



everpia

years

Stepping on
innovation



Everpia JSC.

Investors who have any questions about their investment in Everpia or about Everpia in general, may write to Planning Team as follows:

PLANNING TEAM
Branch of Everpia JSC.

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ANNUAL REPORT
2017



everpia

COMPANY'S PHILOSOPHY

Vision

- Become a global company bringing value to shareholders, employees and society

Mission

- Satisfy customers
- Create value
- Develop market

Management policy

- Transparency
- Creative thinking
- Maintain the core value

COMPANY PROFILE

EVERPIA JOINT STOCK COMPANY - EVE

Company name	: Everpia Joint Stock Company
Short name	: Everpia JSC
Charter capital	: VND 419,797,730,000
Head Office	: NoiThuong Residential Area, Duong Xa Commune, Gia Lam District, Hanoi, Vietnam
Stock code	: EVE
Business license	: 0101402121
Tel	: (+84-4) 3827 6490
Fax	: (+84-4) 3678 2030
Website	: www.everpia.vn
Email	: info@everpia.vn

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KEY FINANCIAL INFORMATION

REVENUE

	2015	2016	2017
Net sale	880.6	863.9	994.4

(Unit: Bil. VND)

PROFIT

	2015	2016	2017
Gross profit	317.1	291.1	329.9
Profit before tax	148.3	113.5	63.3
Profit after tax	113.5	89.6	50.9

(Unit: Bil. VND)

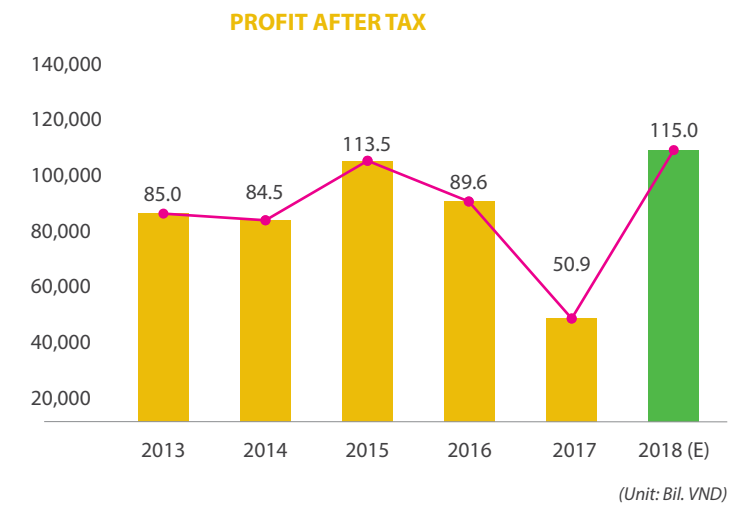
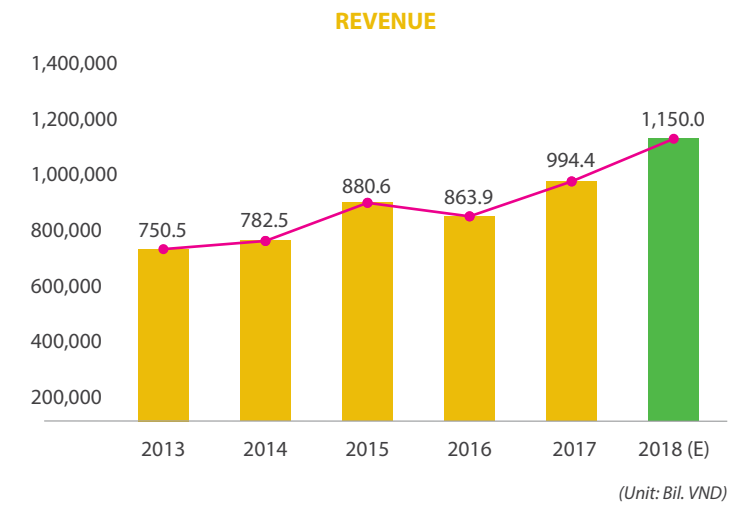
FINANCIAL RATIO

	2015	2016	2017
ROA	10.2%	8%	4%
ROE	12.5%	9.3%	5.6%
ROS	12.9%	10.4%	5.1%
EBIT	158.6	117.8	71.2
Debt/Equity	22.16%	16.17%	39.27%

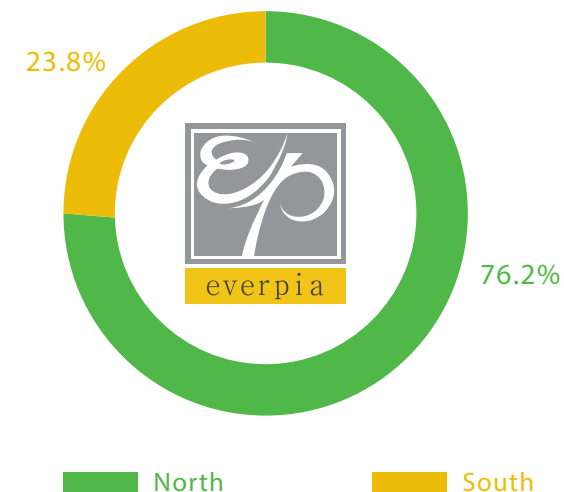
OTHER RELEVANT INFORMATIONS

	2015	2016	2017
No. of branches	5	5	5
No. of subsidiaries	2	3	1
No. of agents	540	520	375(*)
No. of showroom	11	10	12
No. of employees	1,324	1,341	1,303

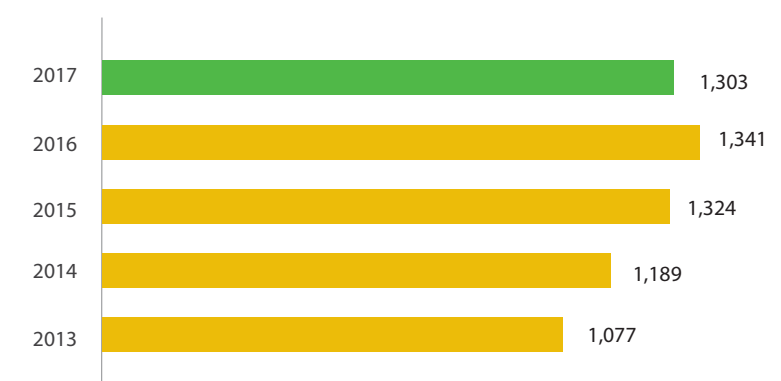
() The number of agents 2017 has excluded all small agents under control of the big provincial general agents.*



