

REPORT OF BOARD OF DIRECTORS PHU NHUAN JEWELRY JOINT STOCK COMPANY

I. BOD’S ASSESSMENT ON THE COMPANY’S OPERATION RESULTS IN 2017:

2017 was a successful year of PNJ with great achievements in all fields, such as all plan-exceeded financial indicators, effective growth, building strong financial capacity, improving competitiveness, contributing to society and environment. In addition to its good financial performance, PNJ was also internationally recognized as Outstanding Enterprise of the Year - ASEAN and Top 3 Asia Retailers of the Year (450 Outlets and below) in 2017.

1. Assessment of operation results:

Total revenue increased by 28% y.o.y, of which gold retail jewelry increased by 36.5% y.o.y. All key indicators related to the profit of core business activities reached or exceeded plans; after-tax profit increased 61% y.o.y, exceeding 21% of the plan, which was the highest and most impressive growth rate ever.

The great success in 2017, in addition to the continuous effort of all PNJ staffs, was made up from the close and active performance and effort of the Board of Directors to implement a comprehensive and effective operation strategy, which was the combination of a qualified human resource, an appropriate organizational structure, a thoroughly-analyzed network strategy development, an effective marketing strategy, deeply-invested information technology activities, financial management, performance management (KPIs) and risk management.

2. Results of implementing the strategic orientations:

- Building a solid foundation for sustainable development focusing on 3 main activities: providing regular training to the human resource, issuing and applying the framework of core competencies and professional capabilities to fulfill the company’s requirements for all positions), maintaining a learning-first working environment and creating innovative motivations to enhance the company competitiveness.
- Quality of the system of processes has always been seriously developed, controlled and operated in accordance with international standards such as ISO 9001, ISO 14001. The operational processes were continually reviewed and updated to timely meet the demand for innovation and strategy execution.
- Computerizing the management system: In 2017, the company focused on improving and developing the information technology system, stabilizing the organizational structure, attracting talented people in the field of information technology to implement the orientation of using information technology as a lever for development in order to make PNJ become a data-driven company and examine to invest a new ERP system to replace the current one.
- Improve supply chain efficiency: Managing the supply chain from raw materials - design concept creating - production plant - distribution system - customer. This model, with the criteria of right - sufficient – timely, showed its effectiveness in bringing highest turnover, satisfying customer’s demand and controlling goods rotation.
- Increasing customer satisfaction: By market and store research, beyond the target to open 40 new stores in 2017, PNJ set up 54 stores, increasing its stores to 269 in 48 provinces across the country. The percentage of standard PNJ shops has increased by 20% over the same period,

customer care training for sales force was regularly held. As a result, PNJ's NPS (Net Promoter Score) in 2017 reached 8.71 points, significantly higher than that of 2016 (8.56 points).

- Improving financial efficiency:

Unit: Million dong

| Indicator | Result of 2016 | Plan of 2017 | Result of 2017 | % Y/Y |
|---------------------|----------------|--------------|----------------|-------|
| Net revenue | 8,564,590 | 10,202,424 | 10,976,836 | 128% |
| Net profit | 1,411,293 | 1,663,715 | 1,911,963 | 135% |
| Profit before taxes | 590,627 | 751,004 | 907,379 | 154% |
| Profit after taxes | 450,488 | 600,803 | 724,856 | 161% |
| Gross profit margin | 16.22 % | 16.30% | 17.42% | |
| Profit Margin | 5.26% | 5.90% | 6.60% | |
| Dividend | 18% | 18% | 20% | |

Source: Soucre: PNJ's audited consolidated financial statements 2017

3. The implementation of the Resolution of the Annual General Meeting (AGM)/Board of Directors in 2017:

In 2017, the Board of Directors held 38 meetings, issued 38 minutes, resolutions and decisions to implement the tasks as per the resolution of the General Meeting of Shareholders/Board of Directors in 2017 as follows:

- Amend the issuing price in the Private Placement Plan of 9,827,457 shares.
- Implement the Shares Issuance Plan Under Private Placement to investors in accordance with the Resolution of the General Meeting of Shareholders in the form of collecting written opinions No. 183/2017/NQ-DHDCD-CTY dated February 23rd, 2017
- Pay/advance dividends in 2017.
- Bank loans.
- Approve the reports on results of production and business activities.
- Establish company branches.
- Sign commercial contracts with BOD, BOM members' relevant people.
- Choose the auditor for fiscal year 2017.
- Jobs related to the General Meeting of Shareholders 2017.
- Approve the organizational structure and amend the organizational structure (effective since November 10th 2017) of Phu Nhuan Jewelry Joint Stock Company.
- Amend and supplement Clause 2, Article 14 of the Charter as authorized by the General Meeting of Shareholders after increasing the charter capital. Chartered capital after adjustment: VND1,081,020,340,000.
- Elect and assign duties of BOD members for the term of 2017-2022.
- Appoint the Chief Financial Officer and the Chief Accountant.
- Appoint concurrent branch Director. Amend and supplement the organizational structure (effective since 10/11/2017).

- Dismiss Mr Nguyen Bao Giang Chau as personal wish and appoint Ms Nguyen Hoang Anh as Chief Marketing Officer.
- And other documents under the authority of the Board.

