

PHU NHUAN JEWELRY JOINT STOCK COMPANY

(Incorporated in the Socialist Republic of Vietnam)

AUDITED SEPARATE 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 "Company") presents this report together with the Company's separate financial statements for the year ended 31 December 2016.

THE BOARDS OF MANAGEMENT, SUPERVISORS AND DIRECTORS

The members of the Boards of Management and Directors and Supervisors of the Company who held office during the 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
Mr. Nguyen Vu Phan	Deputy General Director (resigned on 01 July 2016)
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 separate financial statements, which give a true and fair view of the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese accounting standards, accounting regime for enterprises and legal regulations relating to financial reporting. In preparing these separate 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 separate financial statements ;
- prepare the separate 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 separate 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 financial position of the Company and that the separate 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 separate financial statements.

For and on behalf of the Board of Directors,



Cao Thi Ngoc Dung
General Director
20 March 2017

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INDEPENDENT AUDITORS' REPORT

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

We have audited the separate financial statements of Phu Nhuan Jewelry Joint Stock Company (the "Company"), prepared on 20 March 2017 as set out from page 5 to page 30, which comprise the separate balance sheet as at 31 December 2016, and the separate statement of income and separate 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 Separate Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these separate financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and for such internal control as the Board of Directors determines is necessary to enable the preparation of separate 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 separate financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate 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 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 separate 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 separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

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INDEPENDENT AUDITORS' REPORT (Continued)

Emphasis of matter

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



Võ Thái Hòa
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



BALANCE SHEET
As at 31 December 2016

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance (Restated)
A. CURRENT ASSETS	100		3,093,009,616,407	2,249,671,374,204
I. Cash and cash equivalents	110	6	150,275,926,525	34,348,296,246
1. Cash	111		65,775,926,525	34,348,296,246
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		82,241,929,516	53,885,770,899
1. Short-term trade receivables	131	8	34,523,228,986	29,617,644,782
2. Short-term advances to suppliers	132		18,557,867,930	9,150,910,662
3. Other short-term receivables	136	9	28,092,938,520	14,556,219,212
4. Deficits in assets awaiting solution	139	10	1,067,894,080	560,996,243
IV. Inventories	140	11	2,816,746,572,329	2,116,642,713,460
1. Inventories	141		2,816,746,572,329	2,116,642,713,460
V. Other short-term assets	150		43,680,188,037	44,729,593,599
1. Short-term prepayments	151	12	43,042,333,528	43,626,588,708
2. Value added tax deductibles	152		679,179	-
3. Taxes and other receivables from the State budget	153	15	637,175,330	1,103,004,891
B. NON-CURRENT ASSETS	200		498,045,418,497	708,530,473,675
I. Long-term receivables	210		25,327,846,311	20,841,475,040
1. Other long-term receivables	216	9	25,327,846,311	20,841,475,040
II. Fixed assets	220		413,908,550,228	484,951,879,839
1. Tangible fixed assets	221	13	205,305,008,346	192,581,923,667
- Cost	222		366,644,007,032	323,732,078,905
- Accumulated depreciation	223		(161,338,998,686)	(131,150,155,238)
2. Intangible assets	227	14	208,603,541,882	292,369,956,172
- Cost	228		213,344,195,473	295,745,366,571
- Accumulated amortisation	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		20,000,000,000	166,084,385,537
1. Investments in subsidiaries	251	17	20,000,000,000	20,000,000,000
2. Investments in associates	252	18	-	91,866,300,000
3. Equity investments in other entities	253	19	395,271,613,400	395,271,613,400
4. Provision for impairment of long-term financial investments	254	7	(395,271,613,400)	(341,053,527,863)
V. Other long-term assets	260		31,276,204,060	30,373,324,537
1. Long-term prepayments	261	12	28,353,120,086	27,274,383,579
2. Deferred tax assets	262	20	2,923,083,974	3,098,940,958
TOTAL ASSETS (270=100+200)	270		3,591,055,034,904	2,958,201,847,879

BALANCE SHEET (Continued)