SALE BY AREAS



NO. OF EMPLOYEES



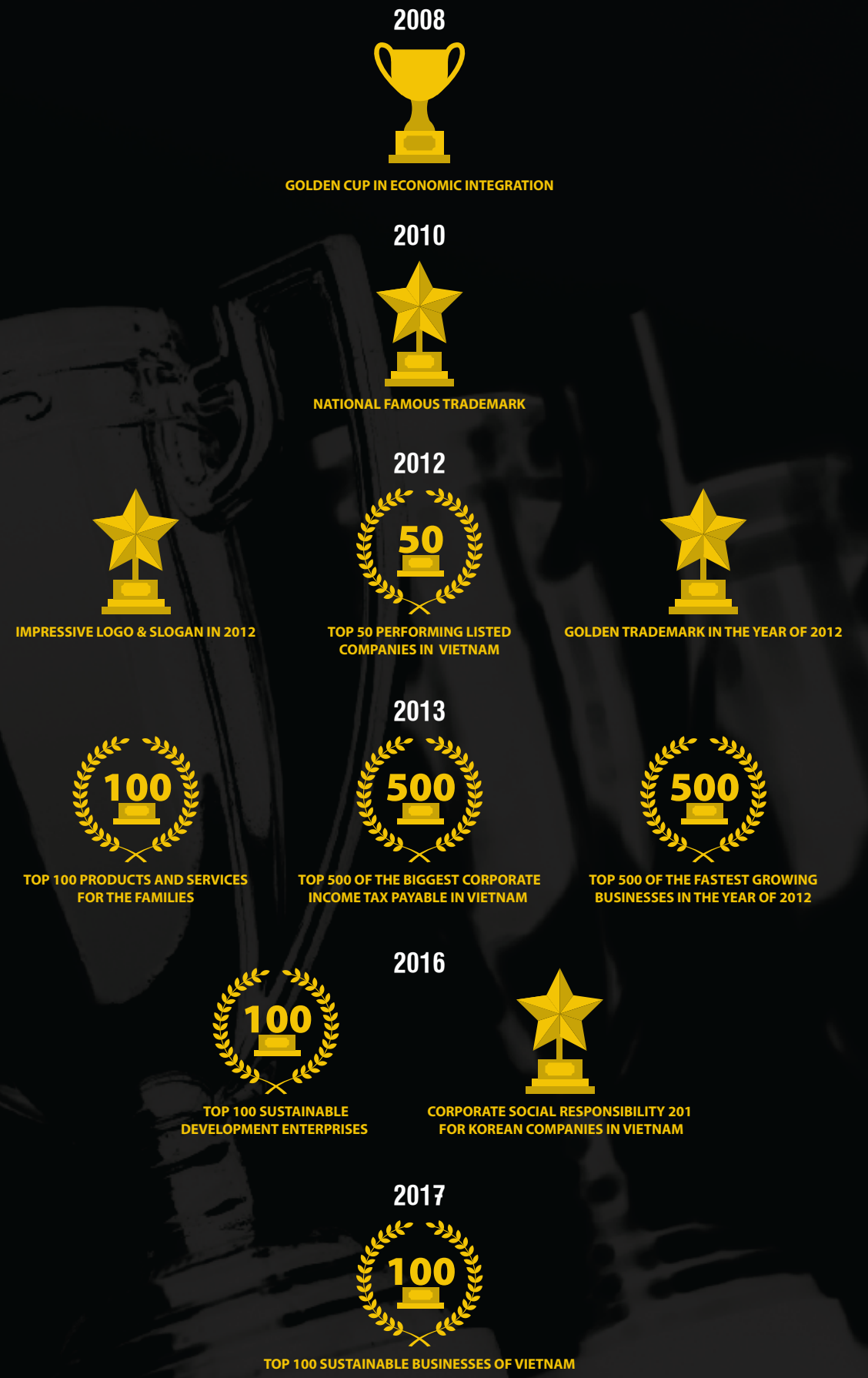


A - COMPANY OVERVIEW

1. HISTORY OF DEVELOPMENT



ACHIEVEMENTS & REWARDS



2. CHARTER CAPITAL ENLARGEMENT

With the target of enhancing the Company's position in domestic as well as international market, started with a single factory located in Duong Xa – Gia Lam – Hanoi, until 2007, Everpia had issued shares to increase charter capital and expand business. Following two successful private placements in 2009 and 2010, Everpia mobilized enough capital to invest in more capacity. In 2010, the Company bought a factory in Bien Hoa I Industrial Zone, Bien Hoa, DongNai. In November, 2012, one more manufacturing plant was officially put into operation in Hung Yen province that boosted the production capacity of Everpia doubled. In March 2017, nearly 2,000 m2 of 01 embroidery and 01 Bedding insert workshop was supplemented at Hung Yen factory. Currently, the capacity at the three manufacturing plants has been enlarged up to 4 million Bedding products and 30 million yards of Padding. Since 2018, Everpia will acquire and operate entire cleaner and towel project from the affiliated company Texpia, with the capacity of 15 million products per year.

ISSUE DATE	DESCRIPTION	NUMBER OF NEW SHARES	CHARTER CAPITAL AFTER THE NEW ISSUES (VND)
06/2007	Mirae Asset Maps Opportunity Vietnam Equity Balanced Fund 1	480,000	52,800,000,000
10/2007	Dream No.7 Investment Partnership	200,000	54,800,000,000
08/2008	Bonus share rate 2:1	2,740,000	82,200,000,000
06/2009	- Bao Viet Securities Company - Agriseco JSC. - Mr. Tran Ngoc Be	2,500,000	107,200,000,000
06/2010	Stock dividend (rate 15%)	1,607,996	123,279,960,000
07/2010	Private placement - Red River Holdings - Vietnam Japan Fund - FPT Capital - FC Capital	3,000,000	153,279,960,000
07/2011	Stock dividend (rate 50%)	7,663,990	229,919,860,000
11/2011	ESOP	410,000	234,019,860,000
07/2012	Stock dividend (rate 20%)	4,584,532	279,865,180,000
07/2016	Stock dividend (rate 50%)	13,993,255	419,797,730,000

3. ORGANIZATION CHART AND LABOR STRUCTURE

Organization chart



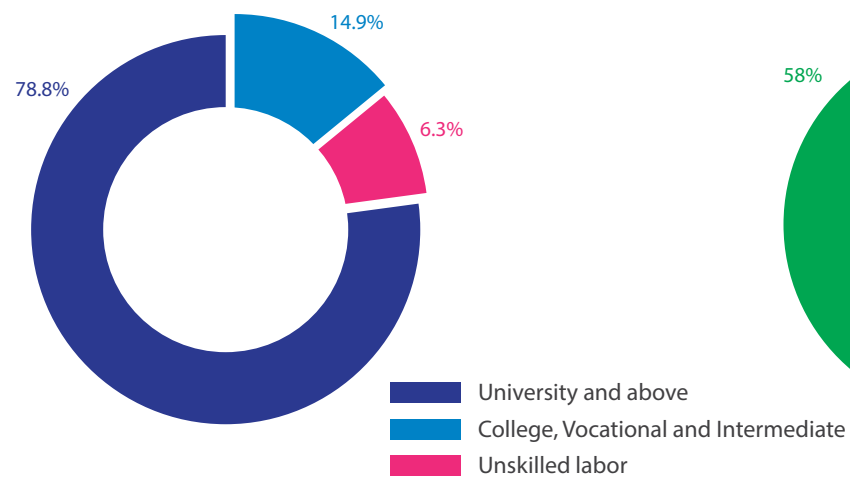
Labor Structure

As of December 31, 2017, the Company had approximately 1,303 employees: 1,045 in production area and 258 in office and showroom operations.

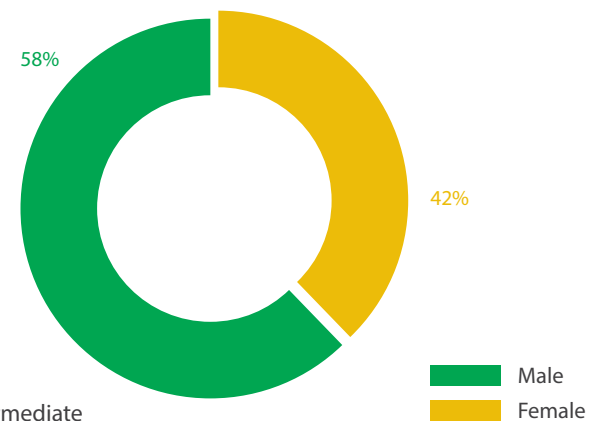


Indicators	No. of people	Rate (%)
Educational background		
University and above	194	14.9%
College, Vocational and Intermediate	82	6.3%
Unskilled labor	1,027	78.8%
Production related		
Direct	1,045	80.2%
Indirect	258	19.8%
Gender		
Male	551	42.3%
Female	752	57.7%

Educational Background Ratio



Ratio of employees by gender



4. CORE BUSINESSES

THE CORE BUSINESSES OF COMPANY ARE AS BELOW:

BEDDING BUSINESS:



Linen (blanket, pillow and bed sheet) product



Bedding insert product



Mattress product

About **2,500,000** Bedding products sold

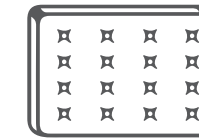
About **670 billions** in revenue gained from brands:



PADDING BUSINESS



Padding production



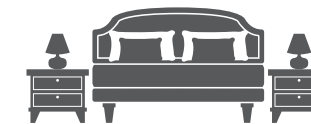
Quilting production

About **18 mil** yards of Padding sold

About **13 mil USD** in revenue gained from brands:



FURNITURE AND OTHER ITEMS:



Natural wood bedroom furniture



Fabric products for family: cushion, curtain, blind, kitchen linens and other complimentary items

1.2 mil items of other products.