4. Organizing BOD meetings :

- In 2017, the BOD held 38 meetings; accordingly, issued 38 minutes, resolutions, decisions. All meetings were conducted in accordance with the order and procedures as stipulated in the Law on Enterprises and the Company Charter.
- The BOD meeting minutes were made with all attendants' signatures, and in legally correct format; all documents and materials were sent to the BOD members for reference and study in accordance with the Charter.

5. Result of supervising the General Manager and other members of the Management Board:

- In 2017, the BOD well performed its function of supervising the management and administration of the BOM. Members of BOD who were concurrently BOM members were responsible for attending regular BOM meetings. Therefore, the BOD was always aware of the Company's operation and cooperated well with the BOM to make right decisions, overcome difficulties and try to achieve the company plan.
- In general, the BOM supervision was regularly and closely maintained, ensuring that the Company's operation was stable, safe and compliant with the law and achieved the plan set by the Board of Directors and the General Meeting of Shareholders.

II. ACTIVITIES, REMUNERATION AND OPERATION COSTS OF BOD:

1. BOD structure:

- Board of Directors composed of eight members, including Ms Cao Thi Ngoc Dung - Chairman and Mr Le Tri Thong - Vice Chairman. Other members are BOD members, including Mrs Nguyen Thi Cuc, Mrs Pham Vu Thanh Giang, Mrs Pham Thi My Hanh, Mr Le Huu Hanh, Mr Nguyen Vu Phan and Mr Le Quang Phuc.

2. Activities of the Board:

- The BOD members had the spirit of solidarity, showing high sense of responsibility and good performance of their rights and obligations in accordance with the provisions of the Charter.
- During its term, the Board of Directors successfully implemented the resolutions of AGM, executed its rights and duties in full compliance with the Company Charter and the Law on Enterprises.

3. Remuneration, salary, bonus and allowance of BOD in 2017:

- Ms. Cao Thi Ngoc Dung: VND 179,100,000/month and bonus 3 months' salary.
- Mr. Le Tri Thong: VND 75,930,000/month and bonus 3 months' salary.
- Ms. Nguyen Thi Cuc: VND 64,500,000/month and bonus 3 months' salary.
- Ms. Pham Vu Thanh Giang: VND 75,930,000/month and bonus 3 months' salary.
- Ms. Pham Thi My Hanh: VND 72,000,000/month and bonus 3 months' salary.
- Mr. Le Huu Hanh: VND 116,000,000/month and rewarded 3 months' salary.
- Mr. Nguyen Vu Phan: VND 40,000,000/month and bonus 2 months' salary.

- Mr. Le Quang Phuc: VND 20,000,000/month and bonus 2 months' salary.

4. Others:

- Two members of the Board of Directors were assigned to act as representatives of PNJ's contributed capital in subsidiaries.

5. Reports and action plan of the 2 subcommittees:

5.1 Strategy Subcommittee:

- **2017 Activity Report :**
 - Reviewing and modifying the plan for the company strategy of 2017 – 2022. Monitoring the implementation of the strategy and KPIs of 2017. Setting KPIs and action plan for 2018.
 - Providing orientations for the building and monitoring the implementation of the action plan for management data system and digitization, reviewing and enhancing PNJ human resource, the company culture's building and developing program, supply chain optimization program, mapping and planning the distribution network development.
 - Providing orientation for building and monitoring the implementation of corporate capacity development programs: technology capacity, strategic management capacity, risk management capacity and enterprise external relations capacity.
- **Plan for 2018:**
 - Continue to review strategic plan updates. Planning strategies for manufacturing - processing and wholesale business, for developing new businesses, technology and digital transformation, long-term human resource enrichment strategy for PNJ,...
 - Providing orientations for the development and following up the implementation of strategic action programs: ERP project, CRM project, supply chain management optimization project, service quality and customer experience enhancement, PNJ talent development programs, brand value enrichment program,...
 - Continue to accelerate the development of strategic capabilities, such as: technology, data analytics, digital marketing, strategic management, risk management, integrated distribution channel management (omni channel) ...

5.2 Finance Subcommittee:

- **2017 Activity Report:**
 - Perform the assigned tasks in 2017: Monthly, quarterly and yearly inspection of turnover of each section. Compare the ratio of gross profit of each brand with the annual plan. Pre-tax profit monitoring by sales channel. Revise marketing budget, capital and capital sources implementation in accordance with the plan.
 - Internal Control Activities: In general, internal controls operate effectively with control functions. Although the Company's network of branches/stores is wide and large, internal controls carried out 570 assessments at stores and 15 at company/branch level
- **Plan for 2018:**
 - Planning and monitoring the implementation of financial plan.
 - Researching and proposing principles, opinions, policies and regulations on the company's internal control and studying the application of good practices on internal control.
 - Monitoring, controlling and evaluating the implementation and ensuring the internal control regulations of the Company.
 - Researching and proposing principles, opinions, policies and regulations on accounting management of the Company.
 - Direct and monitor the BOM to build the structure, content and forms of the Company's accounting system to ensure its compliance with the law.

- Reviewing, commenting and evaluating the accounting reports prepared by the BOM before submitting to the BOD and AGM for approval.

Recipient:

- BOD, Supervisory;
- BOM;
- PNJ Shareholders;
- Reserved at Office.

CHAIRWOMAN

(Signed and stamped)

CAO THI NGOC DUNG