciation and amortisation	5,778,008,231	4,039,449,304
Out-sourced services	125,515,597,710	93,457,335,542
Other monetary expenses	137,884,248,782	95,730,530,123
	<u>553,623,183,284</u>	<u>423,930,312,468</u>

34. GENERAL AND ADMINATION EXPENSES

	Current year VND	Prior year VND
Management materials	41,247,500	134,424,660
Management staff	77,044,830,973	66,302,994,075
Office equipment	4,873,111,005	5,294,172,298
Depreciation and amortisation	9,271,901,805	10,300,718,453
Taxes , fees and charges	125,000,000	260,977,200
Out-sourced services	4,863,483,409	5,627,138,663
Other monetary expenses	37,062,334,847	29,627,797,836
	<u>133,281,909,539</u>	<u>117,548,223,185</u>

35. PROFIT/(LOSS) FROM OTHER ACTIVITIES

	Current year VND	Prior year VND
Proceeds from disposals of fixed assets	43,530,740,536	154,545,455
Other income	<u>3,786,719,836</u>	<u>1,472,215,323</u>
	<u>47,317,460,372</u>	<u>1,626,760,778</u>
Expense for disposals of tools	162,274,339	15,830,913
Other expenses	<u>3,706,707,483</u>	<u>12,113,828,673</u>
	<u>3,868,981,822</u>	<u>12,129,659,586</u>
Profit/(loss) from other activities	<u>43,448,478,550</u>	<u>(10,502,898,808)</u>

36. CURRENT CORPORATE INCOME TAX EXPENSE

	Current year VND	Prior year VND
Corporate income tax expense		
Corporate income tax based on taxable income in the current year	<u>139,964,060,336</u>	<u>113,507,690,366</u>
	<u>139,964,060,336</u>	<u>113,507,690,366</u>
Deferred corporate expense/(income) tax expense		
Deferred corporate expense/(income) tax incurred from taxable temporary differences	<u>175,856,983</u>	<u>(1,941,616,332)</u>
	<u>175,856,983</u>	<u>(1,941,616,332)</u>

The Company is obliged to pay corporate income tax at the rate of 20% (2015: 22%) of its assessable income.

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37. BASIC EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Parent Company is based on the following data:

	Current year VND	Prior year VND
Earnings for the purposes of calculating basic earnings per share	450,488,049,260	75,545,716,662
Estimated bonus and welfare fund; funds for Board of Management	(19,730,000,000)	(19,730,000,000)
Earnings for the purpose of calculating basic earnings per share	<u>430,758,049,260</u>	<u>55,815,716,662</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>98,273,868</u>	<u>98,273,868</u>
Basis earnings per share	<u>4,383</u>	<u>568</u>

38. OPERATING LEASE COMMITMENTS

	Current year VND	Prior year VND
Minimum lease payments under operating leases recognised in the consolidated income statement	<u>111,382,637,890</u>	<u>68,388,253,744</u>

At the consolidated balance sheet date, the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Closing balance VND	Opening balance VND
Within one year	73,251,900,689	61,519,354,281
In the second to fifth year inclusive	181,246,335,494	162,681,151,732
After five years	96,004,469,000	84,933,286,000
	<u>350,502,705,183</u>	<u>309,133,792,013</u>

Operating lease mainly includes rental related to the stores which are currently operating in Vietnam.

39. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties:

<u>Related parties</u>	<u>Relationship</u>
Dong A Land Joint Stock Company	Associate
Dong A Joint Stock Commercial Bank	Related party

During the year, the Company entered into the following significant transactions with its related parties:

	Current year VND	Prior year VND
Purchase of goods and services		
Dong A Joint Stock Commercial Bank	68,624	423,080,075
Dong A Land Joint Stock Company	-	3,499,947,727
Financial expense		
Dong A Joint Stock Commercial Bank	<u>2,068,435,000</u>	<u>3,735,276,333</u>
Purchase of land use rights		
Dong A Joint Stock Commercial Bank	-	6,500,000,000

Significant related party balances as at the consolidated balance sheet date were as follows:

	Closing balance VND	Opening balance VND
Long-term loan		
Dong A Joint Stock Commercial Bank	<u>26,370,000,000</u>	<u>41,660,000,000</u>

Remuneration paid to the Company's Board of Directors and Board of Board of Directors during the year was as follows:

	Current year VND	Prior year VND
Salaries and bonus	<u>6,234,236,614</u>	<u>5,981,487,003</u>

40. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Supplemental non-cash disclosures

Interest paid during the year includes an amount of VND 4,247,179,715, representing the interest expense incurred at the beginning of the year and excludes VND 6,497,244,251, representing the interest expense incurred during the year that has not yet been paid. Consequently, changes in accounts payable have been adjusted by the same amount.

41. SUBSEQUENT EVENTS

On 13 March 2017, the Board of Management approved the private offering of 9,827,457 shares to individual and institutional investors with financial potential at the minimum issuing price which is not less than 10% to 15% of the closing price at the date of approval official letter by the State Securities Commission on the share issuance plan in a private offering form. The number of shares is restricted to transfer within 1 year from the date of completion of the issuance. This private offering was approved by the General Meeting of Shareholders on 23 February 2017 in the form of written opinions.



Nguyen Thanh Dat
Preparer



Duong Quang Hai
Chief Accountant



Cao Thi Ngoc Dung
General Director
20 March 2017

