

THE OPERATION REPORT OF THE BOARD OF DIRECTOR IN 2019

PHU NHUAN JEWELRY JOINT STOCK COMPANY

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

2019 continues to be a successful year for PNJ and also a challenging year for the courage and spirit of the Board of Directors (BOD), Board of Management (BOM) and all employees.

The BOD has been always standing side by side, and supporting the BOM and the Company to put great efforts to exceed the profit targets set for 2019 in spite of the many unfavorable volatilities of the jewelry market due to fluctuations in gold price caused by trade wars. Overcoming the difficulties that were foreseen in the early stages of ERP implementation, PNJ successfully go-live the Enterprise Resource Management System – ERP (SAP – S/4HANA). This is an important foundation helping PNJ firmly move up with the process of Continuous Operation Improvement and Digital Transformation in the future.

Besides outstanding business achievements, 2019 is also a “fruitful” year of awards with PNJ, gaining domestic and international recognition – an initial step for realizing the strategic vision of PNJ: Asia's leading jewelry manufacturer and retailer, holding the number one position in the middle and high-end segments in Vietnam.

1. Assessment of business results:

The business results achieved in 2019 as follows:

Unit: Million dong

Indicator	Budget of 2019	Result of 2019	+/- (%) Budget	+/- (%) YoY
Net revenue	18,207,610	17,000,681	-6.6%	16.7%
Gross profit	3,477,800	3,460,713	-0.5%	24.5%
Profit before tax	1,480,000	1,506,712	1.8%	25.0%
Profit after tax	1,181,760	1,193,925	1.0%	24.4%
Gross margin	19.10%	20.36%	6.6%	6.7%
Net margin	6.49%	7.02%	8.2%	6.6%
Cash dividend	18%	18%		

Source: PNJ's audited consolidated financial statements 2019

All indicators of revenue and profit have grown compared to the previous year, in which profit still maintained the growth rate of over 20% despite of unfavorable effects of gold prices to the purchasing power of the retail market in general and the jewelry market in particularly due to US-China trade war, as well as complicated geopolitical situations in the world.

2. Assessment of the implementation of strategic orientations:

In order to maintain the growth as mentioned above, apart from the continuous efforts and high level of commitment of all employees and the BOM, there is also the active operation of the BOD in planning and monitoring, overseeing the implementation of strategic orientations based on the PNJ's Successful House model. These are the orientations for **Sustainable Growth, Capability Development, Asset Enrichment and Preparation for the future.**

- For the orientation of **Sustainable Growth**, PNJ has achieved some remarkable results such as:
 - Maintained revenue growth at an average rate (CAGR) of 22%/year for the period of 2016 – 2019. Total revenue of PNJ has doubled after only 3 years.
 - Profit before tax in 2019 – conquered the milestone of VND 1,500 billion - exceeded the set target.
 - Developed a chain of retail stores across the country with a total of 346 stores by the end of 2019 presented in 52/63 provinces and cities in Vietnam.
- The above results are achieved through a series of comprehensive and serious solutions to the develop the fundamental competencies of PNJ from Human Resources, Supply Chain, Retail, Marketing to Strategy and Technology. In addition, PNJ always focuses on **enriching asset** with various activities such as: increasing employee cohesion, customer satisfaction increasing (CSI), maintaining and strengthening domestic and international partnerships... Furthermore, in **preparation for the future**, PNJ has focused considerable resources in execute the digital transformation activities, building a data warehouse platform as well as applying "big data" into the decision making processes.
- Moreover, PNJ also conducted a series of activities that contributed and demonstrated social responsibility, such as program to engage university students - "Spread the Golden Belief", the program "The House of Faith", "Spring Love", humanitarian blood donation and PNJ Charitable Foundation.

II. SUPERVISING RESULTS OF THE BOD FOR THE EXECUTIVE BOARD:

1. Method of supervision:

The BOD has overseen the executive work of the CEO and the Executive Board through:

- Chairwoman of the Board of Directors participates in regular meetings of the Board of Management & important meetings related to the implementation of business development projects and corporate governance; at the same time assigning full-time members of the Board of Directors to participate in specific projects in each field of business activities, digital transformation.
- Monitoring the completion of the year's important targets committed by the CEO and the Executive Board;
- CEO and Executive Board present business results and operation status in the BOD's quarterly meetings;
- Coordinate with the Supervisory Board to understand the status of the Group's operations in order to make practical recommendations to support the CEO and the Executive Board fulfill the tasks assigned by the General Meeting of Shareholders and the BOD;

- Frequently command to inspect on site activities at point of sales, branches and through the system of periodical and extraordinary reports.

