

2014 GENERAL BUSINESS PERFORMANCE REPORT

I. AN OVERVIEW OF VIETNAM ECONOMIC SITUATION AND GOLD MARKET IN 2014:

1. Stabilizing micro economy:

Despite many challenges, 2014 still marked a stable and growing year of the micro-economy. Inflation rate has been maintained in a low level and GDP firstly exceeded target planned in 3 years, reached 5.98%. Other indexes in industry and retail also highly grew, showing a recovery of gross demand.

This should be considered as an achievement of Vietnam economy rather than the result of global economic stability. On the other hand, world economy has had a rough year with the intense conflicts between Russian and the West, the rising of the IS, the slow growth of China economy, Ebola outbreak... these events have affected the world's growth rate severely.

2. Vietnam gold market:

2.1 Circular 22/2013/TT-BKHCHN dated 26/09/2013 – New quality management policy protected consumer better and gave PNJ opportunity to widen market segment:

Circular 22/2013/TT-BKHCHN dated 26/09/2013 aimed to make jewelry gold quality transparent and better protect consumer, its presence was a turning point for Vietnam jewelry gold market. After a year striving to perform Circular 22 about jewelry gold quality management of government agencies, Vietnam jewelry gold market has been expected to be more transparent, and this is an opportunity for large and well-branded firms with a broad network and outstanding producing scale like PNJ. In other words, indirect effect of Circular 22 created a really good advantage for PNJ to quickly grow its market share, based on the prestige of reliability and sophistication of products that PNJ has constantly built for more than 20 years.

2.2 Vietnam jewelry gold market's gross demand grew in term of quantity but declined in term of value due to gold price falling:

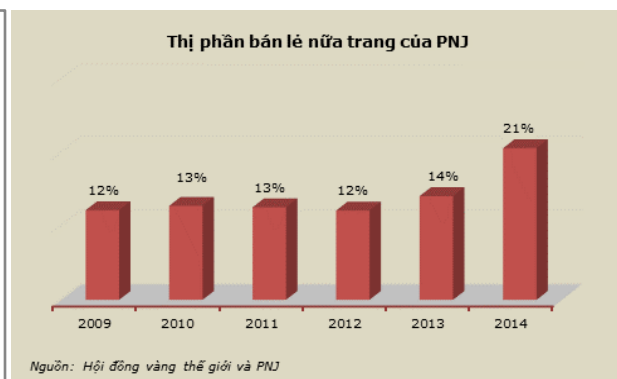
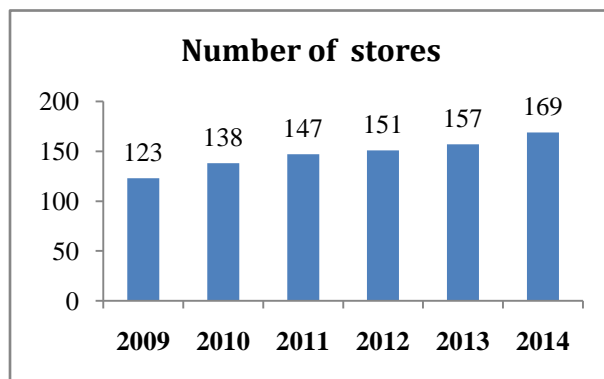
With general difficulties of the economy, it's able to understand that world jewelry gold's demand has deeply declined in almost major markets. China market's price fell 39% over the same period last year, Japan's price fell 17%, India's price fell 4% and US's price fell 1% over 19% of average rate. Vietnam was not an exception. By the end of 2014, total value of jewelry consumed in the whole market was 519 million USD, fell 8% over the same period due to gold price falling despite rising in sales by 4%. (Source: World Gold Council 2014 Report)

2014 GOLD PRICE CHART



2.3 Vietnam jewelry gold market in 2014 has seen a strong growth of market share of well-branded retailers, especially PNJ:

Despite gross demand declining, 2014 has still seen the rapid growth in number of jewelry gold retail stores – a strong proof for the trend of using jewelry brands with a large network. PNJ, a brand with 25 years of credibility advantage and a network of nearly 170 retail stores nationwide, has lead the trend and quickly expanded market share.



