

REPORT OF SUPERVISORY BOARD 2019 **PHU NHUAN JEWELRY JOINT STOCK COMPANY**

- *Enterprise Law No. 68/2014 / QH13 passed by the National Assembly on November 26, 2014;*
- *The Company Charter and the Code of Conduct of Phu Nuan Jewelry Joint Stock Company;*
- *Regulation on the organization and operation of Supervisory Board (SB)*
- *Separated and consolidation audited financial report 2019.*

Supervisory Board submits to Annual General Meeting 2019 activities report with the main information as follows:

I. ACTIVITIES OF SUPERVISORY BOARD (SB):

- ❖ In 2019, the Supervisory Board held a regular meeting and attended the meetings of the Board of Directors (BoM) of PNJ Company.

The Supervisory Board has checked and supervised the compliance with the regulations and resolutions of the General Meeting of Shareholders, of the law and the company in the management and administration of business activities of the Board of Directors and the Board of Management (BOM), specific as follows:

- Considering the legality, order and procedures for issuing resolutions of the Board of Directors and disclosing information in accordance with the law.
- Supervise and inspect the implementation of production and business activities budget in 2019 according to the Resolution of the General Meeting of Shareholders for the Board of Directors and the Board of Directors.
- Checking the rationality, honesty and the degree of caution in organizing the work of finance, accounting, statistics and making financial statements. Review the interim financial statements and the 2019 financial statements (separately and consolidated) which have been reviewed and audited by PwC Vietnam Co., Ltd.
- During the year, the Supervisory Board and the internal control of the company collaborated well with members of the Board of Directors and the Board of Management in the process of performing the duties:
 - Participated in verifying inventory and monitoring goods: 713 times.
 - Inspected the selling process: 375 times.
 - Adhoc inspection of operating systems at units: 16 times
 - Standard assessment of customer service: 581 times.
 - Report on the inspection results sent to the Chairman of the Board of Directors, Vice Chairman and the Board of Management.
- In the course of performing the tasks of supervision and inspection in 2019, the Supervisory Board did not detect any signs of violations, and there were no complaints from the shareholders about the Board of Directors and the Board of Management.
- The Board of Supervisors along with the Board of Directors and the Board of Management studied Decree 05/2019/ND-CP on establishing an internal audit unit for PNJ.
- ❖ Salary, bonus, allowance and other benefit of SB in 2019: including 3 members with a total remuneration of VND 228 million

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

1. Board of Directors:

- The Board of Directors has fully performed its management responsibilities in compliance with the Enterprise Law, the Securities Law, the Company's Charter, the Resolution of the General Meeting of Shareholders and other provisions of the law.
- The BOD has followed the resolutions of the 2019 Annual General Meeting of Shareholders.
- Resolutions of the Board of Directors were issued in accordance with the authority of the Board of Directors and the content of these resolutions complies with the resolutions of the Annual General Meeting of Shareholders, the Law on Enterprises, the Law on Securities, the Company's Charter, and other laws.
- Controlling activities of the Strategic Committee, the Financial Committee is closely linked between the Board of Directors and the Board of Management, so the implementation is timely and highly effective.

2. Board of Management:

- Implementing the Business Plan in 2019:
 - ✓ The Board of Directors has regularly and drastically directed business solutions in the spirit of initiative, creativity and innovation, overcoming difficulties, practicing thrift in 2019 to ensure a stable growth of profits.
 - ✓ Launched PNJ Next, PNJ Art stores, opened new markets, timely seized business opportunities. Initially shaping the PNJ Watch brand, building a loyal customer base. Promote the capacity of selling online in combination with traditional stores.
- Implement key technology projects: success of Go-live SAP, system transfer and troubleshooting during operation phase, increasingly grasping and applying ERP platform, increasing productivity and ensuring on timely delivery rate. The system is continuously improved to operate more efficiently.
- Carrying out other key activities:
 - ✓ Continue to improve the process and research to advance techniques to mitigate error rates and wastage.
 - ✓ Strengthen the capacity to design and develop new models, combine with advanced technologies, develop new products and more delicate and quality products.
- Control activities:
 - ✓ The results and assessment of risks in the inspection have been implemented and most were overcome by the Board of Management, a few are still improving.
 - ✓ Monitoring combined with inspection and control helped PNJ to ensure the compliance of the system and valid accounting documents to help the financial statements be prepared on a reliable basis without any critical errors.

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

The Board of Directors and the General Director always create favorable conditions for the Board of Supervisors to perform their duties and always have a close, independent and objective cooperation in principle for the benefit of the Company, of the shareholders and fully comply with the provisions of the Internal Regulations, the Charter of the Company and the provisions of law.