Hơn **41 billions** in revenue gained from brands:



5. BUSINESS LOCATION AND DISTRIBUTION SYSTEM

BUSINESS LOCATION

The distribution system of Everpia has been assessed as one of the strongest and largest across the country. To meet the company's long-term growth targets, Everpia has focused all of resources on developing distribution network, enhancing export activity and constantly expanding various market places.

DOMESTIC MARKET

Traditional distribution channel: Everpia has successfully set up 375 exclusive agents and distributors nationwide, reaching customers in the most convenient way under the best and fastest conditions.

Modern distribution channel: Everpia distributes directly to supermarkets and large shopping centers in Hanoi, Ho Chi Minh City, Da Nang and establish range of large-scaled showrooms with standard display at crowded urban areas to enhance our brand recognition. Everpia still keeps expanding it channel to meet as much people's shopping demand as possible due to its promises and potential.



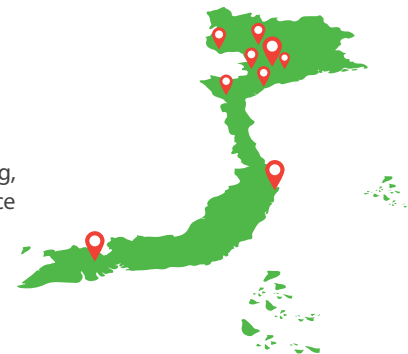
CUSTOMER

Among various customer types, medium and high income account for the large portion.

Beside individual customers, over the last five years, Everpia has been developing our own business network via enterprises, hotels, and resorts. The products are specially customized to meet the customers' strict requests.

MAIN AREA

Hanoi, Thanh Hoa, Son La, Nghe An, Hung Yen, Phu Tho, Ninh Binh, Da Nang, Hochiminh are important business areas according to the sales performance during the year.



EXPORT MARKET

For Padding business: 51.1% of its revenue comes from foreign orders, major of which is Korean market.

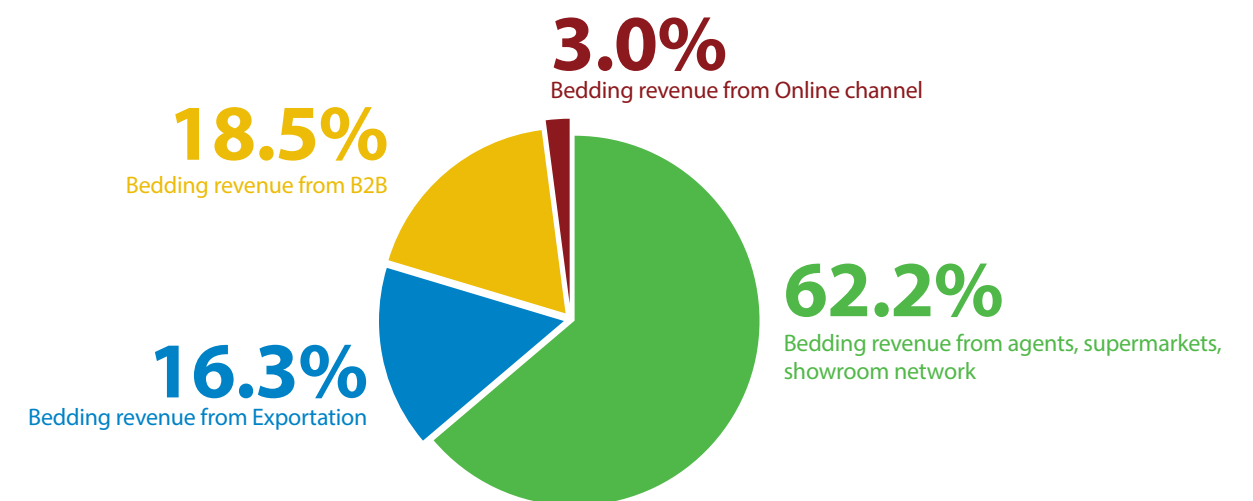
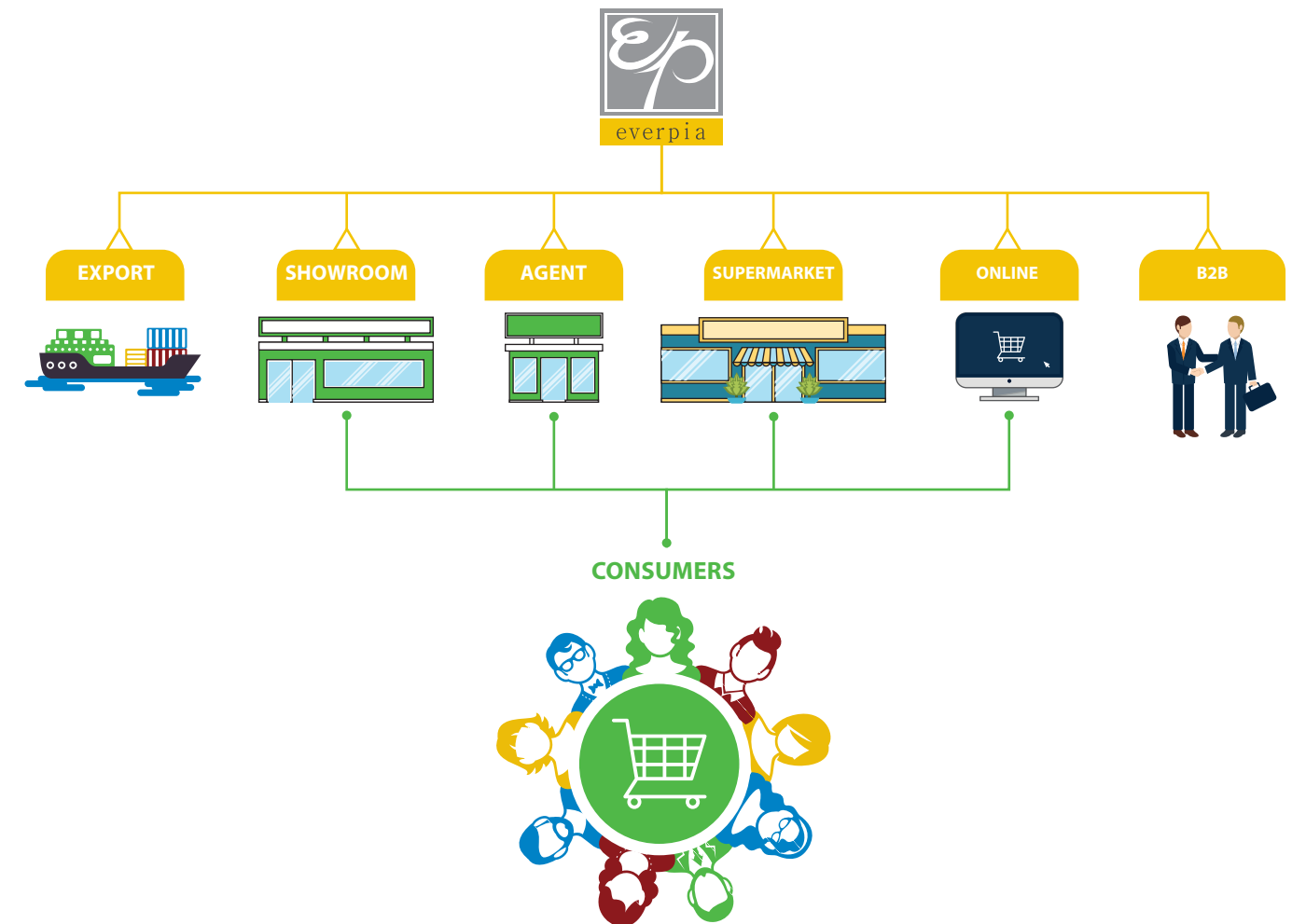
For Bedding business: Currently the Company exports to three main markets including Korean, Japan, and Dubai under OEM orders. The year of 2017 was a blooming year of Bedding export, with the legendary growth of up to 150%. The Company aims to enhance export activity in two directions OEM and brand export to approach high-standard markets such as America, Southeast Asia, and Europe.

