

**REPORT ON THE 2016 OPERATING ACTIVITIES,
STRATEGIC ORIENTATION IN 2017 – 2022, AND PLAN IN 2017,
DECLARED BY THE BOARD OF DIRECTORS OF PHU NHUAN
JEWELRY JOINT STOCK COMPANY**

**I. ASSESSMENT OF THE BOARD OF DIRECTORS ON OPERATING RESULTS
IN 2016:**

As planned in the company strategy, 2016 was an exciting year for PNJ, especially in gold jewelry retail. The achievements of the past year were pride and great motivation for the efforts of the Board of Directors (BOD). Despite unexpected impact of the investment in Dong A Bank, PNJ's core businesses continuously developed.

1. Assessment of operating results:

In 2016, PNJ succeeded in boosting retail business including: Expanding retail network, highly increase the sales of strategic product lines as well as comprehensively improve retail distribution system. As a result, the targets of profit and system expansion all exceeded the plan for 2016 which was approved by the Shareholders' Annual General Meeting. Results of some key indicators are:

In 2016, sales turnover increased by 11.3% compared the same period of time, retail jewelry increased by 26%. Critical indicators related to the profit of core business activities exceeded targets. Profit before tax (separate report) reached VND 608 billion. If financial provision and extraordinary income are excluded, pre-tax profit reached VND 650 billion, increased by 26% compared with the same period of time.

This success, in addition to continuous efforts of all PNJ staffs and employees, originated from the close and active performance of the Board of Directors in implementing a comprehensive and effective operational strategy; the combination of suitable organizational structure, thoroughly researched network development plan, effective marketing strategy as well as wide-range and regular training activities. Therefore, PNJ has steadily built the foundation for strong and sustainable development, firmly establishing the vision of **"Becoming the leading jewelry processor and retailer in Asia market and securing the number one position in the segment of medium and high-end jewelry in Vietnam"**.

2. Results of implemented strategic orientations

• Creating the foundation for sustainable development

• Ensuring human resources quality:

- Building a system of individual targets associated with the company's targets, PNJ has thoroughly reviewed the core competency of key positions (middle and senior managers) and help them improve their disadvantages. PNJ has provided a wide range of training to workers in manufacturing and business sectors to enhance their core competencies and professional capabilities. Training activities have made great contribution to the improvement of human resources quality.

- Recruiting more talented people to fulfill the demand of the company's increasing human resources under new organizational model, especially at the positions of: Strategy Director, IT Director, Creative Director and other important positions.
- **Process assessment, measurement and improvement:**
 - The evaluation, measurement, and improvement of processes have been implemented thoroughly as plans. As a result, the performances of all departments stably increases during the Company's operations.
 - The quality management system has promoted the compliance control activity, keep the system under tight control, and smoothly operate in the whole company by self-assessment and internal quality reviews.
 - The information technology development strategy in the new phase was implemented. IT Department was restructured both in quantity and quality to serve as strategic partners for other departments.
- **Creating outstanding advantages in production:**
 - By making most use of technology and equipments invested in 2015 - 2016 and promoting the research and development activity, Jewelry Factory has properly reorganized its manufacture to produce more new products with high quality and supply to the distribution system. The strategic product lines are promoted as plans, which have cores ideas are offering more substitutes for import products, and creating the initiative for the company.
- **Enhancing customer satisfaction:**
 - Increasing the coverage of retail stores:
 - In 2016, PNJ opened 30 new stores (planned to open 25 stores). With the rapid expansion of the network, the Company has quickly dominated the market in 47 provinces/cities nationwide and created favorable conditions for PNJ's retail system to access the market.
 - Increase Net Promoter Score (NPS)
 - The NPS assessment is continuously promoted to find out issues that should be improved/modified to increase the customer satisfaction throughout the system.
 - PNJ's NPS in 2016 has increased year over year (8.35 in 2015, 8.56 in 2016), reflecting that customers are more satisfied with the products and services provided by PNJ. This indicator represents a high level of customer satisfaction, which must be maintained and improved.
 - Financial performances:
 - Thanks to comprehensive efforts of PNJ, financial performance in 2016 exceeded the plan. This impressive result brought satisfaction to all four stakeholders: Shareholders, Officers - Employees, Customers and Society.
 - Specific results are as following:

Unit: million VND

No.	Indicators	Results of 2015	2016		+/- (%) compared with the same period	+/- (%) compared with plan
			Plan	Result		
1	Total revenues	7,695,629	8,781,963	8,566,097	111.3%	97.5%
2	Gross profit from products/service provided	1,136,032	1,296,376	1,381,055	121.8%	106.5%
3	Income from financial activities	25,202	12,000	12,797	50.8%	106.6%
4	Expenses of financial activities	430,803	229,000	161,892	37.6%	70.7%
5	Sales expenses	414,552	490,724	537,302	129.6%	109.5%
6	General and administrative expenses	115,421	128,697	130,525	113.1%	101.4%
7	Net profit from operating activities	200,458	459,955	564,132	281.4%	122.6%
8	Profit before tax	189,961	459,955	608,069	320.1%	132.2%
9	Profit after tax	82,862	361,405	470,278	567.5%	130.0%
10	Expansion of retail system	48	25	30	62.5%	120.0%

(Source: Separate Financial statement 2016)

3. Implementing the Resolutions of the Annual General Shareholders Meeting

In 2016, the Board of Directors held 36 regular meetings, issued 36 minutes and resolutions to implement the tasks under the resolution of the General Shareholders Meeting/Board of Directors in 2016 as follows:

- Make the 2nd dividend payment of 2015 in cash: 10% and set up funds according to Article 9 of the 2016 General Shareholders Meeting's resolution.
- Make the 1st dividend advance payment of 2016 by cash: 10% on 08/12/2016.
- Transfer to individuals and/or organizations the land-use right, house and land-link property ownership at 16-18-20-24 Thu Khoa Huan Street, Ben Thanh Ward, District 1, HCMC.
- Sign a commercial contract with an organization related to members of the Board of Directors
- On April 2, 2016, the 2016 Annual General Shareholders Meeting elected Mr. Nguyen Thanh Du to be the Company's Supervisor for a term of five years from the date of his

appointment. Additionally, Mr. Nguyen Thanh Du was elected by the Board of Supervisors to be the head of the Board from July 1st, 2016.

- Approve the resignation of Ms. Pham Vu Thanh Giang from Member of the Board of Directors due to the personal wish; appointing Ms. Pham Thi My Hanh as a member of the Board of Directors of PhuNhuan Jewelry Joint Stock Company for a term of 5 years and submit to the nearest General Shareholders Meeting for approval.
- Select Deloitte Vietnam Co., Ltd. to audit the fiscal year 2016.
- To amend the charter of organization and operation of PhuNhuan Jewelry and Jewelry Joint Stock Company in accordance with Law on Enterprises 2014 and the company operation.
- Develop and issue the corporate governance regulation
- Develop and issue the regulation of organization and operation of the BOD.
- Develop and issue the regulation of organization and operation of the BOM.

4. Organizations of the meetings of the Board of Directors:

- In 2016, the Board of Directors held 36 meetings and issued 36 minutes, resolutions of the Board of Directors. All the meetings were conducted in compliance with the order and procedures stipulated by the Law on Enterprises and the Charter of the company.
- Minutes of the Board of Directors' meetings, which are fully prepared in the correct form and signed by the BOD members participated in the meeting. The dossiers and documents have been fully submitted to members of the BOD attended the meetings for reference and study in accordance to the Charter of the Company.

5. Report on monitoring activities to General Director and other managers:

- Trong năm 2016, Hội đồng quản trị đã thực hiện tốt chức năng giám sát công tác quản. In 2016, BOD has excellently performed supervisory function on operating management of the General Director and other managers of the Company. Members of BOD who are concurrently holding the roles in BOM are responsible for regular meetings of BOM. As a result, BOD always clearly acknowledge the Company's operations, and quickly cooperate with BOM in order to overcome difficulties and strike to reach the plan.
- In general, the supervisory activities to General Directors and other managers are strictly maintained to ensure the stability, safety, compliance with law of the Company. From that point, PNJ can achieve the goals declared by BOD and BOM.

II. ACTIVITIES, REMUNERATION AND OPERATION EXPENSES OF THE BOARD OF DIRECTORS:

1. Members of the Board of Directors:

- Board of Directors has eight members, of which Ms. Cao Thi Ngoc Dung is the Chairwoman and Mr. Nguyen Vu Phan is the Vice Chairman. Other members are Members of the Board of Directors, among whom Ms. Pham Thi My Hanh was appointed by the Board of Directors to replace the arising vacancy since 24/11/2016. The appointment of new members will be submitted to the Annual General Shareholders Meeting for approval in 2017. After approved by the General Assembly of Shareholders, the appointment of the new member shall be effective since the date appointed by the Board of Directors. The term of the new BOD member is 05 (five) years since the effective date of the appointment

2. Activities of the Board of Directors:

- The BOD members have strong spirit of solidarity, showing high sense of responsibility and good performance in their powers and duties stated in the Charter.
- During the term, the Board of Directors has successfully implemented the resolutions of the Annual General Meeting of Shareholders, strictly comply with their powers and duties of the Board of Directors in accordance with the Charter of the Company and the Law on Enterprises.

