

BOARD OF DIRECTOR 'S OPERATIONAL REPORT 2012

PHU NHUAN JEWELRY JOINT STOCK COMPANY

“The year 2012 is a milestone on the way to the reform and strategic achievements of PNJ.”

With a foresight that Vietnam economy is stepping into a transformation with many changes in macroeconomic policies, contemporaneously affected significantly from the global economic uncertainty, from the beginning of 2012 Board of Director determined this time would be a challenging period for PNJ and other enterprise. To cope with the difficulties from the business environment and to strengthen the leading enterprise position in the industry as well as to move to a new development period, enterprises must have appropriate and flexible strategic orientation. Two main targets aimed by General Assembly are increasing operational effectiveness and administrative system restructuring. In 2012, administrative system restructuring must be at highest priority in order to maximize the internal strength and create a solid foundation for a next stronger development period.

1. Operational overview 2012:

As expected, Vietnam and global economy have seen a year full of difficulties and fluctuation, gold price fluctuated with large amplitudes. Besides, new government policies about administrating gold market were also one of the factors directly affected PNJ business operations.

For many objective and subjective reasons, 2012 operational result was not as expected, mainly due to the decline of gold bar revenue. However, this is not a key business of PNJ because of occupying a low percentage in profit, so although its revenue just was at 63% of plan, profit was affected insignificantly. Unconsolidated profit after taxes and consolidated profit after taxes achieved 95% and 96% of plan respectively.

Difficult economic situation is one of the main reasons for goods consumption declining. In other hand, according to the orientation agreed by the Board, this year will be focused on restructuring, a start for company's strategic changes. Details relating to main activities are directed by the Board as following:

Administration: Administrative Board and Foreign Consultant Institute are directed to conduct restructuring project and completely build a development strategy to 2022. Not just stop at gained achievements, by cooperating with Foreign Consultant Institute to build an appropriate long-term strategy, PNJ initiatively brings itself to a new level, step by step completes the target to be the leading jewelry company in Asia – Pacific area. According to that, the key target currently is increasing competitive capacity, strengthening and developing the workforce, increasing the effectiveness of business and manufacturing activities.

The Board approved the strategic orientation, new operational structure more appropriate with new development period. Continuing hiring consulting experts to rebuild the salary system (pay structure, compensation plan) combining with reward policy to attract and keep the high qualified personals. The changes initially get positive responses and increase employees' working effectiveness.

Manufacturing: completed and started to operate the new jewelry workshop which is one of the largest jewelry workshops in the region. Ready for a strongly developing and expanding period in near future.

Applying modern IT platform in administration, combining with industrialized and closed manufacturing process to increase operational effectiveness of the workshop.

Business and system expansion: Directing to analyze business effectiveness of each range of product and sell positions.

Establishing administrative department, researching and expanding the retail system, operating professionally with target bringing the optimize effectiveness for the distribution system.

Applying new marketing strategy, more flexible and closer to the market situation. Regularly assessing the effectiveness of outlined strategies and conducting appropriate changes.

Investment: Besides opening the new jewelry workshop, PNJ Phu Nhuan Jewelry Centre Building project was also completed. This is the largest jewelry centre in the country, contributing to prove the position and high class of PNJ brand.

Divestment from Dai Viet Gas company helped earn 40 billion VND profit, initially decreasing in financial investment.

2. Shareholders Meeting resolution conducting 2012 and Board of Directors meetings organizing:

The new Board of Directors officially started the term of 2012 – 2017 on April 14, 2012 according to Annual Shareholder Meeting Resolution 2012.

In 2012, Board of Directors organized 36 periodical meetings, issued 39 resolutions, approved important contents and conducted tasks of the 2012 Shareholders Meeting resolution as following:

- Paid 5% cash dividend for the 3rd time of 2011 and reserved funds following section 7th of the Resolution.
- Advanced 10% cash dividend for the 1st time of 2012.
- Chose Ernst & Young as auditor for 2012 financial year.
- Issued bonus shares to existing shareholders, quantity 11,999,828 shares in par value. Not yet issued individually to strategic partners and company's staff due to unfavorable market condition.
- Amended Company Organizing and Operating Charters as suggestion of HCMC Securities Exchange, appropriate with standard charters and actual situation of company.
- Used surplus fund and development fund to completely build the new jewelry workshop at Duong Quang Ham Street, Go Vap District as scheme approved at Shareholders Meeting.

Board of Directors' strategy orientation of company operation in 2013: Realizing 2013 is still a hard year; PNJ needs to conduct the restructuring project thoroughly as soon as possible and quickly bring into play the company's available advantages. Focusing on developing core businesses (jewelry manufacturing and business), accelerating the expanding of market share to both wholesale and retail channel. With appropriate development strategies, Board of Directors expects satisfactory operational results with revenue growing by 21% and gross profit growing by 18%.

To accomplish planned targets, Board of Directions orients detailed strategy for main activities of company in 2013 as following:

- **Administration:** Accelerating the conducting next steps of strategic project, perfecting the administrative system by the new operational structure. Supplementing management vacancies, at the same time assessing and replacing inappropriate vacancies. Focusing on training programs, developing young and dynamic managers.

Board of Directors will closely supervise and assess operational results via planned targets.

- **Manufacturing:** Bringing into play the new jewelry workshop's ability. Improving administration according to new manufacturing process with the target of maximizing industrialization. Constantly researching, studying the newest jewelry crafting method combining with scientific management process to enhance product quality, reduce cost and lost. Supplying fully requirements of business department with a competitive and appropriate cost.
- **Business:** Developing through expanding distribution system, enhancing customer service quality to increase trade frequency.
Building solutions to maximize revenue per each business usable area unit. Applying marketing and media strategies focally and effectively. Constantly and regularly assessing to bring new solutions timely.
- **Controlling:** being focally improved, perfecting risk management process, both market risk and policy risk. At the same time, ensuring to abide orientations and regulations of the Board.
- **Investment:** quickly completing and starting to operate "Thu Khoa Huan Touring Mall Center" project, contributing to bring PNJ brand closer to international tourists. Supervising, assessing and bringing effective divestment projects for current investments.

With the enthusiasm and constant effort, Board of Directors willing to build up the company and believes PNJ will develop more and more strongly in the future.

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ON BEHALF OF THE BOARD OF DIRECTORS
CHAIRWOMAN
(Signed and sealed)
CAO THI NGOC DUNG