For Cleaner business: The key export markets of the Company's cleaner products are Europe, America and Korea, mostly under OEM orders, but input materials are purchased by Everpia. This distribution channel of cleaner business is expected to greatly support the expansion and penetration of Bedding items in the coming time and vice versa.



5. BUSINESS LOCATION AND DISTRIBUTION SYSTEM (CONTINUED)

Bedding Distribution System



5. BUSINESS LOCATION AND DISTRIBUTION SYSTEM (CONTINUED)

Everpia currently has:

Everpia hiện có:



01 headquarter: NoiThuong residential area - Duong Xa - Gia Lam - Ha Noi



03 manufacturing plants in Ha Noi, Hung Yen and Dong Nai



03 branches across the countries



01 subsidiary overseas



BRANCHES

Ho Chi Minh branch

Address: No 27- 31, 9Astreet, Trung Son, BinhChanh District, Ho Chi Minh City.
Land size: 107 sq.
Tel: (84-28) 6261 2078 Fax: (84-28) 6261 1541

Da Nang branch

Address: No 439, Hoang Diet St, BinhThuan ward, HaiChau District, Da Nang City.
Land size: 356 sq.
Tel: (84-251) 1381 5579 Fax: (84-251) 1381 5679

HoaBinh branch

Address: Lam Son commune, Luong Son District, HoaBinh province
Land size: 7,035 sq.

SUBSIDIARY

Everpia Korea Co., Ltd

Percentage of ownership: 100%

Charter capital: 34,000,000,000 VND

Address: 18 104 Gil Samsung-roKangnam-gu, thành phố Seoul (Samsung-dong, Samsung Building), Korea

Business scope: (i) Trading and importing-exporting products, consult and transfer technology in production and business fields of non-woven fabric, filter cloth, felt, blanket, bed cover, pillow, mattress, sleeping bag, kit-bag, handbag, underwear and other garment products in accordance to Korean regulation (ii) Importing-exporting products for dining table, kitchen, toilet, office, indoor, decoration, home furnishing products and/or other items which has similar purposes; furniture made of wood and other material.

5. BUSINESS LOCATION AND DISTRIBUTION SYSTEM (CONTINUED)

FACTORIES

MACHINES & EQUIPMENT

HA NOI FACTORY

Noi Thuong residential area – Duong Xa – Gia Lam – Ha Noi
Square: 15,000m²
Main activities: Padding & Quilting business
Production capacity: 15 million Padding yards
Tel: (84-4) 3827 6490
Fax: (84-4) 3827 6492

03 Padding production lines
01 ball Padding production line
01 microfiber line
01 bonding line
25 Quilting machines
06 Shuttle machines
19 sewing machine
05 metal finding machines

HUNG YEN FACTORY

Khu công nghiệp Tân Quang – Tân Quang – Văn Lâm – Hung Yên
Square: 17,670m²
Main activities: Bedding business, including linen and mattress
Production capacity: 3 million Bedding items
Tel: (84-321) 3791 777
Fax: (84-321) 3791 999

233 Sewing machines
21 Overlock sewing machine
13 Cutting machines
23 Wrapped edging machine
12 embroidery machines (1 sample machine)
02 fabric spreader machine
03 fabric intervention machine
01 fabric testing machine
25 quilting machines
02 shuttle machines
04 Fiber mixing machines
03 Carding machines
05 inserting machines
02 Spring mattress lines
01 PE mattress line

DONG NAI FACTORY

Lô 4, KCN Biên Hòa 1, Biên Hòa, Đồng Nai
Square: 37,762m²
Workshop: 07
Main activities: Padding, Bedding & cleaner business
Production capacity: 10 million Padding yards, 1 million Bedding items and 15 million cleaner items.
Tel: (84-61) 8869 161
Fax: (84-61) 8869 151

150 sewing machines
05 overlock sewing machines
02 cutting machines
05 embroidery machines
02 inserting machines
01 fabric testing machine
34 quilting machines
15 shuttle machines
01 spring mattress line
01 PE mattress line
02 fiber mixing machines
02 carding machines
02 Padding lines
01 ball Padding line
01 microfiber line
02 metal finding machines
Cleaner workshop:
40 overlock sewing machines
30 needle machines
07 warp knitting machines
13 circular knitting machines

6. SHAREHODLER STRUCTURE

Shares

Everpia has total of 41,979,773 shares, of which outstanding volume is 39,547,973 shares, and treasury shares volume is 2,431,800 shares. All of these shares are unrestricted ordinary shares.

Major shareholders and professional securities investors (as at 20th March 2018)

(All below numbers are calculated based on outstanding shares and excluded treasury shares)

Everpia has more than 1,700 investors which include non - professional and professional investors both local and foreign.

NO.	TYPE	NO. OF SHARES	RATE OF OWNERSHIP	NO. OF SHAREHOLDERS	SHAREHOLDER STRUCTURE	
					INSTITUTION	INDIVIDUAL
1	Non-professional major shareholders	6,706,800	17.0%	1	0	1
	- Local	0	0.0%			
	- Foreign	6,706,800	17.0%	0	0	0
				1	0	1
2	Professional major shareholders	5,339,590	13.5%	2	2	0
	- Local	0	0.0%			
	- Foreign	5,339,590	13.5%	0	0	0
				2	2	0
3	Other professional shareholders	3,290,881	8.4%	42	42	0
	- Local	312,732	0.8%	29	29	0
	- Foreign	2,978,149	7.6%	13	13	0
TOTAL		15,337,271	38.9%	45	44	1



6. SHAREHODLER STRUCTURE (CONTINUED)

Type of ownership

TYPE	NO. OF RESTRICTED SHARES	NO. OF UNRESTRICTED SHARES	TOTAL	RATE (%)
I. Special shareholders	0	7,833,060	7,833,060	19.8%
1. Board of Directors	0	7,173,830	7,173,830	18.1%
2. Managements	0	7,173,830	7,173,830	18.1%
3. Audit Committee	0	655,630	655,630	1.7%
4. CFO	0	2,000	2,000	0.01%
5. Chief Accountant	0	3,600	3,600	0.01%
6. Authorized for disclosure of information	0	372,000	372,000	0.1%
7. Appointed by BOD	0	93,030	93,030	0.2%
II. Treasury shares	0	2,431,800	2,431,800	0.0%
III. Union	0	0	0	0.0%
IV. Shareholders owning preferred shares	0	0	0	0.0%
V. Other shareholders	0	0	0	0.0%
1. Local	0	12,806,834	12,806,834	32.4%
1.1 Individual	0	12,298,892	12,298,892	31.1%
1.2 Institution	0	507,942	507,942	1.3%
State:	0	0	0	0.0%
2. Foreign	0	18,908,079	18,908,079	47.8%
2.1 Individual	0	10,543,765	10,543,765	26.7%
2.2 Institution	0	8,364,314	8,364,314	21.2%
TOTAL	0	41,979,773	41,979,773	

Note: All Management members are also BOD members.



