

2014 OPERATION PERFORMANCE REPORT AND 2015 STRATEGIC ORIENTATION OF PHU NHUAN JEWELRY JSC'S BOARD OF DIRECTORS

As Organizing and Operating Charter, 18th Annual General Meeting's Resolution – 2014, PNJ's Board of Directors reports to the General Meeting of Shareholders the operation

I. TASK PERFORMING:

2014 is the third year in 10 year developing strategy (2012 – 2022) and the end of the comprehensive restructuring's first stage.

Despite receiving few support signals from the macro-economy, but with the foundation solidly built in the first 2 years of innovation, 2014 still marked a powerful transformation of PNJ. This is also a pivotal year, reflecting the initial results of the restructuring stage before going to the accelerating stage toward long-term strategic objectives.

Facing this important milestone, the Board of Directors has directed closely the implementation of short-term and long-term plans related to production and business operation and implementing resolutions of the General Meeting of Shareholders, ensuring operating in accordance with the strategic orientation.

1. 2014 operation performance overview:

Major goals of 2014 were synchronously performed and had positive result as following:

1.1 Enhancing usage of manpower goal:

After adding personnel for vacant positions, in 2014 PNJ has basically completed the organizational structure under the new development model. Specialized positions are especially trained to meet the evolving needs of the company.

Beside enhancing the professional capability, the Board also directed to enhance internal communication so that all employees could understand the vision and strategic goals of the company, thereby earning their trust, inspiring them, making them proud to be a part of an elite community.

1.2 Raising customers' satisfaction goal:

Not only bringing good products, PNJ also brings customers the pride of owning high class, sophisticated products and professional services from PNJ's staff. Each salesperson is intended to consult and care customers with passion and pride, be able to inspire customers through stories behind the jewelries.

Newly launched collections in 2014 as Mystery, Friendship, Rose, Royal ... are imprinted with PNJ's creation and lead the fashion trend in Vietnam. Customers therefore always trust in PNJ's brand, think of this as a way to express lifestyle and class.

1.3 Strengthening current outlet system and developing new system goal:

With current system, the Board has directed to implement the standard store model, which would begin to change the brand recognition of image, colors, light, decorations, product display and professional service manner. With the standardization of the system, customers will always receive the best quality of service at any of PNJ stores nationwide. "PNJ Standards" has been studied and developed based on modern shop of advanced countries such as UK, USA, Italy, Hongkong ... to gradually make PNJ one of the Asia's leading jewelry companies, in accordance with the strategic vision. To do this, beside regular training on rules of reception and advising customers, sudden / regular checking is focused to monitor the implementation of the system.

Along with the consolidation of current stores, research of expanding new system is also an important goal of the Board. In 2014, beyond the completion of planned targets, the Board also adopted a scheme to expand the network by the end of 2015, ready for the deeper and wider development of the PNJ jewelry retail chain.

1.4 Accomplishing planned targets:

In 2014, PNJ has successfully accomplished the plan in most of important indicators such as gross profit, financial sales, earning before tax, earning after tax...

Items	Plan	2014's performing	Ratio
Total sales	9,124,297	7,294,174	80%
+ Include: Jewelry sales	5,205,448	5,275,349	101%
Gross profit from sale and service supplying	677,251	790,172	117%
Financial sales	27,000	48,071	178%
Operating net profit	275,676	326,306	118%
Earning before tax	275,676	326,791	119%
Earning after tax	220,967	256,571	116%
Consolidated Earning before tax	279,920	334,966	120%
Consolidated Earning after tax	202,551	255,816	126%
Widening retail network	12 stores	18 stores	150%
Dividend	20%	20%	

Realizing this is a favorable period to develop the network and to take advantage of the economy's recovery, the Board has approved the promotion of retail system development, rapidly gaining market share in the target markets. This is one of the right decisions when all the new stores opened in 2014 has quickly achieved sales expectations and attracted a large number of mid and high end customers in the area to visit and go shopping, thereby contributed to the higher profit growth rate than planned.