As at 31 December 2016

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance (Restated)
C. LIABILITIES	300		2,092,223,670,982	1,664,234,808,960
I. Current liabilities	310		2,026,224,469,738	1,582,002,581,591
1. Short-term trade payables	311	21	325,581,536,057	191,490,239,870
2. Short-term advances from customers	312		55,810,213,794	20,602,104,470
3. Taxes and amounts payable to the State budget	313	15	86,322,377,598	107,468,040,432
4. Payables to employees	314		26,829,393,326	16,702,705,380
5. Short-term accrued expenses	315		6,354,714,739	4,909,222,768
6. Other current payables	319	22	27,167,081,033	28,340,702,014
7. Short-term loans	320	23	1,457,954,945,047	1,195,260,458,896
8. Bonus and welfare funds	322		40,204,208,144	17,229,107,761
II. Long-term liabilities	330		65,999,201,244	82,232,227,369
1. Other long-term payables	337	22	628,026,000	3,403,668,000
2. Long-term loans	338	24	58,994,000,000	72,388,000,000
3. Long-term provisions	342	26	6,377,175,244	6,440,559,369
D. EQUITY	400		1,498,831,363,922	1,293,967,038,919
I. Owners' equity	410	25	1,498,831,363,922	1,293,967,038,919
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		372,005,127,004	91,580,748,136
- Retained earnings accumulated to the prior year end	421a		-	8,719,182,874
- Retained earnings of the current year	421b		372,005,127,004	82,861,565,262
TOTAL RESOURCES (440=300+400)	440		3,591,055,034,904	2,958,201,847,879

Nguyen Thanh Dat
Preparer

Duong Quang Hai
Chief Accountant



Cao Thi Ngoc Dung
General Director
20 March 2017

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		8,566,097,820,347	7,695,629,821,333
2. Deductions	02		49,850,158,226	32,772,062,485
3. Net revenue from goods sold and services rendered (10=01-02)	10	28	8,516,247,662,121	7,662,857,758,848
4. Cost of sales	11	29	7,135,192,385,182	6,526,825,680,421
5. Gross profit from goods sold and services rendered (20=10-11)	20		1,381,055,276,939	1,136,032,078,427
6. Financial income	21	31	12,797,356,121	25,202,741,050
7. Financial expenses	22	32	161,892,535,546	430,803,003,461
- In which: Interest expense	23		73,196,281,440	81,048,729,469
8. Selling expenses	25	33	537,302,983,572	414,552,191,198
9. General and administration expenses	26	34	130,525,110,306	115,421,041,014
10. Operating profit (30=20+(21-22)-(25+26))	30		564,132,003,636	200,458,583,804
11. Other income	31	35	47,305,089,666	1,622,837,532
12. Other expenses	32	36	3,367,732,150	12,119,791,603
13. Profit/(loss) from other activities (40=31-32)	40		43,937,357,516	(10,496,954,071)
14. Accounting profit before tax (50=30+40)	50		608,069,361,152	189,961,629,733
15. Current corporate income tax expense	51	37	137,614,509,165	109,041,680,803
16. Deferred corporate tax expense/(income)	52	20	175,856,983	(1,941,616,332)
17. Net profit after corporate income tax (60=50-51-52)			<u>470,278,995,004</u>	<u>82,861,565,262</u>



Nguyen Thanh Dat
Preparer



Duong Quang Hai
Chief Accountant



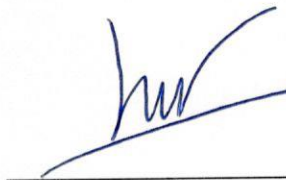
Cao Thi Ngoc Dung
General Director
20 March 2017

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CASH FLOW STATEMENT
For the year ended 31 December 2016

Unit: VND

ITEMS	Codes	Current year	Prior year (Restated)
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	608,069,361,152	189,961,629,733
2. Adjustments for:			
Depreciation and amortisation of fixed assets	02	33,926,038,731	30,185,600,250
Provisions	03	54,154,701,412	298,959,090,710
Loss arising from translating foreign currency items	04	3,448,968,082	286,018,688
(Gain)/loss from investing activities	05	(27,168,268,250)	14,821,372,923
Interest expense	06	73,196,281,440	81,048,729,469
3. Operating profit before movements in working capital	08	745,627,082,567	615,262,441,773
(Increase)/Decrease in receivables	09	(24,336,159,197)	54,254,610,853
Increase in inventories	10	(700,103,858,869)	(461,046,410,901)
Increase in payables	11	168,738,775,937	50,458,026,313
Increase in prepaid expenses	12	(494,481,327)	(31,655,610,135)
Interest paid	14	(73,921,216,904)	(80,553,486,249)
Corporate income tax paid	15	(156,141,028,844)	(65,383,335,384)
Other cash inflows	16	6,949,780,008	-
Other cash outflows	17	-	(15,624,506,660)
Net cash generated by operating activities	20	(33,681,106,629)	65,711,729,610
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets	21	(85,508,117,129)	(69,216,587,907)
2. Proceeds from sale, 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, dividends and profits received	27	3,951,477,458	104,905,713
Net cash generated by/(used in) investing activities	30	147,693,770,329	(42,657,585,830)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	3,274,307,477,438	4,751,829,672,583
2. Repayment of borrowings	34	(3,026,883,783,136)	(4,752,996,341,728)
3. Dividends paid	36	(245,684,532,866)	(22,678,897,800)
Net cash generated by/(used in) by financing activities	40	1,739,161,436	(23,845,566,945)
Net increase/(decrease) in cash (50=20+30+40)	50	115,751,825,136	(791,423,165)
Cash and cash equivalents at the beginning of the year	60	34,348,296,246	35,139,719,411
Effects of changes in foreign exchange rates	61	175,805,143	-
Cash and cash equivalents at the end of the year (70=50+60+61)	70	150,275,926,525	34,348,296,246