Thanks to that, the BOD has always been aware of the status of the Company's operations, decisions, operations of the Executive Board and has a good coordination with the Executive Board to make timely and sound decisions and policies to achieve the business targets.

2. Overall assessment:

Through supervisory activities, the CEO and the Executive Board have made great efforts in achieving the Group's business goals.

- The BOD well-acknowledged the CEO and the Executive Board 's determination to realize the vision of being Asia's leading jewelry manufacturing and retailing company. The CEO and the Executive Board have been successfully tackling and bravely overcoming challenges and be very proactive in deploying work routes not only for short-term business activities but also for building new platforms for long-term development of the company.
- CEO and the Executive Board have fully and properly complied with the provisions of law, the company's charter in the course of performing tasks. The CEO and the Board of Management have also fully and timely implemented the resolutions and decisions of the BOD and the Annual Stockholder Meeting in the financial year.

III. ACTIVITIES OF BOD:

1. Structures and Members of BOD:

The BOD currently consists of 09 members, including:

- Mrs. Cao Thị Ngọc Dung – Chairwoman;
- Mr. Le Tri Thong – Vice Chairman cum CEO
- Mrs. Pham Vu Thanh Giang – Member of The Board of Directors
- Mrs. Pham Thi My Hanh – Member of The Board of Directors
- Mr. Le Huu Hanh – Member of The Board of Directors
- Mrs. Dang Thi Lai – Member of The Board of Directors
- Mrs. Huynh Thi Xuan Lien – Independent member of The Board of Directors
- Mr. Le Quang Phuc – Independent member of The Board of Directors
- Mr. Robert Alan Willett – Independent member of The Board of Directors

Mrs. Dang Thi Lai was elected to the BOD by the shareholders during the Annual Stockholder Meeting 2019 in April 20, 2019.

2. Remuneration, salary, bonus and allowance of BOD in 2019:

In 2019, the Company paid salaries, bonuses and operating expenses for members of the Board of Directors, CEO, Board of Management, awarded 304 managers who have good performance and paid for charity activities with a total amount of VND 53,158,673,767.

Details of remuneration, salary, bonus and other benefits of the BOD 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 for completed and exceeded the 2019 after-tax profit plan for the BOD and the Board of Management under Article 3, Resolution No. 278/2019/NQ-ĐHĐCĐ-CTY dated

20/04/2019 of the Annual Stockholder Meeting have not been implemented due to waiting for the approval of business results in 2019 of the Annual General Meeting of 2019.

3. Activities of the Board:

Based on the operation plan, the Chairwoman has formulated programs for quarterly activities with clear and specific contents in order to ensure favorable conditions for the Board members to have proper time and be able to attend Board meetings.

The members of the BOD have shown a high responsibility, worked effectively, 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 BOD.

In 2019, the BOD has implemented all the Resolutions of Annual Stockholders meeting 2019.

The BOD has held 22 meetings, following the process and procedures stipulated in the Company's Charter, Corporate Governance Regulations, and Regulations on the organization and operation of the BOD. During these meetings, the BOD has issued documents/ resolutions/ decisions to implement the rights and obligations of the BOD and resolutions of the Annual Stockholder Meeting of Shareholders, specifically.

- Borrowing bank capital;
- Approval of reports on production and business results;
- Establishment of branches directly under the Company;
- Appointing managerial positions of member companies;
- Signing contracts and transactions with internal / affiliated persons;
- Works related to the 2019 Annual General Meeting;
- Issuing shares to increase charter capital from owner's equity, issuing shares under the Employee Stock Option Program (ESOP) in 2019 approved by the 2019 Annual General Meeting on April 20, 2019;
- Dividend Payment for the third phase of 2018 and dividend advance in the first and second phase of 2019.

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

4. Assessment of independent members on the activities of the BOD:

a. Regarding the organization of the Board meetings:

- In 2019 The BOD has held 22 meetings, and through these meetings, the BOD has issued minutes/ resolutions/ decisions specifically and consistently. The meetings have been issued and organized following the process and procedures stipulated in the Company's Charter, Corporate Governance Regulations, and Regulations on the organization and operation of the BOD
- Meeting invitations, data and documents have been sent in full to members of the BOD, Board of Supervisors attending the meeting for reference and research in accordance with the law, the Company's Charter, Corporate Governance Regulations and other regulations. Minutes of the meetings of the BOD have been made in full and signed by the Board members attending the meeting, ensuring the proper format as prescribed by law.