(*) In 2014, PNJ closed some Jemma stores to build multi-brand store which sell different product lines.

II. 2014 BUSINESS PERFORMANCE:

1. 2014 business operating result – Most of main indexes reached or exceeded the planned target

After many years pursuing high-end jewelry line with an absolute trust on the growing potential of Vietnam market, 2014 marked this shift clearly. Consumers looking for jewelry gold products now care about the need of self-actualization and one's own lifestyle rather than speculating as before. This was covered in PNJ's strategic orientation, so that PNJ could quickly seize the opportunity and turn it into impressive figures.

After a slow growing period due to focusing on reconstruction, 2014 saw a strong acceleration of PNJ. By the end of 2014, PNJ's gross profit was 790 billion VND, rose 32% over the same period, exceeded target 17%. EBT reached 326 billion VND, rose 36%, exceeded target 18%. EAT rose 41%, exceeded target 16%.

This is a great encouragement for what PNJ has struggled to perform for the last 2 years. An appropriate development strategy and a spirit of daring to change, daring to challenge to achieve the goals are the contributors for PNJ's success in recent years.

2014 Business Operating Result – Performance vs Plan

Unit: million VND

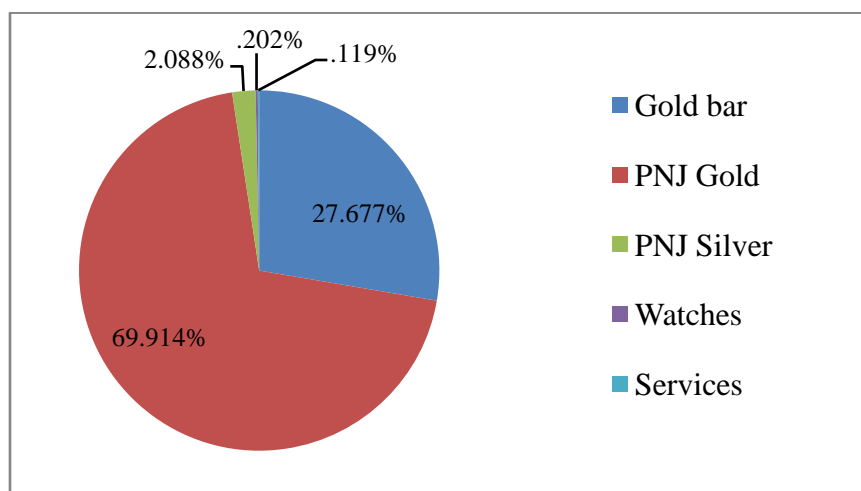
NORMS	Plan	2014		+/- (%)	Perf/ Plan
		2014	2013	Accum- ulated	Accum-ulated
Total sale	9,124,297	7,294,174	7,603,581	-4%	80%
+ Include: Sale from jewelry	5,205,448	5,275,349	4,296,745	23%	101%
Gross profit from sale and service supplying	677,251	790,172	599,778	32%	117%
Financial sale	27,000	48,071	26,361	82%	178%
Financial cost	85,000	95,054	62,134	53%	112%
Sales cost	253,400	310,940	232,532	34%	123%
Management cost	90,175	105,944	91,804	15%	117%
Business net profit	275,676	326,306	239,510	36%	118%
Earning before tax (EBT)	275,676	326,791	240,111	36%	119%
Earning after tax (EAT)	220,967	256,571	182,394	41%	116%
Consolidated EBT	279,920	334,966	233,007	44%	120%
Consolidated EAT	202,551	255,816	169,037	51%	126%
Widening retail network	12 stores	18 stores			150%
Dividend	20%	45% (*)			

(*) 2014 dividend will be paid 15% by cash and 30% by shares.