Nguyen Thanh Dat
Preparer



Duong Quang Hai
Chief Accountant




Cao Thi Ngoc Dung
General Director
20 March 2017



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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

1. GENERAL INFORMATION**Structure of ownership**

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

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

The number of employees as at 31 December 2016 was 3,951 (as at 31 December 2015: 3,274).

Operating industry and principal activities

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

Normal production and business cycle

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

The Company's structure

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

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

- CAO Fashion Company Limited – Subsidiary
- PNJ Laboratory Company Limited – Subsidiary

As at 31 December 2016, the Company also 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 separate financial statements

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

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

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

The accompanying separate financial statements are presented to reflect the balance sheet as at 31 December 2016, the income statement and separate cash flow statements for the year then ended. Therefore, the Company does not consolidate the investments in subsidiaries in the separate financial statements. The Company's investments are recognized under the accounting policies presented un Note 5 below.

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

Financial year

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

3. RESTATEMENT OF PRIOR YEAR SEPARATE FINANCIAL STATEMENTS

During the year, the Board of Directors decided to restate the 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 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 financial statements are as follows:

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	27,769,837,431	107,468,040,432	79,698,203,001
Retained earnings	421	170,676,962,249	91,580,748,136	(79,096,214,113)
- Retained earnings accumulated to the prior year end	421a	11,058,300,901	8,719,182,874	(2,339,118,027)
- Retained earnings of the current year	421b	159,618,661,348	82,861,565,262	(76,757,096,086)

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	7,697,947,292,121	7,695,629,821,333	(2,317,470,788)
Net revenue from goods sold and services rendered	10	7,665,175,229,636	7,662,857,758,848	(2,317,470,788)
Gross profit from goods sold and services rendered	20	1,138,349,549,215	1,136,032,078,427	(2,317,470,788)
Other expenses	32	4,225,673,585	12,119,791,603	7,894,118,018
Loss from other activities	40	(2,602,836,053)	(10,496,954,071)	(7,894,118,018)
Accounting profit before tax	50	200,173,218,539	189,961,629,733	(10,211,588,806)
Current corporate income tax expense	51	42,130,046,409	109,041,680,803	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	159,618,661,348	82,861,565,262	(76,757,096,086)

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Cash Flow Statement
For the year ended 31 December 2015

	Codes	As previously reported	As restated	Changes
		VND	VND	VND
Profit before tax	01	200,173,218,539	189,961,629,733	(10,211,588,806)
Operating profit before movements in working capital	08	625,474,030,579	615,262,441,773	(10,211,588,806)
Increase in account payables	11	40,246,437,507	50,458,026,313	10,211,588,806
Net cash generated by operating activities	20	65,711,729,610	65,711,729,610	-

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 No.200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance guiding the accounting regime for enterprises. Circular 53 is effective for the financial years beginning on or after 01 January 2016. The Board of Directors has adopted Circular 53 in the preparation and presentation of the Company's financial statements for the 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 separate financial statements, are as follows:

Estimates

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

Cash and cash equivalents

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

Financial investments

Held-to-maturity investments

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

Investments in subsidiaries, joint ventures, associates

Investment in subsidiaries

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

Investments in associates

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

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

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

Equity investments in other entities

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

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

Provisions for impairment of investments

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

Receivables

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

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

Inventories

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

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

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

Leasing

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

Intangible assets and amortization

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

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

Construction in progress

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

Prepayments

Prepayments are expenses which have reported as short-term or long-term prepayments in the balance sheet and are amortized over the period for which the amount are paid or the period in which economic benefits are generated in relation to these expenses.

The following types of expenses are recorded as long term prepayments:

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

Borrowing costs

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



Revenue recognition

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

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

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

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

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

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

Severance allowance payable

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

Foreign currencies

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

Payable provisions

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

Taxation

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 as reported in the 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 separate 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.