3. Remuneration, operating expenses of the BOD

- Chairwoman 26,600,000 VND/month
- Vice Chairman 20,600,000 VND/month
- Member of the BOD 16,600,000 VND/month/person

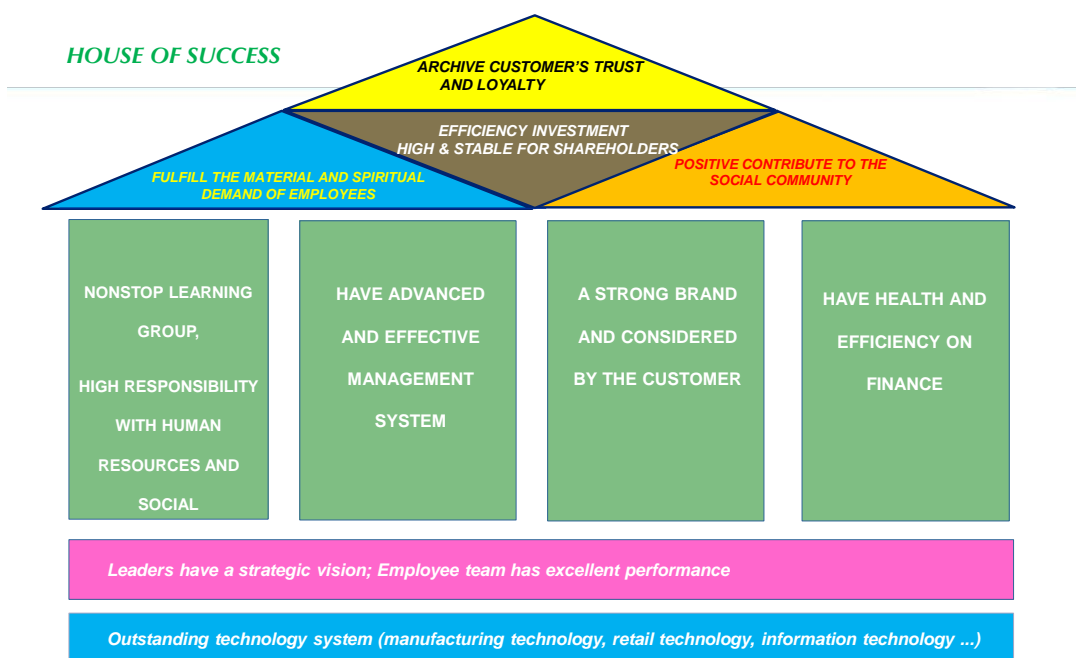
4. Salary of full-time members of the Board of Directors: 65,000,000 VND/month/person

5. Salary and bonus of members of the BOD who concurrently hold positions of managers of the Company:

- At present, PNJ has four members of the Board of Directors who concurrently hold the management titles of the Company:
 - The chairman of the BOD cum General Director: salary and allowance 130,000,000 VND/month and bonus 2.5 monthly salary.
 - Member of the Board of Directors cum Deputy General Director: salary and allowance 92,500,000 VND/month and bonus 2.5 monthly salary (as planned, the Board Member will not cumulate Vice General Director from 01/4/2017)
 - Member of the Board of Directors cum Vice General Director in charge of operation of retail sale: salary VND 73,507,000/month and bonus 2.5 monthly salary.
 - Member of the Board of Directors cum Vice General Director in charge of marketing: salary 79,899,000/month and bonus 2.5 monthly salary (as planned, the Board Member will not cumulate for Vice General Marketing Director from 27/04/2017)
- Additionally, PNJ has two members of the Board of Directors assigned to act as representatives of PNJ's contributed capital in subsidiaries

III. STRATEGIC ORIENTATIONS FOR THE PERIOD OF 2017 – 2022

The period of 2017 - 2022 is the final phase of 10-years strategy (2012 – 2022), set by the BOD to continue keeping the mission “bring customer pride with elegant, outstanding quality jewelry products” and the vision of 2022 “*becoming an Asia leading jewelry processor and retailer, securing the number one position in the segment of medium and high class jewelry in Vietnam*”; PNJ’s strategic orientations for the period of 2017 – 2022 are summarized in below model:



By applying this model, after completing the second phase, PNJ will achieve the vision of 2022; becoming a sustainable development company and creating a solid and strong foundation for the next step of development.