B - REPORT OF MANAGEMENT

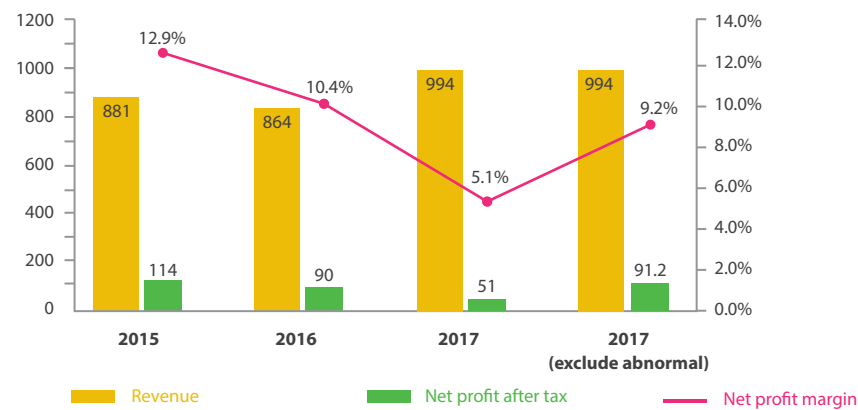
Through a long journey of 25 years from inception, apart from the remarkable achievements, Everpia has gradually revealed some backwardness in the extent of business and management method. In order to regain the development orbit, build up solid foundations for future long-term growth, the Company's Management decided that 2017 would be a year of reforms and innovations.

The reform of the company was carried out through the following activities: i) Business activities: refreshing the brand image of No.1 Bedding brand on the domestic market, expanding the Padding customer portfolio; ii) Research and Development: developing new materials for the Bedding products, improving Padding production to meet the requirements of chemical testing on products; iii) Enhancing management capacity: improving the risk management system for the ten key operational processes, developing the cost management plan for each business unit, upgrading the accounting system ERP.

A reform is necessary and needs to be implemented consistently. Accordingly, in the fiscal year 2017, a large amount of capital has been invested to carry out these activities. This decision has somehow resulted in a sharp decrease in operating profit over the same period of 2016. Consolidated net revenue in 2017 reached VND994.4 billion, up 15.1% from 2016, finishing 90.4% of the plan. After tax profit fell significantly to VND50.9 billion, down 43.2% y/y and fulfilling 33.9% of the plan. This sharp drop was due to the impact of extraordinary expenses of VND46.3 billion.

Unit: Bil. VND

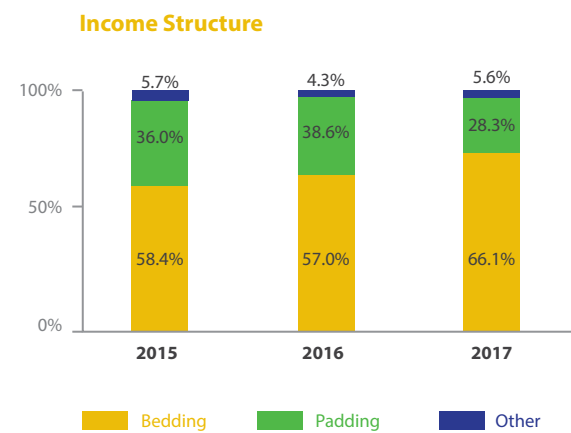
	2017 (exclude abnormal)	2017	2016	Rate of Completion	Rate of completion (exclude abnormal)
Consolidated Revenue	994.4	994.4	863.9	90.4%	90.4%
Consolidated NPAT	91.2	50.9	89.6	33.9%	60.8%



The revenue of 2017 increased by 15.1% over last year period due to a significant enlargement of the Bedding business, up to 32.6% of growth. Of which, the two segments of Bedding export and B2B presented the growth of 55.0% and 149.8% respectively.

The Padding business witnessed a fierce competition in both domestic and export market. Domestically, many garment companies have equipped their own production lines to fulfill their demand of popular Padding products, even supply the surplus semi-finished products to the market.

In addition, to catch up with opportunities from CPTPP, many small suppliers have been established, they were willing to lower the price to get customers. Under severe competitive pressure, despite big efforts to innovate the product through launching of new product lines and promotion of marketing activities to find new customers, the Company's Padding sales was still down 16.2% from the previous year.



1. BUSINESS PERFORMANCE

1.1 Bedding business

Bedding is a core business of Everpia, which accounts for a large proportion of the Company business with VND667.7 billion of revenue, equivalent to 66.1% of total income in 2017. B2C sales reached VND415.3 billion, while revenue from B2B was VND123.7 billion, Online sales gained VND19.8 billion, and export revenue reached VND108.9 billion. Revenue contribution was 62.2%, 18.5%, 3.0% and 16.3% respectively within its revenue structure of the Bedding business. In which, B2C is our traditional business and B2B, Bedding export, online are our young businesses.

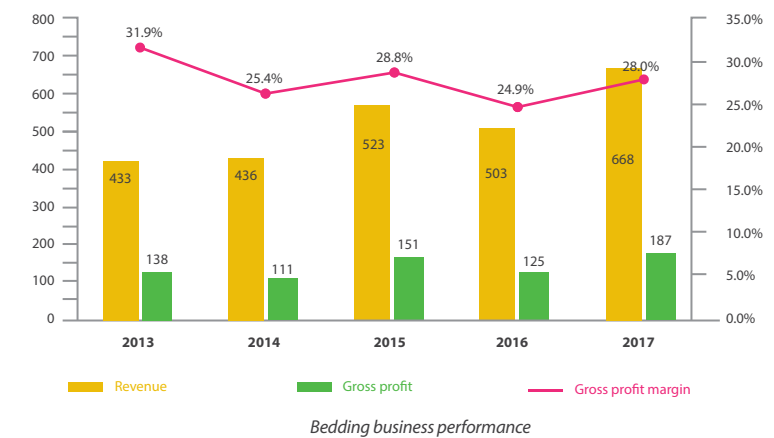
For the B2C segment, 2017 was the year of consolidating the brand position as part of our strategy to regain and expand market share during 2018 to 2022. During the period, the company had sold off old designs to minimize slow moving inventory, recalled the Edelin brand, strengthened the Everon Lite brand that targeting on the youth. As a results of these drastic measures; B2C sales has grown significantly from VND 371.3 billion to VND 415.3 billion with a growth rate of 11.8% compared to 2016.

Since 2013, the B2B department was established as a separate business unit. After nearly 5 years, this special sales team has developed more and more relationships with customers and showed a steady growth in revenue and market share. The progression of the B2B department in terms of both skills, customer networks and the supplied quality is recorded through the business performance with booming sales growth from VND79,8 billion last year to VND123.7 billion in 2017.



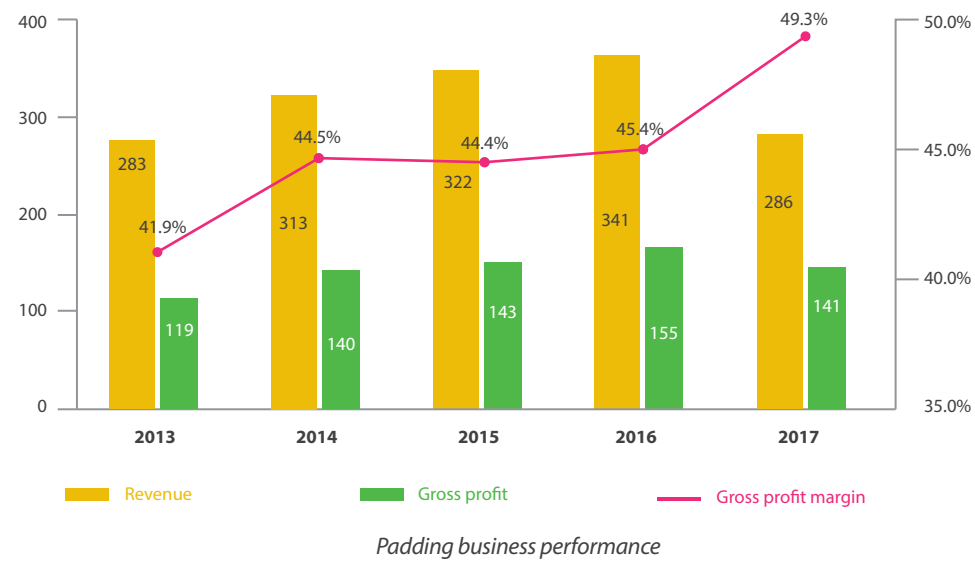
Bedding export team was established from 2014 as a separated department. From the establishment so far, Bedding export team has tried their best to improve technical skills, expand customer portfolio and contribute to cultivate product design and quality to be more suitable with customer demand, bring the Everpia's Bedding products into the international market. As the result of these long efforts, the Bedding export revenue has exploded in 2017 with the growth rate of 149.8%.