6. CASH AND CASH EQUIVALENTS

	Closing balance	Opening balance
	VND	VND
Cash on hand	43,880,544,353	25,181,118,280
Cash in bank	17,438,949,836	7,132,550,966
Cash in transit	4,456,432,336	2,034,627,000
Cash equivalents (*)	84,500,000,000	-
	150,275,926,525	34,348,296,246

(*) 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						
- Cash deposit	65,000,000	-	65,000,000	65,000,000	-	65,000,000
b. Investments in other entities						
- Investments in subsidiaries	20,000,000,000	-	20,000,000,000	20,000,000,000	-	20,000,000,000
CAO Fashion Company Limited	10,000,000,000	-	10,000,000,000	10,000,000,000	-	10,000,000,000
PNJ Laboratory Company Limited	10,000,000,000	-	10,000,000,000	10,000,000,000	-	10,000,000,000
- Investments in associates	-	-	-	91,866,300,000	(30,473,664,463)	61,392,635,537
Dong A Land Joint Stock Company	-	-	-	91,866,300,000	(30,473,664,463)	61,392,635,537
- Investments in others 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 (*)	395,271,613,400	(395,271,613,400)	-	395,271,613,400	(310,579,863,400)	84,691,750,000
	415,336,613,400	(395,271,613,400)	20,065,000,000	507,202,913,400	(341,053,527,863)	166,149,385,537

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

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8. SHORT-TERM TRADE RECEIVABLES

	Closing balance	Opening balance
	VND	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	23,030,669,089	22,723,713,188
	<u>34,523,228,986</u>	<u>29,617,644,782</u>

9. OTHER RECEIVABLES

	Closing balance	Opening balance
	VND	VND
a. Current		
- Advances to employees	705,372,244	1,050,979,825
- Others	27,387,566,276	13,505,239,387
<i>In which:</i>		
CAO Fashion Company Limited (Note 39)	20,242,298,200	8,000,000,000
Others	7,145,268,076	5,505,239,387
	<u>28,092,938,520</u>	<u>14,556,219,212</u>
b. Non-current		
- Long-term deposits for renting stores	<u>25,327,846,311</u>	<u>20,841,475,040</u>

10. DEFICITS IN ASSETS AWAITING SOLUTION

	Closing balance		Opening balance	
	Quantity	VND Amount	Quantity	VND Amount
Gold (3,75 gram)	230	770,583,999	289.78	485,490,600
Others	-	297,310,081	-	75,505,643
	<u>230</u>	<u>1,067,894,080</u>	<u>289.78</u>	<u>560,996,243</u>

11. INVENTORIES

	Closing balance	Opening balance
	VND	VND
	Cost	Cost
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	20,578,565,163
Work in progress	284,243,247,575	131,664,308,110
Finished goods	233,956,735,746	134,240,935,308
Merchandise	1,976,744,705,226	1,689,170,023,391
Goods on consignment	62,864,818,682	39,821,332,791
	<u>2,816,746,572,329</u>	<u>2,116,642,713,460</u>

As at 31 December 2016, inventories of VND 1,690,467,990,000 (as at 31 December 2015: VND 465,916,000,000) was used as collaterals for short-term loans obtained from commercial banks (Note 23).



12. PREPAYMENTS

	Closing balance	Opening balance
	VND	VND
a. Current		
- Stores rental	4,941,083,841	4,799,961,022
- Uniform expense	6,242,736,500	5,852,667,700
- Tools and supplies	27,294,680,295	26,396,589,873
- Stores renovation costs, others	4,563,832,892	6,577,370,113
	<u>43,042,333,528</u>	<u>43,626,588,708</u>
b. Non-current		
- Stores rental	898,700,471	3,341,918,467
- Tools and supplies	9,762,659,984	9,163,390,629
- Stores renovation costs, others	17,691,759,631	14,769,074,483
	<u>28,353,120,086</u>	<u>27,274,383,579</u>