2. 2014 Sales – Jewelry sales grew outstandingly, in line with core business segment development strategy:

Sales structure changed significantly compared to the same period, particularly bullion gold sales occupied only 28% total sales instead of 43% as in 2013, jewelry gold sales rose from 54% in 2013 to 70% in 2014. These figures represented for PNJ's determination in developing the core business segment, focusing on improving its gross profit rate. Two major factors affected this change are the Board's long-term strategy and the market's consumption trend. About the strategy, bullion gold would still be traditional business segment; jewelry gold would be intensively invested to grow rapidly and sustainably in coming years. About the market in 2014, gold price changed insignificantly, customers therefore were not interested in gold bullion, in long-term, this is the Government's goal to convert the accumulated gold into cash in circulation.

2014 Sales structure



Unit: Million VND

	2014	2013	Change +/- (%)
Bullion gold	2,018,825	3,268,239	-38%
Jewelry gold	5,099,662	4,184,756	22%
Jewelry silver	152,280	131,427	16%
Watches	14,726	10,422	41%
Services	8,680	8,737	-1%
Total sales	7,294,174	7,603,581	-4%

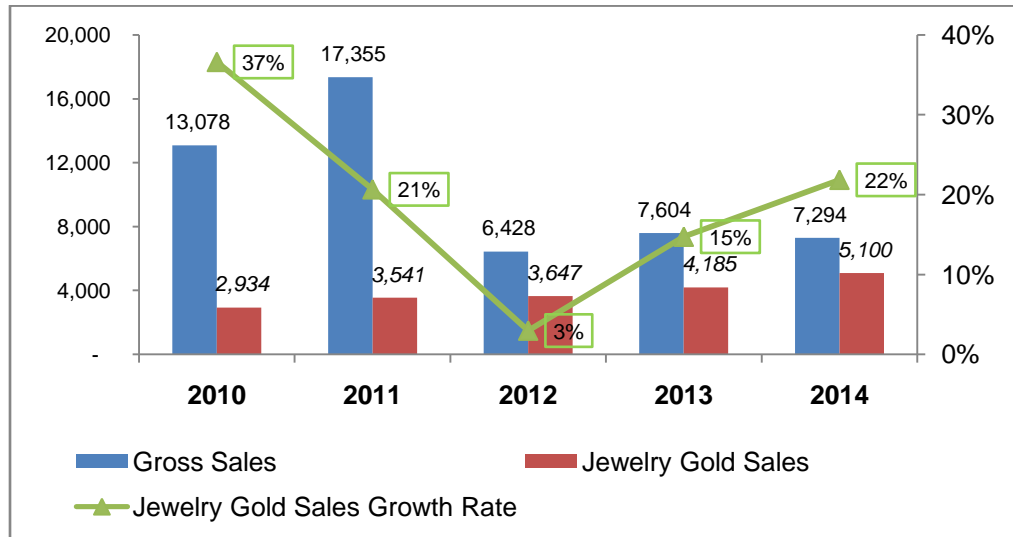
2.1 Strong growth in core business segment, wholesale and retail jewelry gold business:

In 2014, jewelry gold sales accounted for 70% total sales and 85% gross profit, affirmed itself a core business operation of PNJ. And in this year, jewelry gold sales rose 22%, highest rate in 3 consecutive years. This growth rate is the outcome of a strong investment on technology, training, reorganizing sale staff and retail operation. Also, management was based on data of the modern ERP system.

This business segment will still be invested concentratedly and hopefully keep growing strongly in coming years.