The Online business is still occupied small position in our sale structure. In 2017, the online sale has increased 127.8% from VND8.7 billion last year to VND19.8 billion this year.



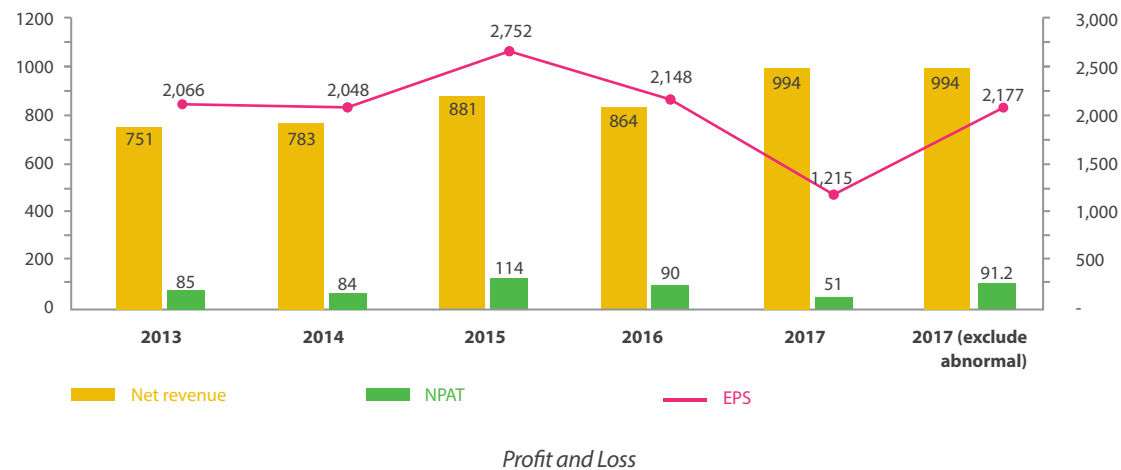
1.2 Padding business

Padding and Quilting businesses account for 28.3% of Everpia's total income and are expected to recover the sale amount in near future. This is one of the most profitable business activities with gross profit margin up to 49.3% and has been stabilizing at a high level (about 45%) in the last five years. However, due to the attractiveness of this market segment, more and more companies have recently appeared with low-price products. In 2017, we had to reduce our average price of Padding business by 6.5% and average price of Quilting business by 5.9%. Some customer has built their factory to produce Padding product for their own demand and supply to the market too. As a result of mass competition in this year, the annual sales of Padding and Quilting has decreased by 16.2% from VND340.9 billion in 2016 to VND285.6 billion in 2017, in which Quilting revenue decreased by 30.4%, Padding revenue decreased by 12.0%.



1.3 Other products

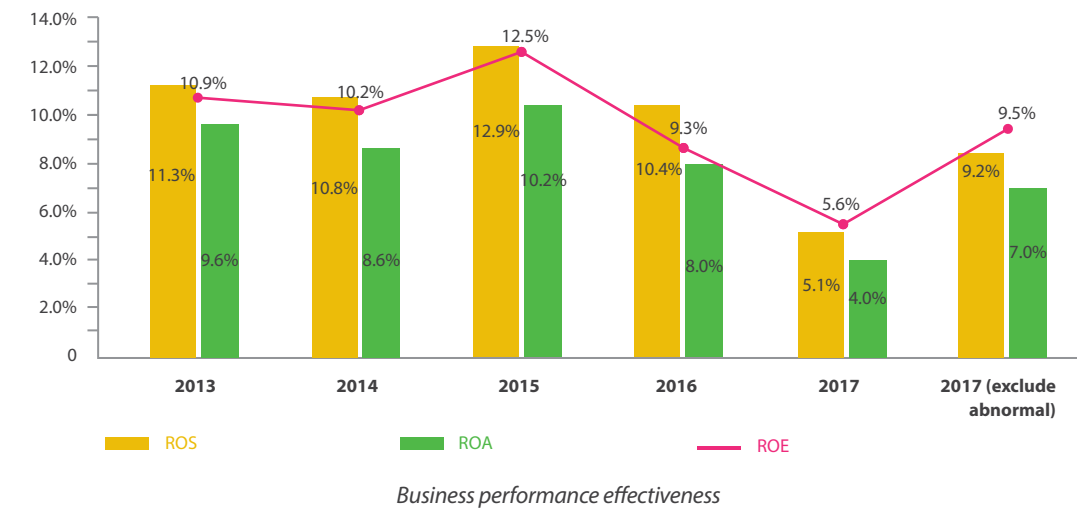
In addition to the core business of Padding and Bedding, Everpia has also extended to some complementary sectors such as furniture, decoration, kitchenware, and design consultancy, in order to satisfy customer's demand and support core business activities of the Company. In 2017, the revenue from other product is VND41.2 billion and account for 4.1% of total income of EVE.



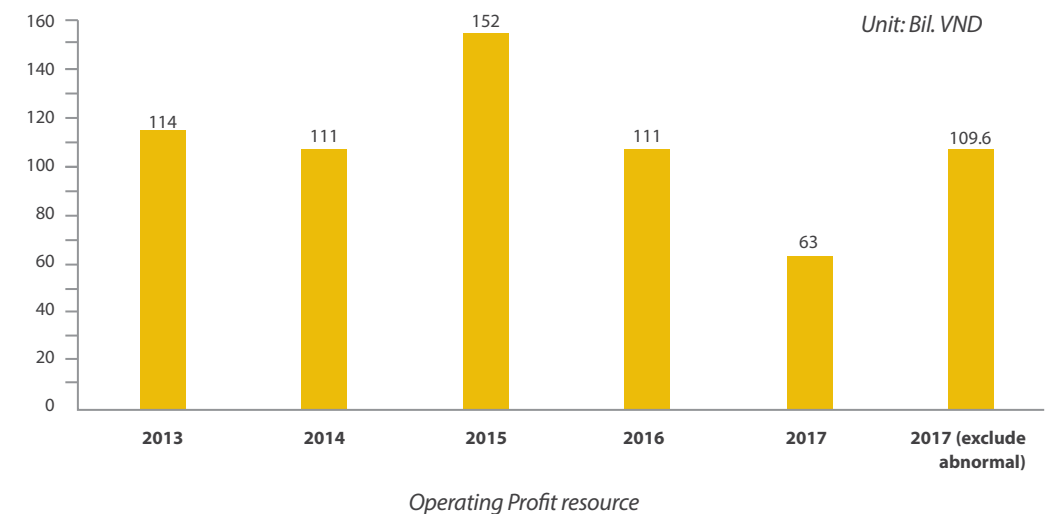
1.4 Business effectiveness

Items	2015	2016	2017	2017 (exclude abnormal)
Gross profit margin	36.0%	33.7%	33.2%	33.6%
Profit before tax margin	16.8%	13.1%	6.4%	11.0%
Return on sales (ROS)	12.9%	10.4%	5.1%	9.2%
Return on equity (ROE)	12.5%	9.3%	5.6%	9.5%
Return on assets (ROA)	10.2%	8.0%	4.0%	7.0%

In 2017, gross profit has increased speedily by 13.3% compared with 2016, in which gross margins reduced slightly from 33.7% to 33.2%.



The increasing of gross profit is mainly come from the increasing of revenue in 2017 (total net revenue increased by 15.1%) and the result of factory innovation. Accordingly, the gross profit margin of Padding business was 49% and Bedding business was 28%.



In 2017, profit before tax has decreased to VND63.3 billion, 44.3% down compared to 2016. The main reason came from abnormal factors in selling and administration expense in 2017 and a little in cost of goods sold.