13. INCREASES, DECREASES IN TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Motor Vehicles	Office Equipment	Total
	VND	VND	VND	VND	VND
COST					
Opening balance	125,446,320,504	151,450,302,518	15,092,329,787	31,743,126,096	323,732,078,905
Additions	12,912,317,453	31,867,860,577	4,908,304,300	4,241,055,571	53,929,537,901
Disposals	(9,423,420,273)	(140,576,078)	(1,410,345,571)	(43,267,852)	(11,017,609,774)
Closing balance	<u>128,935,217,684</u>	<u>183,177,587,017</u>	<u>18,590,288,516</u>	<u>35,940,913,815</u>	<u>366,644,007,032</u>
ACCUMULATED DEPRECIATION					
Opening balance	21,605,061,491	84,525,441,520	6,853,815,198	18,165,837,029	131,150,155,238
Charge for the year	5,186,573,321	19,272,728,127	1,334,958,429	6,766,535,662	32,560,795,539
Disposals	(843,208,952)	(140,576,078)	(1,348,799,209)	(39,367,852)	(2,371,952,091)
Closing balance	<u>25,948,425,860</u>	<u>103,657,593,569</u>	<u>6,839,974,418</u>	<u>24,893,004,839</u>	<u>161,338,998,686</u>
NET BOOK VALUE					
Closing balance	<u>102,986,791,824</u>	<u>79,519,993,448</u>	<u>11,750,314,098</u>	<u>11,047,908,976</u>	<u>205,305,008,346</u>
Opening balance	<u>103,841,259,013</u>	<u>66,924,860,998</u>	<u>8,238,514,589</u>	<u>13,577,289,067</u>	<u>192,581,923,667</u>

As presented in Note 23 and 24, the value of assets attached with land 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 the Company's tangible fixed assets as at 31 December 2016 includes VND 72,857,449,096 (as at 31 December 2015: VND 61,407,021,450) of assets which have been fully depreciated but are still in use.

14. INCREASES, DECREASES INTANGIBLE ASSETS

	Land use rights	Computer software	Total
	VND	VND	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
Disposal	(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 AMORTISATION			
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 23 and 24, 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 fixed 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: 1,112,471,613).

15. 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
Others	31,623,750	(31,623,750)	-	-
	<u>1,103,004,891</u>	<u>(50,403,517,417)</u>	<u>49,937,687,856</u>	<u>637,175,330</u>
b. Payables				
Value added tax	22,276,734,146	150,061,669,322	(154,643,303,091)	17,695,100,377
Corporate income tax	76,369,142,299	137,614,509,165	(156,141,028,844)	57,842,622,620
Personal income tax	820,540,133	10,147,031,012	(8,073,509,986)	2,894,061,159
Others	8,001,623,854	14,480,171,990	(14,591,202,402)	7,890,593,442
	<u>107,468,040,432</u>	<u>312,303,381,489</u>	<u>(333,449,044,323)</u>	<u>86,322,377,598</u>

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 for stores	195,000,000	739,090,200
	<u>7,532,817,898</u>	<u>6,279,408,722</u>

17. INVESTMENTS IN SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2016 are as follows:

Name	Place incorporated and operating	Rate of interest %	Rate of voting %	Value VND	Principal activities
CAO Fashion Company Limited	Ho Chi Minh City	100	100	10,000,000,000	Produce and trade fashion products
PNJ Laboratory Company Limited	Ho Chi Minh City	100	100	10,000,000,000	Provide jewellery inspection and consultancy services
				<u>20,000,000,000</u>	

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.

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.

18. INVESTMENTS IN ASSOCIATES

Details of the Company's associates as at 31 December 2016 are as follows:

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Dong A Land Joint Stock Company	-	91,866,300,000

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.

19. EQUITY INVESTMENTS IN OTHER ENTITIES

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

Details of the above company as at 31 December 2016 are as follows:

Name	Place incorporated and operating	Rate of interest %	Rate of voting %	Value VND	Principal activities
Dong A Joint Stock Commercial Bank ("DAB")	Ho Chi Minh City	7.69%	7.69%	395,271,613,400	Business operation related to banking and finance

20. DEFERRED TAX

The followings are the major deferred tax liabilities and assets recognised by the Company, and the movements thereon, during the current year and prior years.

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

21. SHORT-TERM TRADE PAYABLES

	<u>Closing balance</u>		<u>Opening balance</u>	
	Cost VND	Amount able to be paid off VND	Cost VND	Amount able to be paid off VND
Forte Jewellery (HK) Ltd Co. SHRENUJFAR EAST LIMITED - FINEESE IMPEX LIMITED	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
	<u>178,976,243,305</u>	<u>178,976,243,305</u>	<u>165,312,984,095</u>	<u>165,312,984,095</u>
	<u>325,581,536,057</u>	<u>325,581,536,057</u>	<u>191,490,239,870</u>	<u>191,490,239,870</u>