IV. Verification of the 2019 profit distribution plan:

- According to the 2019 profit distribution report of the Board expected to submit to the Annual General Meeting of Shareholders, the Supervisory Board assessed that the profit distribution plan in 2019 complies with the law and PNJ's Charter.
- Dividend plan of 18%/par value (spent 8% in 2019, the profit distribution report of the Board of Directors proposed to spend the remaining 10%) according to the resolution approved by the Annual General Meeting of Shareholders 2019.

Distributed profit: VND 1.193.925 million

In which :

- Dividend payment: VND 403,427 million
- Appropriation to funds: VND 149.240 million
- Retained profit: VND 641.258 million

V. Verification of financial statements for 2019:

- After examining Company's financial statements for 2019 which was audited by PwC Vietnam Co., Ltd. Supervisory Board agreed on financial information reported 2019 on consolidated and separated audited financial statements of PNJ.
- 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 financial statements.

1. Capital and Assets as at 31 December 2019 and financial performance of PNJ:

- Total assets, capital of Group increased by 34%, and 27% for PNJ over the same period.
- Assets increased mainly by inventories, fixed assets increased by 32,0%, 3.2% and cash & cash equivalents, respectively, reducing assets by 1.7%.
- Capital increased mainly due to short-term loans & finance lease liabilities (short-term loans accounted for 94.9% with interest rates from 6.3% to 7%; capital mobilization accounted for 4.9% with interest rates of 3% and 8%), owner's equity (stock dividends and stock issues under the employee choice program), and short-term payables to sellers (imports of goods) impact increases 16.3%, 12.9% and 5.4% respectively.
- Owner's equity: PNJ's own equity accounts for 98.7% of the Group's equity. In 2019, the charter capital of PNJ increased from 1,670,029,820,000 VND to 2,252,935,850,000 VND, an increase of 35% compared to the end of 2018 (based on Resolution No. 353/2019/NQ-HĐQT-CTY & No. 563/2019/NQ-HĐQT-CTY).

2. Evaluation of financial indicators (as at 31 December 2019):

- In our opinion, the criteria for evaluating the business performance of PNJ and the whole PNJ Group in 2019 are highly effective, good trends compared to 2017 and 2018 (especially in gross profit /net revenue, net profit/net revenue, after tax/equity).
- Analysis of the trend of financial indicators over the years 2017, 2018, 2019: the total debt/ total asset index increases gradually (the loan increases due to the need for capital to develop the business system) and the assets turnover rate, inventory turnover rate, quick ratio and current ratio tend to decrease, so it is necessary to strictly control to continue increasing the efficiency in using capital and inventory.

VI. SUGGESTION AND CONCLUSION:

1. Suggestion:

The Supervisory Board proposes to the Board of Directors and the Board of Management the following:

- Improve the operating mechanism of PNJ Group to improve system operation efficiency.
- Building a risk management platform and risk alert mechanism at the Group level; deployment to all levels; maintain and improve the effectiveness of the 2-level system control mechanism (self-control & inspection; focus on self-control mechanisms).
- Implementing the plan to build an internal audit unit suitable to the organizational model of PNJ.
- Effectively exploit and use assets, regularly evaluate the effectiveness of financial investments, review and evaluate the development of retail networks in each stage and control debt.
- Strictly and effectively controlling the final stage of SAP software and other key technology projects.
- Continue to promote the training and development of human resources, develop personnel policies and personnel rotation in accordance with the current and development needs of the company in general and improve professional training of internal control, risk management, quality management.
- Investing in Era of Customer Company (CECL): It is necessary to have in-depth analysis of the organizational structure, operational efficiency before making funding for CECL.

2. Conclusion:

Through the supervision and inspection of the Supervisory Board, the Company's activities in the past year comply with the Enterprise Law, the Securities Law, the Company's Charter, relevant

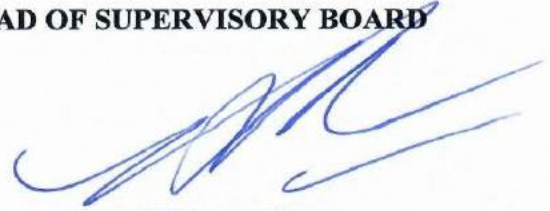
regulations and compliance with the resolutions of Dai. Shareholders' meeting and resolutions of the BOD. The Company's disclosure activities also comply with the relevant regulations applicable to listed businesses.

Above is the report on the operation of PNJ Supervisory Board in 2019.
Respectfully submit to the AGM for approval.

Recipient:

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

HEAD OF SUPERVISORY BOARD



NGUYEN THANH DU