Gross sales and Jewelry gold sales in 2010 – 2014

Unit: Million VND

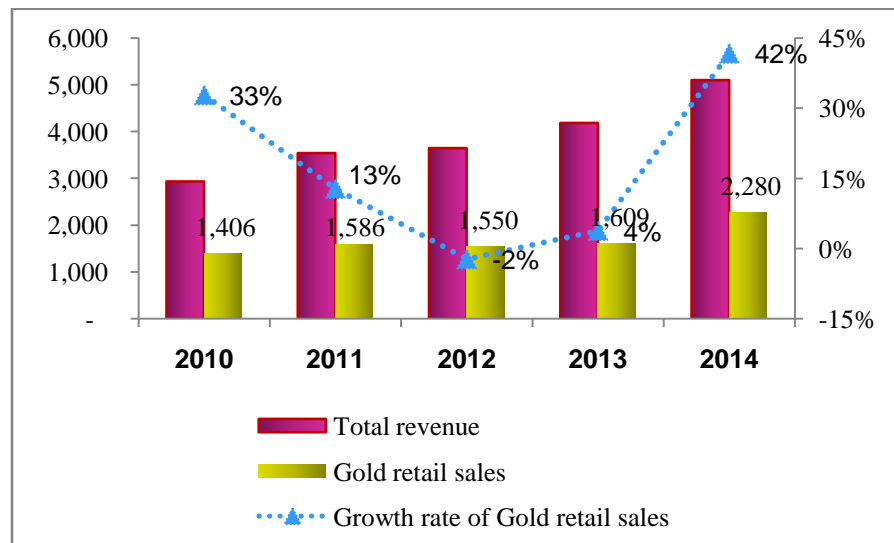


2.1.1 Jewelry Gold – Retail Business

Retail business plays a major role in sales and gross profit growth rate of PNJ, and this business segment has been concretely invested for recent years, especially in strategy 2012-2022 period.

Total revenue and Retail Jewelry gold sales

Unit: Million VND



In 2014, retail jewelry gold sales reached 2,280 billion, rose 42%; gross profit rose 36% over the same period, contributed 31% to gross sales and 74% gross profit. Comparing to 4% growth rate of 2013, these figures represented for an outstanding result and an initial success of

the comprehensive reformation in retail operation, especially when Vietnam's total jewelry demand in 2014 declined 8% over the same period. (*World Gold Council 2014 Report*)

Sales growth rate at current stores was 25% in 2014 and 18 newly opened stores has contributed 10% on additional retail sales.

To achieve these impressive results in 2014, PNJ has applied breakthrough improvements in managing and administrating retail operation at following key factors: Human Resources (People); Products and Customer Service (Product); Brand Recognition and Marketing (Promotion) and Network Developing (Place).

Human Resources (People):

2014 has marked significant change in **coaching and training** the PNJ jewelry consulting staff to enhance sale skills and serving manner at stores. It can say that investing on this staff is one of top priorities of PNJ in 2014. Examining and assessing programs are regularly performed to quickly detect weak points in the system as well as potentially capable candidates to promote. Consumers therefore always feel satisfied about the service when they come to PNJ.

Beside, **excellent remuneration policy**, appropriate acknowledgement for achievements also contribute significantly to exhort this staff's spirit.

2014 is also the year when the retail network finished converting to **managing under well practicing standards structure** of world leading jewelry retailers on the world, separating function and responsibility of some units, therefore enhancing the coordinating and managing effects. In addition, added **senior manager staff** to enhance retail managing capability of the entire system.

In spite of quickly increasing in store number nationwide in 2014 and the increasing of staff at local stores, PNJ was still outstanding in training – coaching and **cultural integrating**, ensuring the homogenous service quality throughout the expanding process.

Products and Customer Service (Product):

Keep promoting the reliability and sophistication of products, PNJ's long-term strategy is **creating the difference about product's quality** – a key element to position a brand class and earn customers' trust. To do this, PNJ has constantly invested on latest technologies and manufacturing methods in the world. Because of right investment decisions, PNJ has successfully manufactured jewelry by Italian technology, diamond jewelry... These products were loved by customers due to equivalent quality with imported but lower price. The goal in the next 2 years is completely replacing imported products with self-manufactured products.

