

STRATEGIC BUSINESS PLAN IN 2020

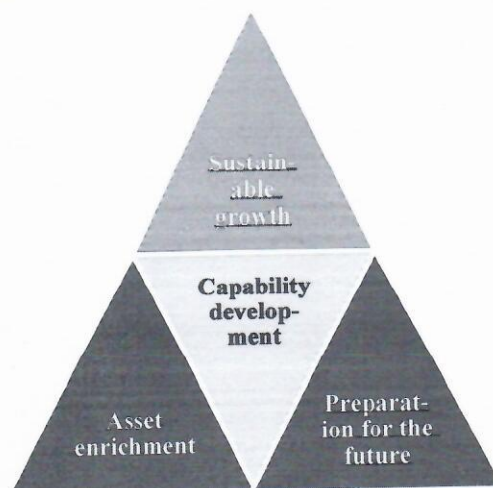
PHU NHUAN JEWELRY JOINSTOCK COMPANY

In 2019, as a results of significant challenges from market conditions as Vietnam's economy was affected by adverse global geopolitical events, the growth rate of retail industry began to slow down; at the same time, PNJ itself had to overcome an important turning point when ERP system first went live and caused strain on the operation. In that situation, the quick and timely guidance of the Board of Directors (BOD) and the Board of Management (BOM), together with the solidarity and determination of the employees, has helped the company to accomplish 2019 profit target set from the beginning of the year.

The BOD and BOM have analyzed and forecasted the 2020 year will be an even more challenging year for the Vietnam economy when the world economic situation continues to evolve with complicated impacts from trade wars between major powers, potential economic problems accumulated and unresolved over the years, and recently the Covid19 was forecasted to cause substantial negative effects to the global economy and to Vietnam.

To overcome these challenges, in 2020, PNJ will continue to be consistent with the four strategic orientations for the 2017 – 2022 period:

- **Sustainable growth**
- **Capability development**
- **Asset enrichment**
- **Preparation for the future**



2017 – 2022 STRATEGIC ORIENTATIONS

In 2020, PNJ will balance and harmonize the short term growth through "Refresh" itself to prepare new solid foundations for PNJ's sustainable development – sustainable growth in long term to bring long-lasting benefits to the shareholders.

1. Sustainable Growth:

In 2020, PNJ will conquer sustainable growth targets through growth drivers such as:

- Continuous improvement and innovation to penetrate the market.
- Focusing on restructuring the product portfolio - introducing new and various product lines to the market.
- Speeding up new business ventures.

2. Capability Development:

In parallel with sustainable growth, solidifying the capability foundation and developing in-depth core key strengths are 2020 vital tasks to help PNJ continuously "Refresh itself", becoming the creative pioneer, making great leap forward in order to firmly establish its leading position in the market and advancing to the international level.

- Continue to invest and enhance technology capabilities to create remarkable leap in the long term.
- Continue to enhance and "creatively evolved" Marketing capabilities.
- Focus investment on production capabilities to enable PNJ becoming the leading manufacturing company in the region.
- Apply modern retail management practices will ensure PNJ maintain its leading position in the industry.

3. Asset Enrichment:

PNJ also pays great attention to asset enrichment in addition to sustainable growth and capabilities development through the following aspects:

- Continue to enriching the quality of talent and leadership pools for the future through the implementation of development programs, such as career path, and succession programs.
- Enrich the Innovation energy source and capability by deploying Mentoring – Coaching programs to promote the "flow" of knowledge and experience sharing between superiors – subordinates, and among colleagues.
- Continue to enriching PNJ brand equity – group of PNJ brands equity PNJ brand group by creating linkages and synergies among brands of the PNJ ecosystem, increasing the integration of programs, promoting effectiveness of CSR programs.
- Focus on enriching external affairs.

4. Preparation for the future:

With the changes and evolvement of the business context as well as in Vietnam and in global markets, PNJ requires thoughtful preparations and be ready for long-term vision. Some necessary actions are as follows:

- Restructure the organizational structure and operating model of the headquarter and retail operation model.
- Improve corporate governance and management mechanisms.
- Develop a capital raising plan to supplement for new investments.

5. Investment Activities:

- In 2020, PNJ will continue to open 31 more stores.
- Invest in facilities and equipment for PNJ Production and Trading Company (PNJP – Factory No.2) in order to increase operational efficiency.
- Invest in developmental projects:
 - Continuing optimization: ERP
 - Digital Transformation: HCM, RFID, CRM and other projects.

