

BOARD OF DIRECTORS' OPERATIONAL REPORT 2013 AND STRATEGIC ORIENTATION PLAN FOR 2014

Regarding Organizing and Operating Charter, 16th AGM resolution 2013, Board of Directors (BOD) report to Shareholders Committee about 2013 performance as follow:

I. Performing tasks

1. 2013 business performance:

Items	Plan	2013	% completed
Total revenue	7,798,211	7,603,581	98%
Gross profit	649,701	599,778	92%
Operating profit	226,006	239,669	105%
Earning before tax	240,406	240,005	100%
Earning after tax	186,554	182,394	98%
Consolidated earning before tax	256,406	233,007	91%
Consolidated earning after tax	205,250	169,037	82%
Dividend	20%	20%	100%

For PNJ, 2013 is a remarkable milestone, marks the 25 years of establishment and development journey with many proud achievements. Not only that, it is also the year of realization of many strategic changes, overcoming the difficult macroeconomic situation, step by step preparing for a new stage of faster development.

At the beginning of the year, the BOD has forecasted 2013 would be a challenging year, together with economic difficulties, this is the year when the company has had to focus on implementation strategic projects, turned potential strength into practical results. By the end of the year, total revenue has reached 7,604 billion VND, increased 18%, gross profit reached 600 billion VND, increased 9% comparing with the same period. Earnings before tax was 240 billion VND, reached annual target.

2. 2013 Operation Overview:

Key goals of the year have been implemented simultaneously in accordance with the proposed policy of the Board

1. Developing and operating Human Resources Management System suitably and efficiently

To better use the available human resources and attract more qualified employees, the human resources management system has been changed all sided, supplementing vacancies, restructuring current positions to suit new development model.

The training of cognitive change directed by the BOD has made a psychological stability in the organization, especially for the assignment and rotation of management positions which no longer fit procedures and requirements of the new management system.

2. Building an information technology platform to effectively support business operation.

Infrastructure and management software have been invested properly, adequately and promptly. ERP system was successful set up for all modules, made the management easier and more accurately.

3. Developing and operating an internal process system effectively

To match the new management system, processes have been synchronously developed, focused on business processes (purchase, sales, order, warranty), design and manufacturing processes. The new process ensures information updating fully and promptly on the system. Relevant units can easily monitor job progress and performance in order to achieve planned targets.

4. Manufacturing meets fully the needs of business partners with reasonable competitive cost.

To meet the needs and improve the quality of products with reasonable price, market researching, identifying needs, developing product development strategy, design along with improving production processes management..., were deployed synchronously. The company has continuously researched to find out new processing methods as well as advanced technologies in order to improve product quality. In 2013, total production increased by 35%, labor productivity/employee increased by 3%, while the loss ratio decreased to 60%.

5. Completing planned targets:

- After re-evaluation, finding that it is not necessary to open many shops while the demand is weak. The BOD has decided to focus on improving the efficiency of existing stores. There are only 6 newly opened stores in this year but all the stores have reached expected revenue in the short time of operation
- Revenue and gross profit respectively reached 98% and 92% planned targets. If the price declining factor due to gold price declining is excluded, estimated operating revenue exceeded 11% compared with the proposed plan.

II. OPERATION, REMUNERATION AND BUDGET FOR BOARD OF DIRECTORS

1. BOD's members:

- On 14/04/2012, 15th AGM-2012 has selected Board of Directors for 3rd term (2012-2017) with 7 members, in which Ms. Cao Thi Ngoc Dung was elected as Chairwoman and Mr. Nguyen Vu Pham was Vice Chairman
- 2013 AGM has approved resignation of Mr. Andy Ho for personal reason and appointed Ms. Nguyen Thi Huong Giang as BOD member for remaining period of 3rd term (2012-2017). Effective date was 02/04/2013
- On 03/03/2014, BOD has dismissed Ms. Nguyen Thi Huong Giang from BOD Member regarding her resignation then reappointed Mr. Andy Ho as BOD Member. Reappointment would be asked for approval in 2014 AGM. After approved by Shareholders Committee, appointment would be effected since appointed date. Term for new member would be the remaining time of 3rd Term (2012-2017)

2. BOD's operational activities:

- BOD members has high responsibility and well completed their rights and duties under Company Charter
- In term, BOD has well completed AGM resolutions, complying rights and duties of BOD in accordance with Company Charter and Business Law

3. Remuneration for BOD

- Chairman VND 23,300,000 /month
- Vice Chairman VND 17,300,000 / month
- BOD member VND 13,300,000 /month