Investing on technology as well as manpower for designing staff to **bring unique designs that lead the fashion trend and make a symbol for PNJ**. In 2014, PNJ has launched various notable collections with hundreds of jewelry designs. This means the tireless creativity of designing staff has brought more choices to the customers as well as to be the trend creator in Vietnam jewelry market.

Besides subjective changes, it must mention the impact of objective factors such as macro-economic situation, consumer trends ... these factors are the causes to help boost sales. **Customers increasingly prefer high quality jewelry products such as diamonds, colored gemstones, highly sophisticated jewelry** ... which are the advantage of PNJ. These movements are the beginning of an inevitable trend as the market grows and customers' demand

is increasingly higher. And with its legacy, PNJ has a solid foundation to be ready for a breakout stage of development in all aspects, exactly the goal set: "Vietnam leading jewelry company in middle and high-end segment."

PNJ has taken advantage of the database on advanced ERP platform to **coordinate products and optimize product categories in stores**, increase the supply of products properly and in line with tastes of customers.

Orientating the consulting staff at the store to focus on consulting best suited solutions to the needs of customers has contributed significantly to the satisfaction of the customers. According to the market research department's latest study, improving the quality of service itself has **increased the level of customer satisfaction** and frequency of successful transactions significantly over the same period.

Marketing (Promotion):

Advocating **standardizing recognized image at the stores** after completing the standard store model has created synchronization and positive in the whole system.

Promotional activities aiming to increase the visitors to the stores had initial success and will continue to develop in the future.

Promotional activities for important events including Wedding Season, March 8 Day (International Women Day), October 20 Day, Valentine Day ... are planned and implemented correctly. This has contributed to boost sales and generate buzzes for PNJ on the market.

Network Expanding (Place):

In 2014, PNJ exceeded the network expanding plan, adding 18 stores nationwide, focusing at level 1 and level 2 cities. Most of the new stores are large scale stores, located in prime locations and quickly generate buzz, help PNJ dominate the market.

Newly opened stores have quickly achieved expected revenue and profit, contributing 10% of extra total retail sales in 2014.

By the end of 2014, PNJ had 173 stores including 80 gold jewelry stores (independent gold jewelry stores and general stores), 85 silver jewelry stores and 8 Cao Fine Jewellery independent stores.

With experienced foundation and standardized network expansion process, this activity is expected to be accelerated in the coming years to strengthen the leading and dominant position of PNJ in Vietnam jewelry industry.

2.1.2 Wholesales:

Targeted customers are companies nationwide, in 2014 PNJ opened Buon Ma Thuot branch to promote business in the Central – Tay Nguyen region. With the opening of this branch, PNJ has currently had five wholesale centers in the Northern region, Central – Tay Nguyen region, HCMC and Mekong Delta region, rapidly expanded market share in most important areas across the country.

In 2014, total sale quantity rose 17%, sales rose 36% over the same period. PNJ has not only produced common jewelry products but also targeted specific gifts ordered by companies with high demands on crafted level, unique designs. PNJ is currently considered the leading