Unit: Bil. VND

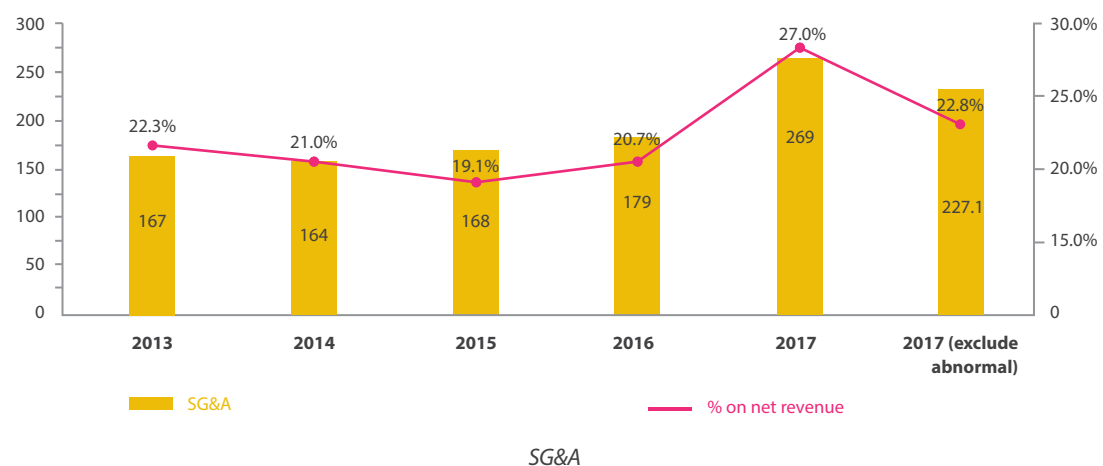
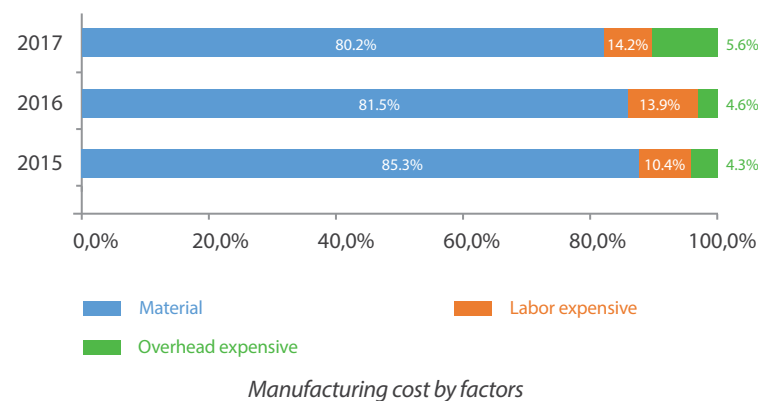
ITEMS	AMOUNT
Net profit after tax	50.9
Abnormal expense	40.3
- Abnormal advertisement	9.2
- Severance allowance for Korean before 2017	6.5
- Provision for Texpia's loan	25.4
- Depreciation on site restoration expense in Dong Nai	0.6
- Reduce depreciation useful life	4.7
Tax adjustment	-6.0
Net profit after tax (exclude abnormal)	91.2

About selling expense, in 2017, we signed the brand representative contract with the Korean no.1 actress Kim Tae Heeto empower our bands. Together with new brand face, series of advertising activities were widely carried out through various channels: TV commercials, advertising boards, magazines. Total marketing expense of 2017 inflated 9.2 billion dongs than used to.

About the administration expense, in 2017, we recorded VND6.5 billion severance allowance of Korean from the time they started working in EVE until Dec 31st 2016, VND25.4 billion of provision for Texpia's loan and finally VND0.6 billion for site restoration of Dong Nai factory.

About cost of goods sold, the Dong Nai factory may be required to move by 2022 due to the plan of converting land using purpose of entire Bien Hoa 1 Industrial Zone to Trading, service and urban land of Dongnai Industrial Zone Authority. Therefore, we have to reduce the depreciation period and this cause the increasing in depreciation expense which is recorded in COGs. Total amount of this item is VND4.7 billion.

All of the reason above have caused the SG&A expense increased significantly by 50.5% from VND178.6 billion in last year to VND268.7 billion this year, account for 27.0% net revenue. This is the major cause of the decreasing in net profit.



2. SUBSIDIARIES PERFORMANCE

In 2017, after reassessing the effectiveness of all subsidiaries, Board of Directors have decided to transfer entire capital at Cambodian subsidiary (Everpia Cambodia Co., Ltd), and cancel the German one (Everpia IntermaruCo., Ltd) according to the Resolution no. 002/2017/HĐQT/NQ dated 16th March 2017.

As at the end of 2017, we have 01 affiliated company – Texpia JSC and 01 subsidiary – Everpia Korea JSC.

2.1. Texpia JSC

Everpia has invested in Texpia since 31st Aug 2015 with 44% contributed capital. Texpia is a manufacturer of microfiber towels & cleaners that are new to Vietnamese market but have been popular in Europe and America. Sales of Texpia comprise of export activities to customers in the US, Germany, Australia, Korea and Japan. The investment in Texpia allows our products to have an opportunity to approach European market through Texpia's customer network. Moreover, by distributing Texpia's products in the domestic market, Everpia can be more active in serving Vietnamese customers.

Because of its short history, Texpia is experiencing a lot of difficulties in capital and management, especially in debt and inventory management. In 2017, we have intervened further on Texpia operation to solve the critical problems. With Everpia's supports, Texpia has gradually reduced its operating cost, downsize the loss and has been profitable from Sep 2017 until now. However, the innovation progress in Texpia still under expected, while acquisition of entire cleaner business from Texpia would be a big opportunity for Everpia regarding the business and distribution expansion and then increasing sales. Therefore, we have decided to enter into the acquisition contract with Texpia JSC.

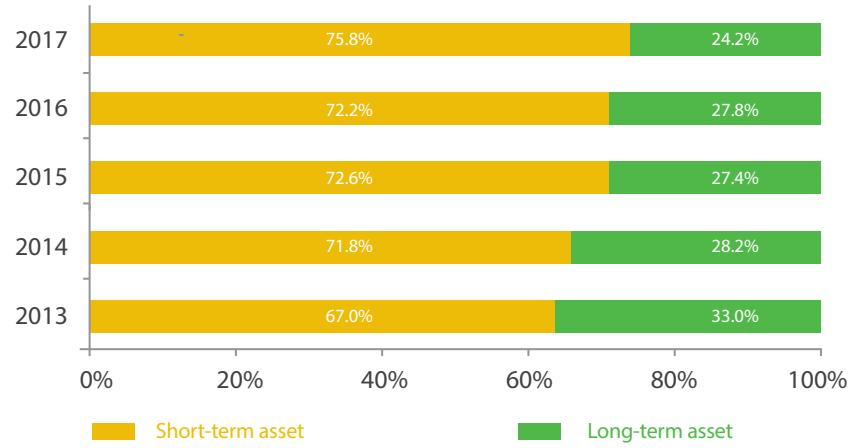


2.2. Everpia Korea JSC

In recent years, export to the Korean market has accounted for more than half of the total export revenue. In 2017, there was 62.3% of raw materials of Everpia imported from Korea. To be more active, professional and effective in approaching potential customers in Korea, as well as creating favorable conditions to attract capital in the future, the Korean subsidiary was established in 2016 and officially came into operation since mid-2017.

