

THE 2018 OPERATION REPORT OF BOARD OF DIRECTORS PHU NHUAN JEWELRY JOINT STOCK COMPANY

I. BOD'S ASSESSMENT ON THE COMPANY'S OPERATION RESULTS IN 2018:

2018 was a successful year of PNJ with great achievements in all fields, all financial indicators exceeded budget that was approved by AGM in 2018. In addition to its good financial performance, PNJ also achieved national and international recognition of its position as the leading jewelry enterprise in Vietnam in particular and ASEAN region in general.

1. Assessment of operation results:

The results achieved in 2018 as follows:

Unit: Million VND

Indicator	Result of 2017	Budget of 2018	Result of 2018	+/- (%)
Net revenue	10,976,836	13,727,000	14,571,135	33%
Net profit	1,911,963	2,477,528	2,779,083	45%
Profit before taxes	907,379	1,100,007	1,205,550	33%
Profit after taxes	724,856	882,406	959,923	32%
Gross profit margin	17.4%	16.3%	19.1%	
Profit Margin	6.6%	5.9%	6.6%	
Dividend	18%	18%	20%	

Source: Soucre: PNJ's audited consolidated financial statements 2018

All targets of revenue and profit have increased by more than 30% compared to 2017 while 2017 is the year that has seen significant growth compared to the previous period. Therefore, the growth rate in 2018 was really impressive and established new records of profits in the history of PNJ.

2. Assessment the implementation of strategic orientations:

In order to have the success as mentioned above in addition to the continuous efforts and high commitment of all employees and the Board of Management, it is also the active operation of the Board of Directors in planning and following monitor and supervise the implementation of strategic orientations based on the successful House model. These

orientations are **sustainable growth, capacity development, enriching resources and preparing the future.**

With the orientation of **Sustainable Growth** strategy, PNJ has achieved some remarkable results such as:

- Revenue maintained positive growth with CAGR of 30% per year for the period 2016 – 2018.
- 2018 gross profit is 45% compared to 2017 and extended the continuous growth from 2013.
- Developing the Distribution System nationwide with 324 stores in 51/63 provinces.

With the orientation of **Capacity Development**, PNJ persistently took seriously and methodically to create solid foundations for long-term sustainable development, specifically:

- Human resource capacity: complete the construction of the “Leadership Competency Framework” in November 2018, continue the program "Management Trainee", improve the quality of training to ensure the resources for development...
- Supply chain capacity: improve and increase the capacity to deliver accurate, enough and in time goods, increase the engagement and information connection between the supply chain department and other departments.
- Retail capacity: successfully organizing customer engagement programs, building a "retail dashboard" to improve management, new stores are developed evenly throughout the year.
- Strategic capacity: increasing the deeper building of strategic orientation and capacity for implementation at the group and department level/ subsidiaries.
- Technology capacity: invested and developed strongly in many aspects from infrastructure, data analysis, application and utility services ...
- Marketing capacity: marketing programs have the important role in contribution to the strong revenue growth of retail activities.

PNJ also focus on the implementation of **Enriching Resources** orientation with many activities such as: increasing the engagement of employees through measuring and improving employee satisfaction scores (ESS), increasing the customer resources, maintaining and promoting domestic and foreign partnerships, actively developing CSR activities to contribute to enhancing brand value and reputation...

With the strategic orientation of **Preparing the Future**, PNJ has focused on using the resources to carry out activities related to digitization and big data, specifically:

- The Enterprise Resource Planning (ERP) project has been focused and implemented entire Company and has "Go-live" in early April 2019, contributing to completing the most important component of the strategy "Digital transformation" of Company.
- Completed the initial data warehouse and linkage models for management groups.
- Initial analysis of data has contributed to the research and brought the analysis results into sales activities and human resource management.

Besides that PNJ also has a series of activities to contribute and express our social responsibilities such as: the program to engage university students - "Spread the Golden Trust", the program "The House of Faith", the "Love Spring" program, humanitarian blood donation and PNJ Charitable Fund.