4. Salary and allowance for executive members

- Now, PNJ has 3 executive BOD members
 - Chairwoman cum General Director with salary and allowance as follow:
 - Salary and allowance of General Director # 130,000,000 VND/month
 - Bonus # 2.5 monthly salary
(Including 13th salary and ABC bonus)
 - Vice Chairman cum Deputy Director in charge of technology with salary and allowance as follow:
 - Salary and allowance of Deputy Director # 79,800,000 VND/month
 - Bonus # 2.5 monthly salary
(Including 13th salary and ABC bonus)

- BOD member cum Deputy Director with salary and allowance as follow:
 - Salary and allowance of Deputy Director # 92,500,000 VND/month
 - Bonus # 2.5 monthly salary
(Including 13th salary and ABC bonus)

Besides, PNJ has a BOD member hold management position in PNJ subsidiary. Other BOD members do not hold any management position in PNJ or PNJ's subsidiaries

III. Strategic orientation of the Board of Directors for the company operation in 2014

According to the Asian Development Prospects report (ADB), in 2014 global GDP is forecasted to grow by 3.6% and Vietnam's GDP will grow by 5.8 % and 6 % in 2015. There's a chance the Trans-Pacific Partnership (TPP) will be signed in 2014 as well as the Japanese investors tend to shift capital from China, India to ASEAN countries, these are favorable conditions for attracting FDI into Vietnam in 2014. That will lead to the positive growth rate in 2014 due to an improvement in aggregate demand.

As reported by the World Gold Council, total gold demand in Vietnam has been still on the rise. Demand increasing is mainly due to the price decline (over 20 % in 2013), has stimulated gold jewelry purchasing and hoarding, market jewelry demand in 2014 is forecasted to grow by ~ 14 %. At the same time private sector consumption is expected to improve compared to 2013. This is a positive sign for the jewelry retail market in general and for PNJ in particular in 2014.

PNJ with potentials of staff, brand on the market as well as a modern distribution system, will surely achieve a high growth rate than the industry's growth rate and striving for growth rates of 20%. However, to reach that expectation, the Board of Directors and all the PNJ's staff as well as employees have to prepare as well as clearly define for specific action programs in 2014.

1. Key Goals

PNJ realizes that in the changing economic situation, the sustainable development is still best choice. To do this, the company need to build a solid operational system of enthusiast employees, improve the management system more professionally and modernly, consistent with the market situation and customers must be the foundation for the company development. With the above opinions, PNJ has oriented actions in 2014 with the following focuses:

First, human resources is still the key factor to create the company's success. In 2014, PNJ has focused on “**enhancing human resources efficiency**” via key measures:

- Finalizing organizational structure and assigning tasks suitably with company operational functions to employee level
- Boosting training, enhancing PNJ's employees' professional skills to create professional style and environment.

Second, customer is the focus of the growth. PNJ will “**raising customers’ satisfaction to a new level**”, considering clients as companions, serving clients with love and passion. Through it all PNJ employees commit to bring customers a professional service style with all the passion, each of PNJ products is made with all the heart, guaranteed to make unique, refined products with PNJ style, to bring pride to each customer as a gift PNJ dedicates to its loved ones

Third, using effectively PNJ sales system by “**strengthening current system, developing new system**” to ensure a homogeneous sales system nationwide. It also aims to bring the best comforts for customers, ensuring serving maximum needs of customers, committing to be the most reliable jewelry company for customers nationwide.

2. Growth target

With three key objectives in 2014 as above, PNJ orients to increasing revenue and minimizing cost in 2014 as follows:

Items	2013	2014 targets	Growth rate (%)
Total Revenue	7,603,581	9,124,297	20%
In which: Jewelry revenue	4,316,183	5,205,448	21%
Gross Profit	599,777	677,251	13%
Financial income	26,361	27,000	2.4%
Earning before tax	240,005	275,676	15%
Earning after tax	182,393	220,967	21%
Consolidated earning before tax	233,007	279,920	20%
Consolidated earning after tax	169,037	202,552	20%
Distribution Network development	Opened 6 new stores	Opened 12 new stores	100%
expected Dividends	20%	20%	

3. **Development:**

To reach 2014 target which directed by medium and long-term strategic plan, the company need more investment on key segments:

- **Production:** Investing VND 25bil for new machine to expand production scale and apply new technology. Training skill for workers and at least 150 new joiners.
- **Distribution Network:** Investing VND 15bil, upgrading existed stores and opening 12 new stores. Purchasing 3 new cars for reaching more wholesales customers purpose.
- **Information technology:** Investing VND 3.6bil for upgrading IT, website and E-commerce.
- Actively looking for divestment opportunities in low profitable investment, especially real estate.

With clear orientation and commitment, BOD believes that 2014 would witness strong development, affirming PNJ's sustainable growth while reaching higher target. That result would be more valuable in this difficult period of Vietnam and Global Economy.

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ON BEHALF OF THE BOARD OF DIRECTORS
CHAIRWOMAN
(Signed and sealed)

CAO THI NGOC DUNG