- Decisions of the BOD made at the meetings is in accordance with the laws, the Company's Charter, the Corporate Governance Regulations, the Resolutions of the Annual Stockholder meetings and in accordance with the approved business strategies and plans
- The meeting agenda were discussed and evaluated by members of the BOD openly, and objectively to give the most appropriate guidance for the organization both short-term and long-term.

b. Regarding the supervision of the CEO and other members of the Executive Board:

- The BOD has supervised the management and administration of the Executive Board. The members of the BOD have been regularly invited by the Executive board to attend the regular and extraordinary meetings of the Executive Board. Thus, the BOD ensured clear understanding the operational situation of the Company, the decisions, management and administration activities of the Executive Board.
- The BOD has excellent coordination with the Executive Board in order to make timely and sound decisions and policies to overcome market and organization challenges to achieve the best results for the business.
- The Executive Board is proactive in their works, resolute in implementing the strategies set out to fulfill the business targets as well as the goals of each division with very high independence.
- In general, the supervision of the Executive Board is maintained regularly and closely, ensuring the Company's activities are stable, safe, in compliance with the provisions of law, and achieving the plan set by the BOD and during Annual Stockholder meeting.

c. General assessment of the operation of the BOD:

- According to the BOD' action plan, the tasks performed by the BOD in 2019 were focused in accordance with the Resolution of the Annual Stockholder meetings and in compliance with the Company's Charter and Corporate Governance Regulations. All members of the BOD were unified, and committed, especially in the work of each member, proposed various solutions and made sound and timely decisions, while in accordance with the law.
- Regarding the technological changes, as reported in 2018, we mentioned about the company's initiative in taking actions, developing and investing in infrastructure and technology. 2019 is the year that PNJ has realized the works by leveraging the ERP in the Digital transformation. Although there were problems at the beginning due to the complexity of the industry, after 3 months of go-live, the system has successfully operated and the business returned to business-as-usual.
- In addition, the company has started to implement strategies for system development, and talent development through teamwork and structure with a solid foundation for the development of the company in 2019 and beyond.
- In 2019, PNJ has completed its plans despite many challenges in the market, including increasing competition from traditional competitors and external industry forces; at the same time, PNJ has performed the obligations to the National Budget, bringing benefits to the shareholders and employees of the Company. Especially, the Company has also put into effort and enthusiasm for volunteer activities, and meaningful services to the community

d. Other issues:

PNJ currently has 04 subsidiary companies operating in various fields related to the fashion and jewelry business, including:

- PNJ Laboratory Company Ltd., (PNJL)

- CAO Fine Jewelry Company Ltd., (CAF)
- PNJ Production and Trading Company Ltd. (PNJP)
- Customer Era Company Ltd. (CECL)

The members of the BOD are assigned to be the chairperson/ board members/ executives/ CEO at these subsidiaries.

IV. ACTIVITIES OF SUBCOMMITTEES UNDER THE BOD:

1. Strategy committee:

- Identified and developed “Key strategy for the period of 2017-2022”, aside from monitored, controlled and pushed for the implementation of the core business activities 2019
- Developed business plan: monitored and controlled the implementation “The 2019 KPIs for PNJ” of the whole group and each division; gave directions and suggestions and finalized “The 2020 KPIs for PNJ” built by the Strategic Divisions.
- Enhanced management capacity and system: monitored - reviewed - gave guidelines - proposed improvements in the management practices of PNJ Company under the new corporate governance model; the committee has achieved initial steps in finalizing the new documents regarding corporate governance
- Proposed improvements in management practices and management information systems of the Company, oriented and pushed for the preparation, deployment and successfully go live the new ERP systems for PNJ; Guided the vision of Digital Transformation project through orientation of implementing phase projects
- Developed human resource: orienting and building "Strategies to enrich PNJ talent asset period 2017 - 2022" - ensuring talents and people always go ahead in the development of PNJ's strategy; supervised, pushed for and directly participated in periodic activities on corporate culture. Oriented and Implemented improving the cooperate culture
- Developed organization's capabilities:
 - Monitored, supervised, promoting quick-wins (QWs) in developing risk management capabilities; Gather a consensus in building a modern risk management system and hiring implementation consultants.
 - Monitored, supervised and pushed for the implementation of actions / plans to improve B2B production and business capabilities.
 - Reviewing and updating “PNJ IT strategy 2017-2022”
 - Monitored, supervised and pushed for core actions/plans for IT division
 - Developing guidelines principles strategy for financial investment
 - Cooperating with the Finance Committee in implementing financial capabilities development with the direction for group model in the duration of 2017-2022
 - Monitored, supervised and pushed for the implementation of plans / actions in enhancing strategic management capabilities.
 - Monitored, supervised and pushed for the actions / plans of enhancing retail capabilities.
 - Monitored, supervised and pushed for the actions / plans of the Marketing division

2. Finance Committee:

- Presided, and coordinated with affiliated units, subsidiaries in formulating and implementing the 2019 operation plan.

