

## **REPORT OF THE SUPERVISORY COMMITTEE**

### **I. ACTIVITIES OF THE SUPERVISORY COMMITTEE IN 2015**

1. Supervise and check the legality and rationality of the activities in the implementation of the business and production plans of 2015 of the Board of Directors and Management Board of according to the 2015 General Meeting of Shareholders resolutions.
2. Check the rationality, honesty and carefulness in the organization of the accounting system. Review the financial statements performed by Deloitte auditing company.
3. Control the safety and efficiency of the information and activities of the system. When PNJ was affected by negative external impacts arising from Dong A Bank, the Supervisory Committee closely monitored the reality with the efforts of the Board of Directors and Management Board in focusing on solving the difficulties, maintaining the growth and prestige of PNJ.

In the year, the Supervisory Committee approved resignation letter of Mr. Pham Van Tan, Head of the Supervisory Committee due to his personal reasons then assigned Mr. Tran Van Dan to be Head of the Committee until the additional election at the next Annual General Meeting. Despite of the personnel change, from time to time, each member of the Supervisory Committee well promoted the independent working capacity, closely coordinated in tasks, fulfilled the tasks of 2015.

### **II. OPERATION RESULTS**

#### **1. SUPERVISION OF THE MANAGEMENT AND OPERATION ACTIVITY OF THE BOARD OF DIRECTORS AND MANAGEMENT BOARD**

In 2015, Board of Directors and Management Board led and helped PNJ strongly increase the core resources follow the company's strategy; being suitable to the potential and challenges of the current market and in the coming years; implemented the resolution of the 2015 AGM, and the important objectives of the term. The Board of Directors and Management Board mainly focused on:

- Research and synchronously deploy the objectives and solutions stipulated in the resolution of the term. Fully deploy the issues stipulated in the resolution of the General Meeting of Shareholders in 2015 to the actual operation of PNJ.
- The strategic vision, mission, and core values were concretized into objectives, targets (annual) of company level, strategic business unit level and functional level strategy. The objectives, targets of the levels have a synchronous attachment, supplementing each other.
- Fully review 7 key factors of the jewelry industry, made decisions, actions in accordance with the market situation, promoted the efficiency of PNJ's resources with highly competitive ability, thereby; PNJ brand was more trusted by customers and society, increase the resources and competitive ability in the industry, brought the competitive advantage of PNJ to a higher level in Vietnamese market.

The specialized factors about Technology, Production, Marketing, Distribution system, labor skills & creativity, capacity of the organization and other factors that brought the success to PNJ now was synchronously connected and created the new attraction to both in and out of PNJ.

- Closely control the new investments in the production capacity and distribution channels, the investments in 2015 quickly contributed to create the business results in 2015.
- Review the financial structure: In the year, the company made provision for the investment at Dong A Bank regarding to the accounting standards and regulations and at the same time divested at Saigon MC and successfully issued 300 billion bonds to supplement to working capital for network expansion.
- Profit before tax of the holding company reached 200 billion VND, excluding financial income and provision, the core business profit reached 514 billion VND, increased 72% compared to the same period and exceeding 35% compared to annual target.
- The Supervisory Committee did not realize any unusual sign in the activities of the Board of Directors and the Management Board. The activities of PNJ Company were fully and honestly reflected in the documents of PNJ, suitable to the capacity and charter, regulation, resolution of the General Meeting of Shareholders and the law. The company fully complied with the regulations of the current law on announcing information in the stock market.
- With the performance results of the norms in the financial statements of 2015, the Board of Directors did not have sufficient basis for implementing Article 9 of the resolution of the General Meeting of Shareholders about the issuance of shares according to program selected for the Employees.

## **2. VERIFICATION OF THE PROFIT DISTRIBUTION PLAN IN 2014**

For the Statement on Profit Distribution of 2015 of the Board of Directors expected to be submitted to the General Meeting of Shareholders, the Supervisory Committee judged that the distribution profit plan of 2015 ensured the compliance with the law and the charter of PNJ, dividend payment plan of 15% / per face value did not reach 20% of 2015 plan approved by the General Meeting of Shareholders 2015 (less than 5%), the reason was that PNJ had a big provision, this provision was necessary and could reduce in the future, the amount of provision helped PNJ reduce the regular loans to meet the development of the distribution channels and production.

