

REPORT OF SUPERVISORY BOARD PHU NHUAN JEWELRY JOINT STOCK COMPANY

Based on:

- The Company Charter of Phu Nuan Jewelry Joint Stock Company (PNJ);
- The Code of Conduct of Phu Nuan Jewelry Joint Stock Company (PNJ);
- Regulation on the organization and operation of Supervisory Board (SB)
- Separated and consolidation audited financial report 2017.

Supervisory Board reports the activities in 2017 to submit Annual General Meeting with the main information as follows:

I. ACTIVITIES OF SUPERVISORY BOARD (SB):

1. Supervisory board is composed of 03 members:

- Nguyen Thanh Du - Head of SB
- Nguyen Ngoc Hue - Member of SB
- Le Anh Duc - Member of SB (since 27th Apr 2017)

All members are assigned to supervise the activities of all divisions under their professional responsibilities to ensure they were closely following up with the actual operation situation and promote the effectiveness of Supervisory Board.

2. Activities of Supervisory Board:

- Implementing assigned supervisory duties, studying documents and attending meetings of the Board of Directors (BOD) to supervise the activities of the Board of Directors (BOD), the Board of Management (BOM) of the Company in accordance with the Resolution approved by the Annual General Meeting (AGM) in 2017, the Company Management Code of Conduct, the Company Charter.
- Cooperating with the inspection of Strategy Section to verify the truth, fairness and prudence in the organization of the accounting department of the Company. Reviewing financial statements, financial indicators of PNJ, PNJ Group (audited by Deloitte Vietnam Co., Ltd.).

II. RESULTS:

1. Supervising the management and operating activities of BOD, BOM:

- Through the monitoring process, SB noted that the Decisions quickly made by BOD and BOM in 2017 brought the Company's competitive advantages and were in accordance with the Resolution of AGM in 2017, the Charter, the Company regulations and ensured the sufficient, timely disclosure of information to shareholders. Meanwhile, the effective operation of the strategy subcommittee and the finance subcommittee created a closer ties between BOD and BOM, heading to sustainable development.
- Supervising in combination with monitoring helps PNJ to ensure the compliance of the system, valid accounting bookings ensured the accuracy of financial statements which were prepared on a reliable basis without serious misstatement.
- In 2017, the SB did not notice any violations of the law and complaints from shareholders about BOD, BOM, SB in the course of performing the assigned tasks.

3. Verification of financial statements for 2017:

- After examining Company's financial statements for 2017 which was audited by Deloitte Vietnam Co., Ltd, Supervisory Board agreed on financial information reported on consolidated financial statements of PNJ, and audited financial statements of PNJ as a separate entity for 2017.
- In our opinions, the consolidated financial statements gave a true and fair view in all main aspects, of related documents and records, in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the legal regulations relating to preparation and presentation of the consolidated financial statements.

3.1 Capital and Assets as at 31 December 2017 and financial performance of PNJ as follows:

- Total assets, capital of PNJ increased by 25% over the same period.
- Increase of assets mainly included: Inventory, fixed assets made an increase of 15.8%, 2.0% respectively and short-term financial investments had an impact on increasing assets by 4.5%.
- Capital rose by issuing shares, raising equity made a rise of 40%, reducing short - term debt by 14.8%
- Owner's equity: Private equity of PNJ accounts for 99.9% of total equity of the Group. In 2017, the charter capital of PNJ increased from VND 982,745,770,000 to VND 1,081,020,340,000, up 10% compared to the end of 2016 (pursuant to Resolution No. 1015/2017NQ-HDQT-CTY).

3.2 Evaluation of financial indicators (as at 31 December 2017):

- In our opinion, the performance of main business activities as well as financial aspect of PNJ and PNJ Group in 2017 were highly efficient, in positive trend (especially profit after tax/charter capital, fixed asset turnover, total liabilities/total assets, current payment capacity). However, it's noted that turnover of the total assets, inventory need to be controlled (to increase the efficiency in the use of goods).
- The SB collaborated closely with the BOD and CEO under independent, objective principle for the benefit of the Company, shareholders and fully complied with Internal Codes, the Charter, laws and regulations.

4. Evaluation of coordination between the SB and BOD, CEO and shareholders:

- The SB collaborated closely with the BOD and CEO under independent, objective principle for the benefit of the Company, shareholders and fully complied with Internal Codes, the Charter, laws and regulations.

III. CONCLUSION – SUGGESTION:

- The supervision and inspection of the SB showed that the BOM has deployed and implemented the spirit of the Resolution of the 2017 AGM, the Company's management regulation, the Company's Charter based on the interests of the Company and the Shareholders.

- In 2017, BOD and BOM made every effort to overcome difficulties to meet business targets set by AGM in 2017. In order to maintain and develop, to achieve the targets of 2018, as well as to enhance the transparency, to avoid errors and risks in the process of running the company's production and business activities, SB recommended BOD and BOM as followed:

1. Promote the risk management at all levels, from the Company, Division to units; Maintain and improve the efficiency of the control systems in two levels (self-control & examining).

2. Continuously implement and control information technology strategy (the foundation for strong and sustainable development), information security and the controlling mechanism of key projects in the year.
3. Issue timely policies aiming to effectively exploit assets, inventories as well as evaluate the financial efficiency of retail network development at each stage.
4. Accelerate the training and development of human resources, build personnel policies and personnel rotation in line with current situation and development need of the Company
5. Continue to facilitate SB in activities under the principle of risk management.

The above is Report of Supervisory Board in 2017 to submit Annual General Meeting 2018.

The Supervisory Board sincerely thanks Shareholders, Board of Directors, Board of Management, other units trusted in cooperation. Supervisory Board expects to receive more cooperation in time ahead.

Recipient:

- BOD, Supervisory;
- BOM;
- PNJ Shareholders;
- Archived: Secretary

HEAD OF SUPERVISORY BOARD

(Signed)

NGUYEN THANH DU