22. OTHER PAYABLES

	Closing balance	Opening balance
	VND	VND
a. Current payables		
- Surplus in assets awaiting solution	533,501,183	666,637,223
- Trade union fee	793,049,183	2,557,060,341
- Payables to the Board of Management fund	494,729,568	803,029,644
- Payables to the Board of Directors fund	3,571,168,667	6,071,220,092
- Payables to Trade union fund	5,902,835,563	4,232,190,884
- PIT payable on behalf sharholders	1,350,050,545	318,214,645
- Others	14,521,746,324	13,692,349,185
	<u>27,167,081,033</u>	<u>28,340,702,014</u>
b. Long-term payables		
- Others	628,026,000	3,403,668,000
	<u>27,795,107,033</u>	<u>31,744,370,014</u>



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

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23. SHORT-TERM LOANS

	Opening balance		In the year		Closing balance	
	VND Amount	VND Amount able to be paid off	VND Increase	VND Decrease	VND Amount	VND Amount able to be paid off
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	(580,982,008,098)	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	102,794,991,964	(159,062,501,490)	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	-	-	247,426,771,298	(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
PNJ Laboratory Company Limited (see Note 40)	6,000,000,000	6,000,000,000	8,000,000,000	(5,000,000,000)	9,000,000,000	9,000,000,000
Other individuals	265,572,301,515	265,572,301,515	325,045,587,215	(350,629,521,332)	239,988,367,398	239,988,367,398
Current portion of long-term loans (see Note 24)	26,804,000,000	26,804,000,000	31,894,000,000	(26,804,000,000)	31,894,000,000	31,894,000,000
	1,195,260,458,896	1,195,260,458,896	3,289,578,269,287	(3,026,883,783,136)	1,457,954,945,047	1,457,954,945,047



Details of short term loans with floating rates obtained from commercial banks to finance working capital requirements are 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	5.60	Inventories
Vietnam Joint Stock Commercial Bank for Industry and Trade	247,746,000,000	From 12 January 2017 to 24 April 2017	5.40	Inventories
Joint Stock Company Bank for Foreign trade of Vietnam	260,503,558,537	From 12 January 2017 to 30 June 2017	5.50	Unsecured loan and land use rights and assets attached with land
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	5.60	Unsecured
Military Commercial Joint Stock Bank	4,000,000,000	15 February 2017	5.40	Unsecured
Joint Stock Commercial Bank for Investment and Development of Vietnam	79,295,679,416	From 09 April 2017 to 2 July 2017	2.5 - 6	Inventories
Vietnam International Commercial Joint Stock Bank	99,079,954,535	From 6 January 2017 to 3 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 8 June 2017	6 - 6.7	Inventories
Ban Viet Joint Stock Bank	59,399,532,596	From 30 January 2017 to 24 April 2017	2.40	Unsecured
Orient Commercial Joint Stock Bank	18,867,373,805	From 22 February 2017 to 1 March 2017	2.20	Unsecured
Other individuals	239,988,367,398	From 2 December 2017 to 12 December 2017	3.0-8.0	Unsecured
Current portion of long-term loans	31,894,000,000			
	<u>1,448,954,945,047</u>			

24. LONG-TERM LOANS

	Opening balance		In the year		Closing balance	
	VND	VND	VND	VND	VND	VND
	Amount	Amount able to be paid off	Increase	Decrease	Amount	Amount able to be paid off
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 Rural 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>

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Terms and conditions of the long-term loans are as follows:

<u>Bank name</u>	<u>Closing balance</u> VND	<u>Interest</u> %	<u>Maturity date</u>	<u>Collateral</u>
Dong A Joint Stock Commercial Bank	9,690,000,000	6	2018	Land use rights and assets attached with land at 52A+52B Nguyen Van Troi Street, Phu Nhuan District, Ho Chi Minh City (HCMC); 159A Phan Dang Luu, 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	8.20	2020	Land use rights at 7 An Duong Vuong, Ward 8, District 5, Ho Chi Minh City and 6A Tran Nhan Tong, 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 Citv.
	<u>58,994,000,000</u>			

Long-term loans are repayable as follows:

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
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	34,090,000,000	44,194,000,000
	<u>90,888,000,000</u>	<u>99,192,000,000</u>
Less: Amount due for settlement within 12 months (Note 23)	31,894,000,000	26,804,000,000
Amount due for settlement after 12 months	<u>58,994,000,000</u>	<u>72,388,000,000</u>