Profit distribution : 170,676,962,249 VND

In which:

- Dividend payment : 15% / per face value: 147,410,802,000 VND.
- Extraction for funds : 19,730,000,000 VND.
- Retained earnings : 3,536,160,249 VND.

## **3. FINANCIAL CONTROL**

- Since 01 January 2015, the Company has applied Circular no. 200/2014/TT-BTC issued by the Ministry of Finance on 22 December 2014 (“Circular 200”), instructing the accounting system for the companies. Accordingly, some figures in 2014 balance sheet and cash flow statement were reclassified to be suitable to the comparison with this year’s figures.
- The Supervisory Committee has considered the reality about the preparation, collection, keeping documents related to the accounting figures, the financial situation of the company. The Supervisory Committee evaluated the financial statements of 2015 of the Company,

considered the auditors' report of Deloitte Vietnam Co., the Supervisory Committee agreed with figures of the consolidated financial statements of PNJ Group and the audited financial statements of PNJ in 2015.

- In our opinion, the financial situation of PNJ Group in general and PNJ in particular gave a true and fair view on the key aspects in the related documents, followed Vietnamese Accounting Standards, Accounting Regime and the legal regulations related to the preparation and presentation of financial statements.

### 3.1 The figures on capital and assets as of 31 December 2015 and the business results of PNJ were as follows:

*Unit: million VND*

NORMS	PNJ			PNJ GROUP		
	Year 2015	Year 2014 Circular 200	Comparison 15/14 (%)	Year 2015	Year 2014 Circular 200	Comparison 15/14 (%)
Total assets	2,957,600	2,813,188	105%	2,975,289	2,828,672	105%
Total source of capital	2,957,600	2,813,188	105%	2,975,289	2,828,672	105%
Profit before tax	200,173	326,790	61%	197,323	335,034	59%
Profit after corporate income tax	159,619	256,701	62%	152,303	255,872	60%

- **About total assets:** 2,975 billion and 289 million VND, increased 5% compared to the same period. Total assets of PNJ was 2,957 billion and 600 million VND, an increase of 5% compared to the same period, the strong increase and decrease were mainly at groups: Inventory increased 16.4%, fixed assets increased 1.2% and the long term financial investment strongly decreased 13% (due to provision).
- **Total liabilities:** 2,975 billion and 289 million VND, increased 5% compared to the same period. Total source of capital of PNJ was 2,957 billion and 600 million VND, an increase of 5% compared to the same period. The strong increase and decrease were mainly at groups: current debt increased 6%, owner's equity increased 8.4% and long term debt reduced 59.7% (Due to the loan structure change).
- **Owner's equity:** The owner's equity of PNJ accounted for 98.5% of total owner's equity of the Group. In 2015, the charter capital of PNJ increased from 755,970,350,000 VND to 982,745,770,000 VND, an increase of 30% compared to the end of 2014 (implementing Article 8 of the Resolution of the General Meeting of Shareholders).

### 3.2 Evaluation of some financial ratios (as of 31 December)

*Unit: million VND*

No.	Norms	PNJ GROUP			PNJ		
		2014	2015	2015 - 2014	2014	2015	2015 - 2014
1	Net Profit After Tax/ Equity (ROE)	19.74%	10.92%	-8.82%	20.27%	11.63%	-8.64%
2	Net Profit After Tax / Charter Capital (1)	33.85%	15.50%	-18.35%	33.96%	16.24%	-17.71%
3	Net Profit After Tax / Assets (ROA)	8.85%	5.12%	-3.93%	9.55%	5.53%	-4.02%
4	Net Profit After Tax / Net Revenue	2.78%	1.98%	-0.80%	3.57%	2.08%	-1.48%
5	Gross Profit / Net Revenue (2)	9.67%	15.18%	5.51%	10.98%	14.85%	3.87%
6	Total Assets Turnover (3)	3.18	2.66	-0.52	2.68	2.66	-0.02
7	Inventory Turnover (4)	6.58	3.43	-2.59	4.86	3.46	-1.87
8	Fixed Assets Turnover (5)	19.85	16.44	-3.43	16.22	16.37	0.16
9	Debts / Total Assets	54.16%	53.14%	-1.02%	54.97%	53.58%	-1.39%
10	Current ratio	1.30	1.51	0.21	1.28	1.50	0.22
11	Quick ratio (6)	0.10	0.09	-0.01	0.10	0.09	-0.19