- Oriented, supervised and coordinated with the ERP project team to build a centralized management system with international standard process, in order to improve the management and administration capabilities of the leadership and employee workflow.
- Consulted the BOD in leading and appraising investment projects on production equipment, system development, and business partnership/joint venture projects.
- Organized the monitor of capital expenditure, as well as monitor financial statements of subsidiary companies
- Coordinated with the company management in developing solutions to optimize operating costs.
- Presided and coordinated with the supervisory board, finance and accounting division, and internal control team to regularly monitor the compliance of the system to detect limitations and bottlenecks, and potential risks in operations in order to help the BOD plan training, remediation and rotation to ensure the company operate effectively.
- Oriented and developed a financial plan for the group in 2020 to submit to the BOD and the Annual Stockholder Meeting

Above is the report on the operation of PNJ Board of Directors in 2019.

Respectfully submit to the AGM for approval.

Recipients:

- BOD, SB
 - CEO
 - PNJ Shareholders
 - Archived: BOD
 - Archived
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**ON BEHALF OF THE BOD
BOD CHAIRWOMAN**



CAO THỊ NGỌC DUNG

APPENDIX NO. 01

No.	Resolutions	Day	Detail
1.	08/2019/NQ-HĐQT-CTY	04/04/2019	Changed Chief Accountant of Member Company (CAO Fashion Co., Ltd.)
2.	178/2019/NQ-HĐQT-CTY	05/03/2019	Determined the time to hold the General Meeting of Shareholders 2019 and the last registration date to exercise the right to vote to attend the General Meeting of Shareholders 2019
3.	212/2019/NQ-HĐQT-CTY	18/03/2019	Approved bank loans
4.	216/2019/NQ-HĐQT-CTY	20/03/2019	Approved bank loans
5.	225/2019/NQ-HĐQT-CTY	23/03/2019	Approved the change in leader of Marketing Division; Plan to organize the General Meeting of Shareholders in 2019
6.	227/2019/NQ-HĐQT-CTY	23/03/2019	Approved the Financial Statement Quarter 1 of 2019; 2018 performance evaluation report of the BOD from independent Board members; 2018 Operation Report of the two subcommittees under the BOD; and other contents under the authority of the BOD
7.	237/2019/NQ-HĐQT-CTY	26/03/2019	Established PNJ Ha Nam Branch
8.	250/2019/NQ-HĐQT-CTY	02/04/2019	Approved the entire 24th Annual General Meeting of Shareholders document
9.	263/2019/NQ-HĐQT-CTY	05/04/2019	Received the transfer of land rights, ownership of houses and other land-attached assets in Da Nang
10.	278/2019/NQ-ĐHĐCĐ-CTY	20/04/2019	Resolution of the 25th Annual General Meeting of Shareholders - 2020
11.	283/2019/NQ-HĐQT-CTY	22/04/2019	Approved the third cash dividend payment in 2018 and close the shareholder list to increase share capital from equity.
12.	285/2019/NQ-HĐQT-CTY	22/04/2019	Approved signing contracts, dealing with internal / related persons
13.	287/2019/NQ-HĐQT-CTY	22/04/2019	Approved the Financial Statement Quarter 1 of 2019 of the Company and its subsidiaries; Report Go-Live SAP results; Assigned duties of Board Member in 2019; and other issues within its authority
14.	290/2019/QĐ-HĐQT-CTY	22/04/2019	Decided duties of the BOD