OWNERS' EQUITY

Movement in 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	170,581,591,674	1,264,371,552,457
Capital increase	226,775,420,000	(105,021,650,000)	-	(46,157,440,000)	(75,596,330,000)	-
Profit for the year	-	-	-	-	82,861,565,262	82,861,565,262
Dividends declared	-	-	-	-	(22,678,897,800)	(22,678,897,800)
Profit appropriation	-	-	-	33,000,000,000	(33,000,000,000)	-
Transfer to bonus and welfare fund	-	-	-	-	(25,587,181,000)	(25,587,181,000)
Other funds	-	-	-	-	(5,000,000,000)	(5,000,000,000)
Current year's opening balance	982,745,770,000	-	(7,090,000)	219,647,610,783	91,580,748,136	1,293,967,038,919
Profit for the year	-	-	-	-	470,278,995,004	470,278,995,004
Dividend declared	-	-	-	-	(245,684,670,000)	(245,684,670,000)
Investment and development fund appropriation	-	-	-	(75,560,053,865)	75,560,053,865	-
Transfer to bonus and welfare funds	-	-	-	-	(15,230,000,000)	(15,230,000,000)
Board of management and Board of Supervisors funds	-	-	-	-	(2,000,000,000)	(2,000,000,000)
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	372,005,127,004	1,498,831,363,922

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

- 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.
- Distribution to Board of Management and Board of supervisors funds, Bonus and welfare funds and Board of Directors funds with the amounts of VND 2,000,000,00; 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.



Share – Ordinary shares

	<u>Closing balance</u>	<u>Opening balance</u>
	Number of shares	Number of shares
Shares issued and fully paid	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:

	<u>Closing balance</u>		<u>Opening balance</u>	
	VND	%	VND	%
Cao Thi Ngoc Dung	99,667,140,000	10.14%	99,667,140,000	10.14%
Vietnam Azalea Funds (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	<u>827,757,730,000</u>	<u>84.23%</u>	<u>782,189,520,000</u>	<u>79.59%</u>
	<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) The Aims Asset Management Sdn Bhn Organization has increased its owning proportion from 3,632,090 shares which occupied 3.7% of total to 5,532,090 shares which was 5.63% of total issued shares since 18 November 2016

26. LONG-TERM PROVISIONS

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

27. OFF BALANCE SHEET ITEMS

Foreign currencies

	Unit	<u>Closing balance</u>	<u>Opening balance</u>
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).



28. REVENUE FROM GOOD SOLD AND SERVICES RENDERED

	Current year VND	Prior year VND
Sales from goods, silver and jewelry	8,686,939,228,360	7,792,283,699,761
Sales from accessories	10,337,013,944	19,285,807,269
Rendering services	18,883,247,365	8,647,003,965
Value added tax applying direct method	(150,061,669,322)	(119,951,748,086)
	<u>8,566,097,820,347</u>	<u>7,700,264,762,909</u>
Goods returned	(49,850,158,226)	(32,772,062,485)
	<u>8,516,247,662,121</u>	<u>7,667,492,700,424</u>

29. COST OF GOODS SOLD AND SERVICES RENDERED

	Current year VND	Prior year VND
Cost of goods, silver and jewelry and services rendered	7,122,232,052,215	6,513,591,201,185
Cost of accessories	12,960,332,967	13,234,479,236
	<u>7,135,192,385,182</u>	<u>6,526,825,680,421</u>

30. PRODUCTION COST BY NATURE

	Current year VND	Prior year VND
Raw materials	7,528,618,314,835	6,058,820,600,404
Labour	451,118,035,733	366,181,456,157
Depreciation and amortisation	33,926,038,731	30,185,600,250
Tools and supplies	57,786,002,665	53,562,381,789
Out-sourced services	127,958,767,830	99,920,456,512
Other monetary expenses	179,335,041,152	132,556,349,411
	<u>8,378,742,200,946</u>	<u>6,741,226,844,523</u>

31. FINANCIAL INCOME

	Current year VND	Prior year VND
Dividends received	8,000,000,000	24,000,000,000
Foreign exchange gain	838,154,476	1,081,780,830
Interest income	3,957,701,645	104,905,713
Others	1,500,000	16,054,507
	<u>12,797,356,121</u>	<u>25,202,741,050</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	-	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>161,892,535,546</u>	<u>430,803,003,461</u>

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33. SELLING EXPENSES

	Current year VND	Prior year VND
Management materials	13,808,103,680	18,288,814,557
Management staff	233,180,082,381	180,521,472,970
Office equipment	33,287,602,381	27,670,479,936
Depreciation and amortisation	5,296,591,263	4,039,449,304
Out-sourced services	117,746,535,580	88,908,931,984
Other monetary expenses	133,984,068,287	95,123,042,447
	<u>537,302,983,572</u>	<u>414,552,191,198</u>