**Note:**

- (1) *The charter capital is calculated on a weighted average.*
- (2) *It is calculated separately for activities of goods sale and service supply.*
- (3) *(Net revenue from goods sale and service supply) / (Total assets on average).*
- (4) *Average inventory*
- (5) *Average fixed asset*
- (6) *If it is considered the characteristics of the inventory, the quick ratio may consists of the majority of the inventoried gold, so in reality this ratio might be higher than the reported one.*

Excluding the provision for devaluation of financial investment, in our opinion, the evaluation norms of the core business activity effectiveness of PNJ and PNJ Group in 2015 were safe and

tended to be better, this was the achievement of the strategic restructure process of the term resolved by the General Meeting of Shareholders.

### **3.3**

#### **4. EVALUATION OF THE COORDINATION BETWEEN THE SUPERVISORY COMMITTEE AND BOARD OF DIRECTORS, GENERAL DIRECTOR AND SHAREHOLDERS**

- On the principle of full compliance with the stipulations of the internal Regulation, the Company's Charter and the regulations of law, for the benefits of the Company, of the shareholders and related parties. In 2015, there was a close coordination between Supervisory Committee and Board of Directors as well as CEO and other Managers,; the Supervisory Committee received the favorable condition in every activity.
- The Supervisory Committee regularly supervised and checked the Company's information disclosure to ensure that information to shareholders and related parties are complete, accurate, and timely as stipulated by law and meeting the demand on information of the parties. The Supervisory Committee received no requests or claims from shareholders in 2015.

### **III.CONCLUSION – SUGGESTION**

The strategy for the whole term of the Board of Directors is well executing by BOM and Managers , the organization of activities of the Efficiency Management Department has helped the BOD to closely monitoring strategy implementation.

The impact of the restructuring strategies for term 2012 – 2017 has decided on the development of PNJ in the next coming years. Some strategies with norms exceeding the expectation but there is still a long distance to reach PNJ's expectation. In the context of PNJ and the general situation of the industry as well as the macroeconomic factors, the Supervisory Committee suggests to the BOD and BOM with following contents:

#### **1. Suggestion to the Board of Directors**

The Board of Directors should maintain the focus on leadership and provide resources for PNJ to achieve the strategic objectives about establishing the foundation and backbone for the company operation; including:

- Complete the organization structure and human resources; Take the priority for training employees of sales, marketing and design departments.
- Invest, connect, integrate the intelligent management information system (SB); ensure the safety to the information system (including copyright), review the plan to respond to potential major incidents.
- Select and develop the retail network; increase the number of new stores at potential markets, adjust the business scale of the existing stores according to market signals and demand. Strongly invest in developing other sales channels. Evaluate the market entry opportunities in TPP, control the market development strategy about the demand and financial results.
- Develop the production and supply capacity: continue investing in the research and development resources of new products – new technology, review the backward integration

strategy to put the input supply source regularly to become the new advantage to the company (high value: stones, secondary materials ...).

- Continue to lead and enrich the cultural characteristics of PNJ as a responsible and creative company for humans and better living environment.

## **2. Suggestion to the Board of Management:**

- Systematize the risk management policies, review the risk response plans.
- Improve the management efficiency of the supply chain about: sales forecasts, ordering, improvement of the system connection of production warehouse – supply – stores, reduce over a half of the intermediary inventory costs and at the stores.
- Improve the cost estimates. Carry out the internal audit according to majors or functional areas, starting with the Information Technology field (slowly meet the development demand of the company). Apply the measurement techniques and improve the process increasing the effectiveness of each major process of PNJ.
- Research to supplement new products / services to more effectively develop the retail system.
- Research the separation strategy of independent accounting companies and give the self-determination right to the companies with independent accounting and give the self-determination right to the strategic companies.

Above is the supervisory report of PNJ in 2015 of the Supervisory Committee, we would like to submit to the Annual General Meeting of Shareholders.

The Supervisory Committee would like to express our gratitude to the value Shareholders, Board of Directors, Management Board, companies directly under PNJ for your trust and cooperation. The Supervisory Committee hopes to continue having close cooperation in the future.