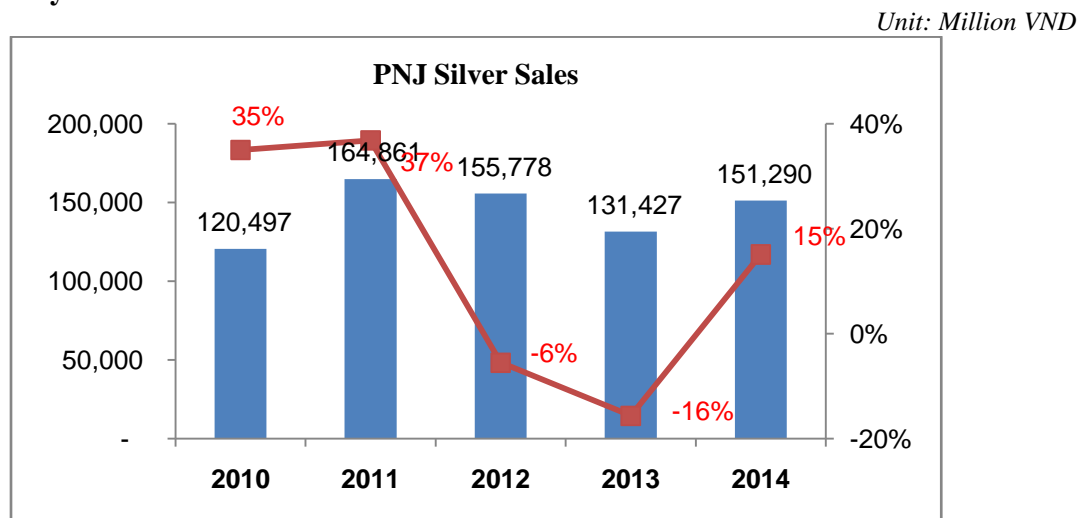
reliable address for large companies which are in need of high quality jewelry gifts, medals, logos
...

2.2 Exporting:

PNJ is proud to be able to meet strict standards of foreign partners, thus become the only Vietnam firm to export jewelry. Through exporting, PNJ does not only introduce "made in Vietnam" jewelry brand to the world but also build long-lasting relationships with partners in the industry and other industries, which help PNJ easily accessible with new production technology, current fashion trends, advanced management methods, all of which enhance PNJ business performance.

2014, gold exporting sales was 76 billion, fall 12% over the same period mainly due to declining gold price, however public sales rose 20% over the same period. Silver exporting sales rose 5% over the same period. Although the increasing is not high, in the situation of unstable economy of the world, especially the US market - the main exporting market of PNJ - showed no signs of growth in purchasing power, this is an encouraging result for PNJ sales team.

2.3 Silver jewelry:



After re-launching PNJ Silver with a more luxurious image and many marketing strategies aimed to over 20-year-old customer, PNJ silver sales has achieved the growth rate of 15%, an impressive figure after 2 years of negative growth.

In 2014, PNJ has not opened any silver-only jewelry stores, but combined selling with gold jewelry in large gold jewelry stores. This combination helped PNJ Silver expose more to high income customers, and PNJ stores will be known as one-stop jewelry shopping place.

2.4 Gold bar:

As highlighted in official reports as well as messages to investors in recent years, bullion gold is not the main business of PNJ, it is just a traditional business with a brand strategy. PNJ is one of few companies licensed to trade bullion gold in Vietnam, this earns customers' trust and is the first choice when talk to gold products. Thus, despite the marginal profit only 0.5%-1% and contributing only 2% of gross profit, this will still be one of PNJ's business activities. However, fluctuations in this business do not significantly affect the overall result of the company.

2.5 Others (watches, services):

Reached 23.3 billion in sales, accounted for 0.3% total sales. In this segment, watch sales rose 41%. Despite not contributing significantly to gross sales, this is still a potential business segment due to available retail outlets and watch sales has grown steadily over 40% a year.

III. KEY MISSIONS PERFORMANCE:

1. Enhancing human resources' efficiency:

- In 2014, PNJ has completed the organizational structure under the new model, filling up key positions and consolidating KPI system to individual level.
- Applying competitive remuneration policies, focusing on the production and sales department.
- Investing in training is regularly carried out to improve manpower's quality to meet company's operating and developing needs via internal training programs and training with international experts.

2. Strengthening and developing the system:

- In 2014, PNJ has invested in reconstructing the system's infrastructure and the standardized recognized image for stores, brought a new face to the whole system.
- Completing product distribution process to optimize capital, optimize supply chain and products portfolio in stores.
- Planning on opening new stores and new sales channels in accordance with market demand.
- Improving the standard store model to increase operational efficiency.
- Opening the Tay Nguyen Wholesale Center, increased total wholesale centers to 5 nationwide, enable market developing to almost all provinces across the country. Besides expanding the market, PNJ also focuses on developing the wholesale channel in depth to fully exploit existing markets and customers.