Main goals of the period of 2017 – 2022 are as below:

- *Become a continuously - learning organization with high responsibility for workers and society*
- *Own an advanced and effective management system*
- *Own a strong and popular brand*
- *Have financial power and effectiveness*

Specific objectives are as below:

- Top 100 Vietnam Sustainable Development Enterprises
- Top 50 Vietnam best workplaces
- The whole labors are trained 48h per year on average
- Own an advanced, effective and fully-computerized operation processing system, integrated with ISO 9000, ISO 14000 and ISO27000.
- NPS is not lower than 8.7
- Jewelry revenue increases by 20% per year on average
- Gross profit increases by 20% per year
- After-tax profit increases by 20% per year on average
- ROA increases by 5% per year on average
- ROE increases by 5% per year on average

IV. OPERATION PLAN OF BOARD OF DIRECTORS IN 2017

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IV. OPERATION PLAN OF BOARD OF DIRECTORS IN 2017

Year of 2017 will be the transitional year of PNJ's 10-years development strategy (2012-2022). The main orientations that the BOD sets for the BOM are as follows:

1. Create a solid foundation for sustainable development focusing on three main areas:

a. Improve the quality of human resources:

- Review and improve the capacity framework (core competences and professional capacities) for key positions to fully meet the demand of the new period.
- Continue to promote training to help staffs meet the new capacity framework.
- Build PNJ into a continuous learning company to encourage the staffs' innovation, which is the main factor to improve the competitiveness of PNJ.

b. Improve the quality of the processing system:

- Officially adopt the new organizational structure model approved by the General Shareholders Meeting.
- Review and revise the process system to become compatible with the new organizational structure and new requirements of ISO-9000 version 2014.
- Improve the efficiency of process assessment and innovation.

c. Computerize the management system

- Increase staffs, comprehensively restructure of the Information Technology Division under the newly developed Information Technology Development Strategy.
- Utilizing the benefit from IT applying in management and operation processes in order to make IT to become a reliable partner of all units.
- Create basic foundation to make IT become pioneer unit and competitive advantage of PNJ in all activities.

2. Promoting the effectiveness of supply chain

- Increase sufficient staff for the newly restructured supply chain model.
- Build, revise and apply business processes in compliance with the new model.
- Measure, evaluate the performance with the aim to supply the right - sufficient - timely goods for sales and effectively control the rotation of the goods.

3. Enhance customer satisfaction:

- In 2017 PNJ plans to open 40 new stores to quickly dominate the market and increase the level of brand identity. Focus on opening stores in both channels: Independent Stores and Shops in supermarkets, trade centers.
- Increase the number of "Standard Stores", focusing on both hard and soft aspects.
- Increase Net Promoter Score (NPS)

4. Improve financial performance:

This is an important goal, reflecting the overall performance of the Company by specific numbers:

- **Equally increase sales of 3 product lines.**
 - Gold jewelry sales (wholesales and retail): increase by 23% compared with 2016
 - Silver jewelry sales: increase by 30%
 - Export turnover: increase by 20%
- **Gross profit margin:**
 - Ensure the gross profit margin for each product line to balance between the increase in revenue and the guarantee of financial efficiency.
 - Revenue is expected to increase by 23%, focusing on increasing in retail sales of gold jewelry
 - Increasing operating expenses in correspondence to increase in expansion of network, communication of public relations, and branding
 - Strengthening financial controls and making correct decisions if it is necessary
- **Some official consolidated indicators are as follows:**

Unit: VND million

Indicators	Results of 2016	Plan of 2017	Growth (%)
Net revenue	8,564,590	10,202,424	119%

Indicators	Results of 2016	Plan of 2017	Growth (%)
Gross profit of products/service provided:	1,411,293	1,663,715	118%
Income from financial activities	5,265	11,566	220%
Expenses of financial activities	181,560	102,159	56%
Sales expenses	553,623	665,306	120%
General and administrative expenses	133,281	156,812	118%
Net profit from operating activities	548,093	751,004	137%
Profit before taxes	590,627	751,004	127%
Profit after taxes	450,488	600,803	133%
Gross profit margin	16.22%	16.30%	
Profit Margin	5.26%	5.90%	
Dividend	18%	18%	

- If the after-tax profit achieves target: bonus 1.5% of after-tax profit for the BOD and BOM (excluding extraordinary events from financial investment);
- If the after-tax profit exceeds target: bonus 20% of the excess amount of after-tax profit for the BOD and BOM (excluding extraordinary events from financial investment).

V. CONCLUSION:

Following the achievements in the 1st stage (2012-2017) of the 10-year strategy, 2017 is expected to be a breakthrough year of PNJ in all aspects.

Recipients:

- BOD, Supervisory Board
- BOM
- Shareholders of PNJ
- Archived: Office of BOD

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CHAIRWOMEN
(Signed and sealed)
CAO THI NGOC DUNG