No.	Resolutions	Day	Detail
15.	297/2019/NQ-HĐQT-CTY	24/04/2019	Approved the 3rd cash dividend payment in 2018 and adjust the closing of shareholder list to increase share capital from equity; Implemented the procedures to issue bonus shares under the plan approved by the Annual General Meeting of Shareholders in 2019
16.	352/2019/NQ-HĐQT-CTY	19/06/2019	Approve the report about issued share results to increase share capital from equity
17.	353/2019/QĐ-HĐQT-CTY	19/06/2019	Decided on increasing authorized capital of Phu Nhuan Jewelry Joint Stock Company; Amending Clause 2, Article 14 of the Charter on organization and operation of Phu Nhuan Jewelry Joint Stock Company
18.	373/2019/NQ-HĐQT-CTY	02/07/2019	First dividend advance payment in 2019
19.	375/2019/NQ-HĐQT-CTY	02/07/2019	Through the acquisition of the number of shares issued to employees in the employee selection program in 2018, the employee will quit his job before the end of the limited time of transfer as treasury shares in accordance with the Resolution of the General Meeting of Shareholders. Annual report 2018 No. 378/2018 / NQ-DHDCD-CTY dated April 21, 2018 and authorizing decisions regarding stock repurchases
20.	377/2019/NQ-HĐQT-CTY	02/07/2019	Approved the dismissal, appointment of the director position and the change of legal representative of the member company - Customer Era Co., Ltd. (CECL) and the amendment of Clause 2, Article 5 of Article organization and operation rules of Customer Era Company Limited
21.	380/2019/NQ-HĐQT-CTY	02/07/2019	Approved the business results of the first 5 months of 2019 and the first 6 months of 2019; Activity report for the first 6 months and action plan for the last 6 months of 2019 of the Finance Sub-Committee and Strategy Sub-Committee; Approve the KPIs Implementation Report for the first 6 months of 2019 of PNJ Company and its subsidiaries; Approve the Report under the authorization of the 2019 Annual General Meeting of Shareholders on the audit unit for fiscal year 2019 and issue shares to increase share capital from equity; and other contents under the authority of the Board
22.	417/2019/NQ-HĐQT-CTY	23/07/2019	Approved limits and bank loans

No.	Resolutions	Day	Detail
23.	419/2019/NQ-HĐQT-CTY	23/07/2019	Approved limits and bank loans
24.	421/2019/NQ-HĐQT-CTY	23/07/2019	Established PNJ Bac Giang Branch
25.	501/2019/NQ-HĐQT-CTY	29/08/2019	Approved the loan limit of VND 800 billion to supplement working capital; Guarantee for member companies with a loan limit of VND 400 billion with the Bank to supplement working capital for subsidiaries
26.	515/2019/NQ-HĐQT-CTY	30/08/2019	Approved limits and bank loans
27.	563/2019/NQ-HĐQT-CTY	23/09/2019	Approved the implementation of ESOP 2019 share issuance plan
28.	565/2019/NQ-HĐQT-CTY	23/09/2019	Approving the increase of authorized capital of Customer Era Company Limited; Approve the amendment to Clause 2, Article 6 of the Charter on Organization and Operation of the Customer Era Member Company Limited
29.	567/2019/NQ-HĐQT-CTY	23/09/2019	Approved the operation report of the first 9 months of 2019 and KPIs implementation of PNJ + member companies and other contents under the authority of the BOD
30.	624/2019/NQ-HĐQT-CTY	28/10/2019	Approved the amendment and supplement of ESOP Regulation 2019 and the detailed list of officials and employees who are allowed to buy shares under the ESOP 2019 program
31.	658/2019/NQ-HĐQT-CTY	13/11/2019	Approved limits and bank loans
32.	662/2019/NQ-HĐQT-CTY	14/11/2019	Approved limits and bank loans
33.	722/2019/NQ-HĐQT-CTY	10/12/2019	Approved the results of the distribution of shares to officials and employees under the 2019 ESOP program ending on December 6, 2019 and the plan to handle shares not yet offered for sale.
34.	724/2019/NQ-HĐQT-CTY	10/12/2019	Approved limits and bank loans
35.	746/2019/NQ-HĐQT-CTY	16/12/2019	Approve the report about issued share results under the employee selection program in 2019; Approve the amendment and supplement to the Charter of organization and operation of Phu Nhuan Jewelry Joint Stock Company after the issuance of ESOP shares in 2019 due to the change of charter capital from VND 2,226,679,600,000 to 2,252,935,850,000 VND

No.	Resolutions	Day	Detail
36.	748/2019/NQ-HĐQT-CTY	16/12/2019	Approved the signing of contracts, transactions in 2020 between the company and internal people and related persons
37.	750/2019/NQ-HĐQT-CTY	16/12/2019	Approved the dismissal of the position of Member of the BOD (subsidiary) from Ms. Tran Thi Xuan Lan upon resignation application
38.	752/2019/NQ-HĐQT-CTY	16/12/2019	Approved the estimated business results for the fourth quarter of 2019 and the whole of 2019; Approved the report of KPI implementation results in 2019; and other contents under the authority of the Board
39.	753/2019/QĐ-HĐQT-CTY	16/12/2019	Decided on increasing charter capital of Phu Nhuan Jewelry Joint Stock Company; Amending Clause 2, Article 14 of the Charter on organization and operation of Phu Nhuan Jewelry Joint Stock Company
40.	765/2019/NQ-HĐQT-CTY	16/12/2019	Approved credit limits and bank loans