3. Raising customer satisfaction:

- In 2014, PNJ has built a standard store model, unified from recognized image to serving manner and quality of service provided to customers.
- Raising customer satisfaction through training skills and serving manner of staff toward customers (internal and external).
- Raising customer satisfaction through products and services. Developing particular technical service center (warranty, manufacturing according to specific requirements ...).
- Developing business policy, customer policy to bring customers more benefits, which increases customers' loyalty to the brand.

4. Growing sales and profit:

- To optimize sales per store and per customer, in 2014 PNJ has simultaneously implemented projects aimed to enhance the service's quality, ensure the products' quality and quantity, showcase products properly, combine with marketing to increase number of visitors to the store, and build timely and worthy reward policy for consulting staff at the stores.
- Thanks to the research and thoroughly preparation before implementing network expanding project, PNJ's plans succeeded beyond expectation and all the new stores has quickly reached the expected revenue, increased 10% of retail sales over the same period.
- Increasing industrial stages in production, contributing to reduce wastage and improve labor productivity. Current loss ratio of PNJ is <1%, well below comparing to the average level of jewelry manufacturing industry in the world, contributing to increased the marginal profit of PNJ

IV. RISK MANAGEMENT:

In an unstable business environment like Vietnam, effective risk management is a big challenge for every company. Knowing how to seize the opportunity will elevate one company to big success, but only companies with an effective risk management system can turn this opportunity into sustainable development, and this is the aim of PNJ.

1. Risk management in business strategy:

- After years of building and developing, PNJ is proud to be the leading jewelry company in Vietnam. Its products do not only bring pride to the customers but also become a Vietnam's outstanding representative in world arena. What made the difference between PNJ and other jewelry companies? Those are **right development strategy, appropriate to each developing stage of the market**, and these are the decisive factor, bringing PNJ step-by-step solidly and deeply marked in consumers' hearts.
- Development strategy is built on the basis of comprehensive studies on macroeconomic situation, PNJ's competitive advantage over competitors in the industry; thereby PNJ can determine the long-term vision and goals for each stage of development.
- To achieve those goals, the Board has actively promoted internal communication, help all employees understand and comply with the strategic orientation, together lead PNJ to the target.

2. Risk management in operational environment:

- **Policy risk:** Although Vietnam is determined a very potential market for jewelry industry, but just like other emerging markets, the economy always has potential uncertainties and risks. Especially for a sensitive market like gold market, the policy changing is inevitable before it can be completed. Therefore, to reduce risks, PNJ has always focused on observing policies and major orientations of the Government, from that made appropriate changes in the strategies. At the same time, PNJ actively researched and proposed on building and developing solutions for Vietnam jewelry industry to Government agencies and gradually

marked its name on the map of countries with large scale jewelry producing and exporting in the world.

- **Risk of purchasing power decreasing due to economic cycle:** This is a general risk that any company can experience, but with a branding strategy aimed at multiple customer segments and various product lines, PNJ has partially limited this risk.
- **Risk of unstable input price:** This risk is relatively well controlled through analyzing, forecasting and managing the company's price.

With the support of ERP software, cost and inventory controlling become easier and more efficient.

Not only applying administrative methods, product's strategic orientation is one of the fundamental elements to reduce price risk. In the future when the brand is the main factor of cost, this risk will be reduced much more.

3. Risk management in human resources:

In 2014, PNJ has reviewed and rebuilt the remuneration policy to guarantee income and benefits so it can be more comprehensively competitive than average level of the labor market.

Beside attracting the talented, PNJ has also focused on training to improve, enhance the professional capabilities and provide a clear promotion roadmap to each employee to ensure the long-term commitment.

Also, it must not exclude the bond between PNJ employees formed by PNJ culture, where people attach to each other and dedicate to the benefit of the company as a whole family.