2. About the 2014 Annual General Meeting's Resolution performing:

Third term Board of Directors (2012 – 2017) officially began on 14/04/2012 according to 2012 Annual General Meeting's Resolution.

In 2014, the Board has convened 26 periodic meetings, issuing 28 minutes, resolutions, and decisions to perform 2014 Annual General Meeting's Resolution's tasks as following:

- Paying 2013 2nd phase dividend in cash (10%) and provisioning funds in accordance with Article 5 of Annual General Meeting's Resolution.
- Advance payment of 2014 1st phase dividend in cash: 12%
- Choosing Ernst & Young Vietnam to perform the audit for financial year 2014
- Completing the shares' issuance under optional program for staff and employees in 2013
- Amending the Organizing and Operating Charter of PNJ to suit the Model Charter and actual situation of the company
- Dismissing Ms. Nguyen Thi Huong Giang as a Member of the Board and appointing Mr. Andy Ho as a new Member with the tenure of the rest of Third term (2012-2017).

3. About organizing meetings of the Board:

- In 2014, the Board has held 26 meetings; issued 28 minutes, resolutions and decisions. All meetings complied with procedures prescribed by the company Charter and the Enterprise Law to solve arising problems in time.
- Minutes of the meetings were made with full signatures of attending Board's members in the meeting, ensuring the correct form as prescribed by law; records, documents have been submitted to all attending Board's members in the meeting for reference as the Charter.

4. About the supervising of General Director and other managers:

- In 2014, the Board has well monitored the management and administration of General Director and other managers of the company. Members of the Board who also have role in the Board of Management have to participate fully regular briefings of the Board weekly, monthly, and quarterly. Therefore, the Board's members are always aware of Company's operations as well as well coordinate with the Board of Management to make right decisions, overcome difficulties and strive to achieve targets.
- In general, the supervision of General Manager and other managers are maintained regularly and closely, ensuring the stability and safety of company's operation, complying with the law, achieving the plan set by the Board and General Meeting's Shareholders.

II. OPERATION, SALARY AND OPERATIONAL COST OF THE BOARD OF DIRECTORS:

1. Board of Directors' Personnel:

- On 14/04/2012, the 2012 15th Annual General Meeting elected the Board of Directors for the Third term (2012-2017) with seven members, including Ms. Cao Thi Ngoc Dung as Chairman of the Board and Mr. Nguyen Vu Phan as Deputy Chairman of the Board.
- 2014 Annual General Meeting has approved the dismissal of Ms. Nguyen Thi Huong Giang from the Board due to personal resignation and appointed Mr. Andy Ho as a new member of

the Board with the tenure of the rest of Third term (2012-2017). Effective date: since 03.03.2014.

2. Board of Directors' Operation:

- Members of the Board have good solidarity, responsibility and comply with jurisdiction and duties of members of the Board of Directors in accordance with the Charter.
- During the term, the Board has carried on resolutions of the Annual General Meeting very well, complied with jurisdiction and duties of the Board of Directors in accordance with Company's Charter and the Law.

3. Board of Directors' Salary and cost :

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|--------------------------------|----------------------|
| - Chairman of the Board | 26,600,000 VND/month |
| - Deputy Chairman of the Board | 20,600,000 VND/month |
| - Commissioner of the Board | 16,600,000 VND/month |

4. Salary and bonus of the Board's member cum Company's manager:

- Currently, PNJ has 3 member of the Board of Directors who also are Company's managers:
 - Chairman of the Board cum General Director:
 - Salary and subsidies # 130,000,000 VND/month
 - Bonuses # 2.5 salary month
(including 13th salary month and 1.5 ABC salary month)
 - Deputy Chairman of the Board cum Deputy General Director for Technical:
 - Salary and subsidies # 79,800,000 VND/month
 - Bonuses # 2.5 salary month
(including 13th salary month and 1.5 ABC salary month)
 - Commissioner of the Board cum Permanent Deputy General Director:
 - Salary and subsidies # 92,500,000 VND/month
 - Bonuses # 2.5 salary month
(including 13th salary month and 1.5 ABC salary month)
- Also, PNJ has no member of the Board who are also managers of subsidiaries. Other members of the Board are not involved in managing the Company and its subsidiaries.