6. Actions plan of strategy committee and internal audit committee:

❖ Strategy committee:

- Update the strategic implementation plan for the 2020 – 2022 period.
- Revisit the plan of the network expansion in the 2020 – 2022 period.
- Develop strategic orientations for existing businesses such as PNJP, CAF, PNJL, CECL; research and develop strategic orientations for new business activities.
- Direct and track the execution of strategic projects which are foundation of the Digital Transformation process: optimization of ERP operation, continuing the advanced human resource management project – HCM, Data Warehouse project, CRM project...
- Continue to promote the development of strategic competences: data analysis, risk management, retail and customer experience management.
- Build and direct guidelines for Corporate Culture project in the Group level.

❖ Internal audit committee:

- Develop internal audit regulations and processes to submit to the BOD for approval.
- Control compliance with laws and internal regulations/ processes across all aspect at the headquarter, branches, business units, subsidiaries, associates, propose plans and execute remedies to ensure the system is always monitored, measured, evaluated regularly and continuously.
- Plan and monitor the implementation of the financial plan for 2020.
- Evaluate internal control in business processes.
- Evaluate the effectiveness of the audit process.
- Audit subsidiaries, associated companies, partnership contracts.
- Evaluate the control of Company's resources securing measures.
- Report the results of internal audit and recommend remedies to fix limitation and propose improvement measurement as well as enhance the effectiveness and efficiency of the risk management and internal control processes.
- Implement risk management structure and policies in the company's activities, perform risk management activities consistently and fully.
- Develop and implement training programs on risk management, build risk awareness, provide internal support and training within the company.
- Perform risk assessment, analyze and manage current risks of the company and compare potential risks with criteria set by the company such as costs and legal requirements.



7. Some planned targets as below (consolidated):

TARGET	2019 RESULT	2020 TARGET	Growth (%)
Net revenue	17,000,681	14,485,596	-15%
Gross profit from sales and services	3,460,713	2,895,557	-16%
Profit before tax	1,506,712	1,047,315	-30%
Profit after tax	1,193,925	832,230	-30%
Dividend	18%	18%	

The Covid-19 pandemic was a force majeure event, resulting a lot of impacts compared to the normal business conditions, the Board of Directors present to the General Meeting of Shareholders 2020 for approval to reward the Board of Directors and key leaders if it reached and exceeded the Profit After Tax 2020 target, as follows:

- **If reaching the after-tax profit 2020 target:** rewarding the Board of Directors and key leaders:
 - o Bonus of 1%/Profit after tax.
- **If reaching 115% of profit after tax 2020 target:** issuing bonus shares under the employee stock ownership program (ESOP) at the rate of 0.85% of the outstanding shares.
- **If exceeding 115% of the profit after tax 2020 target:** in addition to 0.85% of the above number of shares, bonus to the Board of Directors and key leaders: issuing shares under the employee stock ownership program: for each exceeding 1%/115% The after-tax profit 2020 target, issuing ESOP 0.06%/number of outstanding shares and total ESOP issuing shares will not exceed 0.65%/Number of outstanding shares.

For example:

- o *If the after-tax profit result of PNJ is 957.06 billion VND, the ESOP share issuance rate is:*

$$\Rightarrow \text{ESOP ratio} = 0.85\% + 0.06\% \times [(957.06 / 832.23 - 115\%) \times 100] = 0.85\% \text{ of the outstanding shares.}$$
- o *If the after-tax profit of PNJ is 970 billion VND, the ESOP share issuance rate will be:*

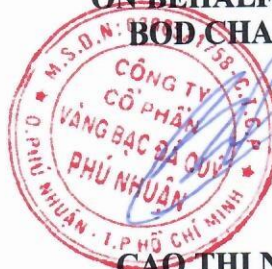
$$\Rightarrow \text{Percentage of ESOP} = 0.85\% + 0.06\% \times [(970 / 832.23 - 115\%) \times 100] = 0.94\% \text{ of the outstanding shares.}$$
- Total issuance of ESOP if equal and exceeding the plan of profit after tax of 115% or more does not exceed 1.5%/The number of outstanding shares, at the price of VND 10,000/share, limited transfer within 36 months from the date of completion of the issue.

Recipients:

- BOD, SB
- CEO
- PNJ Shareholders
- Archived: BOD
- Archived

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**ON BEHALF OF THE BOD
BOD CHAIRWOMAN**



CAO THI NGOC DUNG