In 2014, PNJ was one of 100 Best Workplaces in Vietnam as Nielsen's survey, and ranked 2nd in Best Vietnam Retail Companies.

4. Financial risk management:

- **Risk of inventory:** Inventory management is a very important factor to each retail company include PNJ, contributing to the performance of the company.

Understanding this matter, inventory management has been carried out carefully from the storage, based on assessments of market demand to distribution and regularly monitoring to take timely measures to boost sales with slow-moving goods. In 2014, inventory turnover of most product groups rose, increased operational efficiency and saved fund for the company.

- **Risk of capital:** The finance department is responsible for building long-term financial plan, budgeting and controlling activities under budget, so the company can take the initiative in allocating resources rationally, improving the efficiency of capital.

V. FINANCIAL RATIOS:

	Unit	2014	2013
Liquidity's indexes			
o Current ratio	Times	1.29x	1.21x
o Inventory turnover	Turn	4	5
o Inventory day	Days	81	76
Performance's indexes			
o Gross Profit Margin (GPM)	%	10.9%	7.9%
o Return on Sales (ROS)	%	4%	2%
o Return on Assets (ROA)	%	9%	7%
o Return on Equity (ROE)	%	20%	14%

Indicators of solvency do not change significantly over the same period, because working capital is mainly from loans. Unlike other companies, PNJ's inventory is gold and precious stones which have high liquidity, thus significantly reducing the risk of liquidity risk.

Inventory day increased over the same period clearly reflected the business situation in 2014 when jewelry segment gradually accounted for higher proportion than bullion gold segment. Despite low inventory days, bullion gold does not contribute significantly to gross profit. Therefore, the increasing of inventory days may press the equity situation but generally is a positive trend due to much higher marginal profit.

Regarding each product group, inventory day of both gold and silver jewelry are reduced by 4% and 12% over the same period.

All profit indicators are higher than the same period, reflecting 1 efficient year of the entire company.

VI. SUBSIDIARIES' PERFORMANCES:

After divesting from the SFC, PNJ had only two subsidiaries: CAO Fashion Limited Company (CAO Fine Jewellery) and PNJL Assessment Limited Company.

1. CAO Fine Jewellery:

With 10 - billion authorized capital, CAO's sales reached 40.8 billion, fall 5.3% over the same period; net profit reached 1.2 billion. As known, despite positive signs from the economy, this is still not the time consumers willing to pay for luxurious products, so 2014 was still a tough year for CAO. However, the Board has determined CAO is a brand strategy and the investment needs long time to catch the trend and certainly it will bring impression when the time comes. In the present, CAO has already been rated as a high-end jewelry brand by customers, comparable to international brands, and this is the most important success of CAO.

2. PNJL:

Major in providing gem and diamond testing services.

- Gross sales in 2014 reached 11.8 billion, rose 13% over the same period.
- Gross profit reached 8.4 billion, rose 17% over the same period.
- Earning before tax reached 6.1 billion, rose 21%.

Along with gemstone purchasing trend, PNJL's sales have constantly increased. PNJL brand has been rated as the most credit-worthy brand in the field of diamond and stone quality control.

VII. CONCLUSION:

Ending 2014 with impressive figures, the entire staff of PNJ believed in the strategy proposed. Investors could also see the effectiveness in the management of the Board. This is an initial success as the foundation of the manpower, the system and new strategy has gradually formed a complete and smooth mechanism. From what has been achieved, the Board believes that 2015 and subsequent years will be a period of stronger growth, letting PNJ quickly achieve the goal:

**“Become the leading jewelry manipulating and retailer in Asia,
Holding top rank in mid and high-end segments in Vietnam”**

Recipient:

- BOD, SC
- BOM
- PNJ's shareholders

ON BEHALF OF BOARD OF DIRECTORS

CHAIRMAN

(Signed and stamped)

CAO THI NGOC DUNG