III. THE BOARD OF DIRECTORS' STRATEGIC ORIENTATION IN 2015:

Although 2014 was a relatively successful year for PNJ, the Board realized this was only a transitional stage of the restructuring; achievements in recent years need to be strengthened in order to accelerate in later years, while ensuring the sustainability of the business.

In 2015, world economic is generally forecasted to have many uncertainties and recovery is only in expectation of most countries. For Vietnam's economy in particular, although its growth is rather slow but more stable than the 2012 – 2013 period. In this situation, PNJ has determined only a solid engine, a proper strategy and high determination can help PNJ grow fast and steadily to overcome these difficulties. Based on the macro-economic situation and outlook analysis of PNJ's key operations, the Board has oriented operation in 2015 as following:

1. Create a foundation to advance in manpower and organization:

- To achieve this goal, firstly arranging and operating organizing structure by function, while ensuring the strength of online structure.
- Building fair and attractive remuneration policies to attract and keep qualified and highly skilled employees.
- Continuous training and improving employees' capacity. Constructing the basic standard of core competencies for providing and training qualified personnel.
- Keeping and promoting PNJ's unique culture while rapidly developing network and manpower.

2. Strongly developing the distribution network and raising customers' satisfaction: Keep confirming the leading position in core business segment

- About the distribution network, the Board will keep monitoring the development of "PNJ Standards" while developing network as well as selling, continue to boost average revenue growth on each store and constantly learning, applying international management experiences.
- Intensively expanding the system under the sales point diagram studied and approved by the Board.
- Beside retail channel, wholesale channel is also built according to PNJ standards, offering more professional and quality services than competitors in the same industry. Wholesale channel does not only focus on expanding market share, but also deeply exploit the potential of each existing store to increase efficiency for the whole system.
- To improve customer satisfaction, the company will continue to create, innovate and improve product quality. Customer care department is assigned to manage and exploit the data to provide attractive aftersales policies, thus having more and more loyal customers.

3. Strengthening and enhancing production capacity:

- Investing in modern equipments as well as enhancing employees' capacity to meet modern management model of the jewelry industry.
- Developing R&D functions of the factory, allowing direct management department to look for new, innovative ways of processing which are more efficient or to improve the process to increase productivity.
- Implementing the costs and production capacity optimizing project under the direction of the Board.

4. Sales and profits growth:

With efforts to enhance the production – business operation efficiency, the Board has set growth targets as following:

Items	2014's performance	2015's plan	Change (%)
Total sales	7,294,173	8,227,568	13%

Items	2014's performance	2015's plan	Change (%)
+ <i>Include: Jewelry sales</i>	5,275,349	6,703,565	27%
Gross profit	790,172	976,516	24%
<i>Financial sales</i>	48,071	12,000	-75%
Earning before tax	326,790	380,126	16%
Earning after tax	256,571	300,000	17%
Consolidated Earning before tax	334,966	388,000	16%
Consolidated Earning after tax	255,816	306,400	20%
Widening retail network	18 new stores	35 new stores	94%
Planned dividend	20%	20%	

In 2015, PNJ will turn the foundation built in the recent years into lever to take itself to a new stage of faster development. From experiences summed up in the first phase of restructuring, the Board is confident in the successful implementation of strategic goals and bringing the highest benefit to shareholders.

Above is the 2014 operation performance report and 2015 orientation of the Board of Directors, respectfully send to General Meeting of Shareholders for reviewing and comments.

Regards.

Recipients:

- BOD, SC
- BOM
- PNJ's shareholders

**ON BEHALF OF THE BOARD OF DIRECTORS
CHAIRMAN**

MS. CAO THI NGOC DUNG