

## **REPORT ON ACTIVITIES OF SUPERVISORY BOARD IN 2018 PHU NHUAN JEWELRY JOINT STOCK COMPANY**

*Pursuant to:*

- *The Charter of organization and operation of Phu Nhuan Jewelry Company (PNJ);*
- *The Code of Conduct of Phu Nhuan Jewelry Joint Stock Company (PNJ);*
- *Regulation on the organization and operation of PNJ's Supervisory Board (SB)*
- *Separated and consolidation audited financial report 2018.*

Supervisory Board reports the activities in 2018 to submit Annual General Meeting of Shareholders 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 |

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:**

- Attend meetings of the Board of Directors (BOD). Implementing the supervision and inspection of the activities of the BOD, the Board of Management (BOM) in accordance with the Resolution approved by the 2018 Annual General Meeting of Shareholders (AGM), the Company Management Code of Conduct, the Company Charter.
- Supervise the management and implementation of the profit plan for 2018 of the BOD, BOM and checking the business activities of the company in 2018 in accordance with the Resolution approved by the 2018 Annual General Meeting of Shareholders (AGM).
- Verify the truth, fairness and prudence in the organization of the accounting department and financial reporting. Review the interim report and the 2018 Financial Statements (separate and consolidated) reviewed and audited by PwC Vietnam Co., Ltd.
- The Supervisory Board coordinate with internal control to conduct 574 times of inventory and monitoring of money and goods; 156 times of checking sales operation process; 22 thematic tests related to the operations of retail chain, departments and PNJP; 850 reviews of retail customer services. Test results are sent to the BOD's Chairwoman and the BOM.

#### **3. Compensation, operating expenses and other interests of the SB and SB members in 2018:**

- Mr Nguyen Thanh Du: Total salary, bonus and allowance for SB in 2018 was 488,044,080 VND, in which allowance was 120,000,000 VND.
- Mr Le Anh Duc: Total salary, bonus and allowance for SB in 2018 was 236,111,040 VND, in which allowance was 48,000,000 VND.
- Mrs Nguyen Ngoc Hue: Total salary, bonus and allowance for SB in 2018 was 597,262,352 VND, in which allowance was 60,000,000 VND.

### **II. RESULTS OF SUPERVISION:**

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

##### **1.1. The BOD:**



- The Board of Directors fully implemented its management responsibilities in compliance with the Enterprise Law, Securities Law, the Company's Charter, Resolution of the General Meeting of Shareholders and other provisions of law.
- The Board of Directors has implemented in accordance with the resolutions of the Annual General Meeting of Shareholders in 2018.
- Resolutions of the Board of Directors have been issued in compliance with the Board's authority and the contents of these resolutions comply with the resolutions of the General Meeting of Shareholders, Enterprise Law, Securities Law, the Company's Charter, and other legal provisions.
- Controlling the activities of the Strategy Sub-Committee, the Finance Sub-Committee linking closely with the BOD and BOM which help to implement timely and efficiently.

**1.2. The BOM:**

- Through the supervisory process, the Supervisory Board found that decisions of the BOD in 2018 were timely to create a competitive advantage for PNJ and in accordance with the spirit of the resolution of the Annual General Meeting of Shareholders 2018, the Company's Charter and regulations and ensure full disclosure of information to shareholders.
- Almost the results and risks assessment was implemented by the BOM, a few still continue to improve.
- 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 2018, 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.

**2. Evaluation of the coordination of activities between the Supervisory Board and the Board of Directors, General Director and shareholders:**

The Board of Directors and General Director always create favorable conditions for the Supervisory Board to perform its duties and always have close, independent and objective coordination on the principle of the interests of the Company, shareholders and fully comply with the provisions of the Internal Codes, the Company's Charter and the provisions of law.

**3. Verification of profit distribution and funds appropriations in 2018:**

According to the proposal of profit distribution in 2018 tentatively submitted to General Meeting of Shareholders, the Supervisory Board identifies that the profit distribution plan in 2018 complies with the law and PNJ's Charter. The plan of paying dividend with ratio of 18%/ par value was in accordance with the plan approved by the 2018 Annual General Meeting, and will submit to the 2019 General Meeting of Shareholders to pay the 3<sup>rd</sup> dividend payment of 2018 of 2%/ par value.

**Profit distribution: VND 959,923 million**

In which:

- Dividend payment: VND 329,138 million
- Funds Appropriation: VND 131,431 million
- Retained earnings: VND 499,354 million

**4. Verification of financial statements for 2018:**

- After examining Company's financial statements for 2018 which was audited by PRICEWATERHOUSECOOPERS 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 Vietnam Accounting Standards, Vietnam Enterprise Accounting System and the legal regulations relating to preparation and presentation of the consolidated financial statements.

**4.1. Equity Capital and Assets as at 31 December 2018 and financial performance of PNJ as follows:**

- Total assets, capital of PNJ Group and PNJ increased by 41% and 37% respectively.
- Increase of assets was mainly driven by: Inventory, fixed assets increased by 34.3%, 5.3% respectively and short-term financial investments (withdrawal of term deposits) rose by 3.5%.



- The capital increase was mainly due to the increase in short-term debt and owner's equity (stock dividends and share issuance according to the employee stock ownership plan), and other short-term payables (materials paid for outsourcing services) increased by 15.6%, 12.9% and 4.1% respectively.
- Owner's equity: Private equity of PNJ itself accounts for 99.4% of total equity of the Group. In 2018, the charter capital of PNJ increased from VND 1,081,020,340,000 to VND 1,670,029,820,000, up 54% compared to the end of 2017 (pursuant to Resolution No. 1008/2018/NQ-HĐQT-CTY).

**4.2. Evaluation of financial ratios (as at 31 December 2018):**

- In our opinion, the performance of main business activities as well as financial aspect of PNJ and PNJ Group in 2018 were highly efficient, in positive trend (especially gross profit margin, net profit margin and return on equity). However, it is noted that debt/total assets ratio, turnover of the total assets, inventory and current ratio need to be controlled to increase the efficiency in the use of capital and inventories.

**IV. CONCLUSION – SUGGESTION:**

**1. Suggestion:**

The Supervisory Board suggests to the BOD and BOM as follows:

- Completing the operational mechanism of PNJ Group to improve system operation efficiency.
- Building a solid risk management foundation and deploying to all levels, from the Company, the Division to the units; effectively maintain and improve the system control mechanism according to 2 levels (self-control & inspection).
- Strictly controlling of key technology projects.
- Efficiently exploiting and using of assets, regularly assessing financial investment efficiency, reviewing and evaluating of retail network development in each period and controlling debts.
- Continuing to promote human resource training and development, developing reasonable personnel policies and staff rotation, in accordance with development of the company.
- Continuing to create favorable conditions for the operation of the Supervisory Board in accordance with regulations on risk management principles.

**2. Conclusion:**

Through the supervision and inspection, the Supervisory Board found that the Company's activities last year strictly complied with the Enterprise Law, Securities Law, the Company's Charter, relevant regulations and strictly comply with the resolutions approved by General Meeting of Shareholders and the BOD. Information disclosure activities of the Company also comply with relevant regulations applicable to listed companies.


Above is the Report of Supervisory Board's operation in 2018. Respectfully submit to the General Meeting of Shareholders for approval.

We wish the General Meeting of Shareholders a great success.

Recipients:

- BOD, SB
  - GD
  - PNJ's Shareholders
  - Archived: BOD Office
  - Archived: Clerk
- P

**ON BEHALF OF SUPERVISORY BOARD  
HEAD OF SUPERVISORY BOARD**



**NGUYEN THANH DU**