34. GENERAL AND ADMINISTRATION EXPENSES

	Current year VND	Prior year VND
Management materials	41,247,500	134,424,660
Management staff	74,524,152,520	64,275,892,398
Office supplies	4,859,990,509	5,271,402,290
Depreciation and amortisation	9,271,901,805	10,300,718,453
Taxes , fees and charges	123,000,000	260,977,200
Out-sourced services	4,855,884,392	5,606,823,432
Other monetary expenses	36,848,933,580	29,570,802,581
	<u>130,525,110,306</u>	<u>115,421,041,014</u>

35. OTHER INCOME

	Current year VND	Prior year VND
Sale, disposal of fixed assets	42,938,955,131	306,446,364
Others	4,366,134,535	1,316,391,168
	<u>47,305,089,666</u>	<u>1,622,837,532</u>

36. OTHER EXPENSE

	Current year VND	Prior year VND
Loss, disposal of tools	162,274,339	25,781,634
Penalties	2,900,291,689	(4,301,446,311)
Others	305,166,122	607,220,244
	<u>3,367,732,150</u>	<u>(3,668,444,433)</u>

37. CURRENT CORPORATE INCOME TAX EXPENSE

	Current year VND	Prior year (Restated) VND
Current corporate income tax expense		
Corporate income tax based on taxable profit in the current year	137,614,509,165	109,041,680,803
Total corporate income tax expenses	<u>137,614,509,165</u>	<u>109,041,680,803</u>
Deferred corporate tax expense/(income)		
- Deferred corporate tax expense/(income) incurred from taxable temporary differences	175,856,983	(1,941,616,332)
	<u>175,856,983</u>	<u>(1,941,616,332)</u>

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38. OPERATING LEASE COMMITMENTS

	Current year	Prior year
	VND	VND
Minimum lease payments under operating leases recognised in the income statement for	<u>103,639,647,674</u>	<u>68,388,253,744</u>

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

	Closing balance	Opening balance
	VND	VND
Within one year	66,867,915,235	61,519,354,281
In the second to fifth year inclusive	162,963,895,494	162,681,151,732
After five years	96,004,469,000	84,933,286,000
	<u>325,836,279,728</u>	<u>309,133,792,013</u>

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

39. 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 1% (2015: 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 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.

40. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties:

<u>Related parties</u>	<u>Relationship</u>
Dong A Joint Stock Commercial Bank	Related party
CAO Fashion Company Limited	Subsidiary
PNJ Laboratory Company Limited	Subsidiary



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

	<u>Current year</u> VND	<u>Prior year</u> VND
Sale of goods and service rendered		
CAO Fashion Company Limited	18,315,818,276	35,729,533,059
PNJ Laboratory Company Limited	<u>660,000,000</u>	<u>720,000,000</u>
	<u><u>18,975,818,276</u></u>	<u><u>36,449,533,059</u></u>
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
PNJ Laboratory Company Limited	1,216,604,400	761,730,003
CAO Fashion Company Limited	<u>14,758,908,742</u>	<u>31,575,941,645</u>
	<u><u>15,975,581,766</u></u>	<u><u>36,260,699,450</u></u>
Interest 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	<u>-</u>	<u>6,500,000,000</u>
Dividends paid		
PNJ Laboratory Company Limited	7,000,000,000	12,000,000,000
CAO Fashion Company Limited	<u>1,000,000,000</u>	<u>12,000,000,000</u>
	<u><u>8,000,000,000</u></u>	<u><u>30,500,000,000</u></u>

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

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Trade receivables		
CAO Fashion Company Limited	<u>822,683,491</u>	<u>-</u>
Other receivables		
CAO Fashion Company Limited	<u>20,242,298,200</u>	<u>8,000,000,000</u>
Trade payables		
PNJ Laboratory Company Limited	<u>639,410,000</u>	<u>1,146,450,000</u>
Advances from customers		
CAO Fashion Company Limited	<u>-</u>	<u>603,340,214</u>
Other payables		
PNJ Laboratory Company Limited	<u>271,835,620</u>	<u>3,113,260,274</u>
Loans		
Dong A Joint Stock Commercial Bank	26,370,000,000	41,660,000,000
PNJ Laboratory Company Limited	<u>9,000,000,000</u>	<u>6,000,000,000</u>

Remuneration paid to the Company's Boards of Directors and Management during the year were as follows:

	<u>Current year</u> VND	<u>Prior year</u> VND
Salaries and bonus	<u>5,908,497,775</u>	<u>7,314,937,003</u>



41. 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 in 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.

Dividends received during the year from subsidiaries is VND 8,000,000,000, were clearing debts with subsidiaries. Consequently, changes in accounts receivable have been adjusted by the same amount.

42. SUBSEQUENCE 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