II. SUPERVISING RESULTS OF THE BOARD OF DIRECTORS FOR THE MANAGEMENT BOARD:

The Board of Directors well performed its function of supervising the General Director and the Board of Management. by attending regular and extraordinary Board of Management's meetings, checking the activities at business locations, and through regular and extraordinary reporting systems. Therefore, the Board of Directors has always understood the operation situation of the Company, the decisions and activities of the Board of Management. The Board of Directors have had good coordination with the Board of Management to make the timely and correct decisions and policies to complete the proposed business plan.

By supervision activities, the Board of Directors assessed the General Director and the Management Board quite determined, effort and proactive in implementing assigned tasks, works, in addition fully and properly comply with the internal management regulations of the Company and the Company's Charter in the process of performing the tasks. The General Director and the Management Board have also fully and timely implemented resolutions and decisions of the Board of Directors and the Annual General Meeting of Shareholders in the fiscal year. However, some members of the Executive Board need to be strengthened in strategic management capacity to ensure compliance with the growth and transformation of the Company in the coming years.

III. ACTIVITIES OF BOD:

1. Board of Directors' structure:

Board of Directors composed of eight members, in which Mrs Cao Thi Ngoc Dung is Chairwoman, 04 Executive Members are Mr Le Tri Thong – Vice Chairman cum General Director, Mrs Pham Vu Thanh Giang, Mrs Pham Thi My Hanh, Mr Le Huu Hanh; 03 independent members are Mrs Huynh Thi Xuan Lien, Mr. Le Quang Phuc and Mr. Robert Alan Willett.

Mrs. Nguyen Thi Cuc, Board Member, resigned on June 11th, 2018 according to personal aspirations.

2. Activities of the Board:

Based on the operational plan, the Chairman has made the plans and programs for quarterly activities with clear and specific contents in order to create conditions for the Board members to have enough time and conditions for attending Board meetings.

The members of the Board of Directors have shown a high responsibility, work effectively and have fully and properly implemented the rights and obligations of the Board members in accordance with the provisions of the Company's Charter, Regulations of Corporate Governance, and Regulations on organization and operation of the Board of Directors.

In 2018, the Board of Directors also implemented all Resolutions of the 2018 Annual General Meeting of Shareholders.

3. Organizing Board of Directors' meetings:

In 2018, the Board of Directors held 28 meetings, following the process and procedures stipulated in the Company's Charter, Corporate Governance Regulations, and Regulations on the organization and operation of the Board of Directors. By the meetings, the Board of Directors has issued the minutes/ resolutions/ decisions to implement the

rights and obligations of the Board of Directors and resolutions of the General Meeting of Shareholders, specifically:

- Bank loans;
- Approve the reports on results of production and business activities of Management Board;
- Establish company branches, subsidiaries;
- Appointing management positions under the authority of the Board of Directors;
- Sign commercial contracts with relevant person of Board of Directors, Board of Management, Supervisory Board;
- Works related to the 2018 Annual General Meeting of Shareholders;
- Issuing shares to increase charter capital from retained earnings and the 2018 Employee Stock Option Plan (ESOP) approved by the Annual General Meeting of Shareholders in April 21st 2018;
- Payment of the 2017 third phase dividend and the 2018 first phase dividend, the 2018 second phase dividend.
- And other documents under the authority of the Board.

(List of meetings of the Board of Directors in Appendix No. 01 of attachment)

4. Remuneration, salary, bonus and allowance of BOD in 2018:

In 2018, the Company paid VND 1,678,775,100 for remuneration and operating expenses to board members. At the same time, the Company also paid VND 36,235,970,150 for salaries, bonuses and operating expenses to the Executive members of the Board of Directors participating in the management, the General Director and the Management Board.

(Details of remuneration, salary, bonus and other benefits of the Board of Directors and the Board of Management please see the Annual Report posted on PNJ's website: <http://pnj.com.vn/quan-he-co-dong>)

The bonuses are completed and exceeded the 2018 after-tax profit plan for the Board of Directors and the Board of Management under Article 5, Resolution No. 378/2018 / NQ-DHDCD-CTY dated April 21th, 2018 of the Annual General Meeting of Shareholders have not been implemented because of the waiting for approval of business results in 2018 of the Annual General Meeting of 2019.

5. Assessment of independent members on the activities of the Board of Directors:

(Please read the independent member's assessment report on the activities of the Board of Directors attached).

6. Others:

PNJ has a total of 04 subsidiaries that operate in various industries related to fashion and jewelry: PNJ Laboratory Company Ltd., CAO Fine Jewelry Company Ltd., PNJ Production and Trading Company Ltd. and Customer Era Company Ltd. The members of the Board of Directors are assigned to be the executives, representing the contributed capital of PNJ at subsidiaries.

IV. ACTIVITIES OF 2 SUBCOMMITTEE UNDER THE BOARD OF DIRECTORS:

1 Strategy committee:

- Strategic works: identify "The 2018 Key Strategies", in addition monitoring – supervision – implementation of the 2018 key strategies. Identify and develop "The Key Strategies for period 2019 – 2022".
- Develop a business plan: monitor and supervise the implementation of "The 2018 key set of KPIs" of the whole Company and departments; orientation – comment – adopting "PNJ 2019 key sets of KPIs" of the Company and departments in 2019 by the Strategic Department. Orientation – comment – adopting "PNJ 2019 Actions", built by the Strategic Department.
- Improving management capacity and management system: monitoring – reviewing – giving guidelines – proposing improvements in the management practices of PNJ Company under the new corporate governance model.
- In addition, propose improvements in management practices and management information systems of the Company, orienting and urging the preparation and deployment of new ERP systems for PNJ; Orient the vision of Digital Transformation project.
- Implement the orientation of human resource development: orienting and building "Strategies to enrich PNJ asset of human resources period 2017 – 2022" – ensuring human resources always go ahead in the development of PNJ's strategy; supervise, urge and directly participate in periodic activities on corporate culture.
- Development of organizational capacity:
 - Monitoring – supervising – urging quick-wins (QWs) in developing risk management capabilities.
 - Monitoring – supervising – urging the implementation of actions/ plans to improve production capacity and wholesale business.
 - Develop and submit to the Board for approval the "*Establishment Plan of PNJP*".
 - Review and update the "*PNJ IT Strategy period 2017 – 2022*".
 - Monitoring – supervising – urging the key actions/ plans of the IT sector.
 - Develop strategic guiding principles for financial investment.
 - Coordinate with the Finance committee in developing the capacity of PNJ financial management towards the group model for the 2017-2022 period.
 - Monitoring – supervising – urging the implementation of plans/ actions in improving the strategic management capacity.
 - Monitoring – supervising – urging the implementation of plans/ action in improving the retail capacity.
 - Orientating – monitoring – supervising – urging the implementation of Marketing's actions/ plans.

5.2 Finance committee:

- Implement financial planning and monitoring activities in 2018, check revenue and profit margin of each industry.
- Check the items of expenses, capital sources of each division, department, subsidiaries periodically monthly, quarterly and annually.
- The Internal Control Department and the management of operation accounting department operated effectively with control functions, although the company's branch/ distribution system is wide and much, all non-conform points are recorded, identify the

risks in the operation process are only erroneous, or important, it is just only a timely manner that Internal team always set a precautionary approach.

- Finance committee has directed and monitored the development of plan, structure, content and form of the accounting system under the ERP project that be implemented in 2018 and prepared to Go Live in 2019.

Recipient:

- BOD, SB
- GD
- PNJ Shareholders
- Archived: BOD Office
- Archived: Record Section

ON BEHALF OF BOARD OF DIRECTORS
CHAIRWOMAN



CAO THI NGOC DUNG