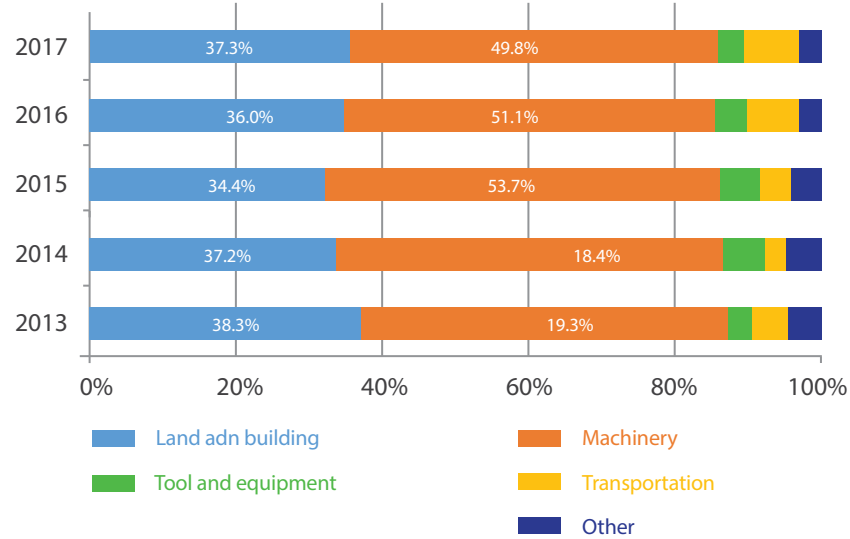
3. FINANCIAL POSITION

Asset



In 2017, short-term asset has increased sharply by 20.2% but the long-term asset is almost the same. This caused the portion of short-term asset increased by 3.6% and portion of long-term asset decreased correspondingly.

Fixed asset cost structure

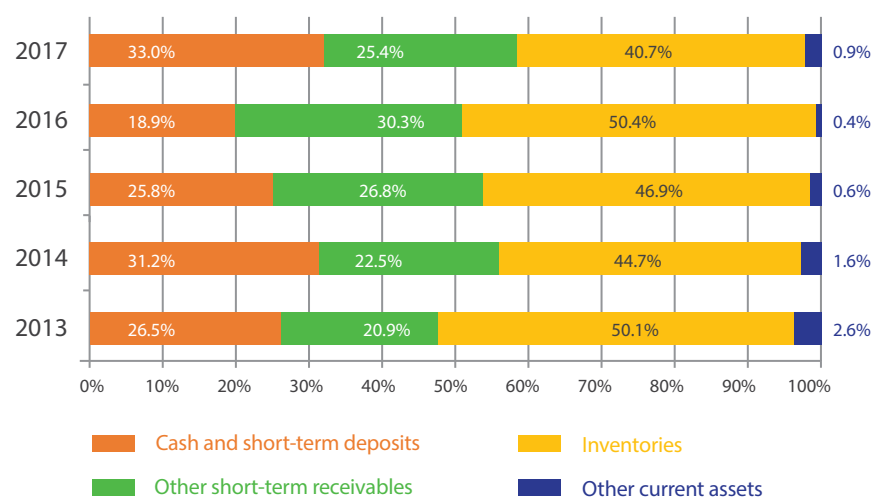


Fixed asset structure is steadily remained. In 2017, land and building and machinery still account almost portion in total fixed asset. This structure shows a stable use of assets in which machinery and equipment are reinvested and synchronized.

Assets of the Company as at 31st Dec 2017 reached VND1,276.4 billion, increased by 14.5% over the end of 2016. Short-term asset structure accounted for 75.8%, which increased by 3.6% in asset portion compare with the end of last year and increased by 20.2%.

In short-term assets, there are inventory (raw materials and finished products) which accounted for 40.7% (decreased by 9.7% compare with last year), short-term receivables accounted for 25.4% (decreased by 4.9% compare with last year) and the others are cash and cash equivalent, short-term investment, other short-term asset.

The increasing in short-term asset is mainly come from the increasing of cash and short-term deposits which have the growth rate compare with last year is 109.8%



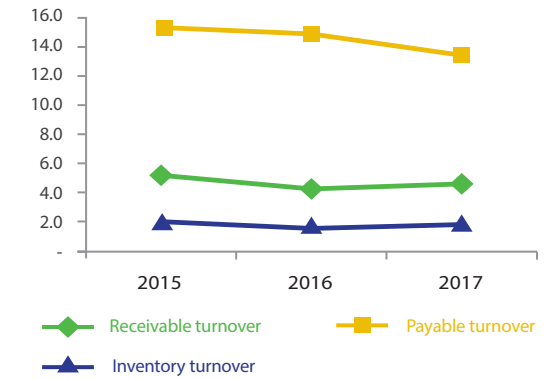
Effectiveness of Resource used

Items	2015	2016	2017
Inventory period (day)	225	249	220
Trade receivable collection period (day)	78	97	90
Trade payable payment period (day)	24	25	28
Working capital cycle (day)	278	322	282

In 2017, The Company has attempted to reduce the inventory by clearance sales and making new patterns from the previous years' fabrics. As the result of our efforts, the inventory days has decreased by 29 days from 249 days to 220 days in 2017. The reducing in inventory days has helped us saved VND108.1 billion in inventory and VND5.8 billion of opportunity interest expense (use interest rate of 5.4% to calculate).

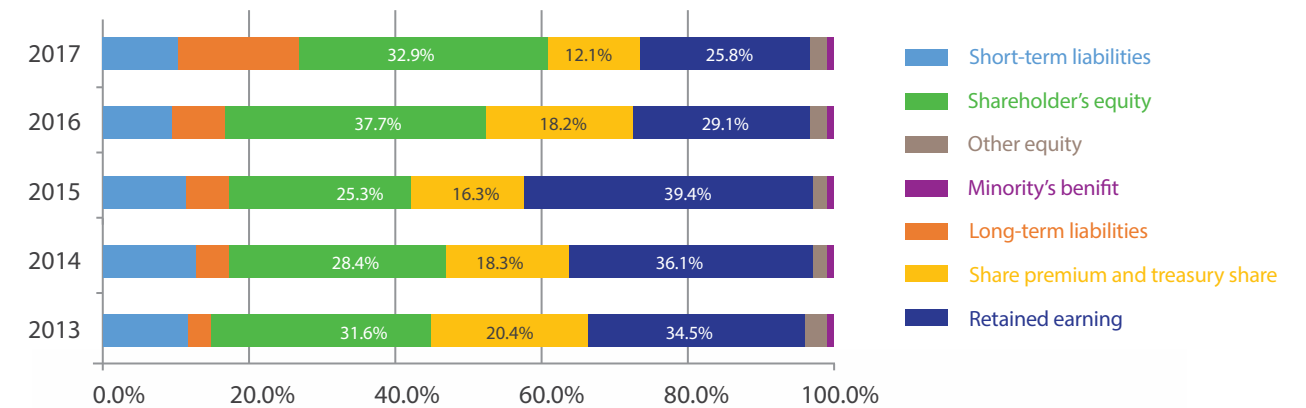
In 2017, recognize our efforts to control AR debt. The AR days has reduced 7 days which help us saved VND39.8 billion in receivable and VND2.1 billion of opportunity interest expense (use interest rate of 5.4% to calculate).

Payable days has slightly increased by 3 days to 28 days in 2017 which help us shorten the working capital days too.



Capital and liabilities

As of December 31st 2017, total equity decreased by 4.5% over the end of last year, accounted for 71.8% total capital of the Company. Equity decrease due to the buying treasury share in 2017 with total amount is VND49 billion. Total liability has increased 131.9% due to the VND150 billion company bond which we issued in 2017 for expanding the distribution channel and marketing activities and invest in machinery and equipment.



Liquidity ratio

Items	2015	2016	2017
Current ratio	5.0	7.4	5.9
Quick ratio	2.7	3.7	3.4
Interest coverage ratio	53.4	27.2	9.0

Inventories during the year has decrease slightly by 2.8% but still occupied a large proportion in short-term asset structure (40.7%). Since short-term assets did not include inventory which is valued up to VND573.4 billion as 3.4 times higher than short-term debt, it has helped the liquidity to be at high level. Within the period, short-term debt increased by 52.0% when short-term assets increased by 20.2% and short-term asset after exclude inventory increased by 43.6% which cause both quick ratio and current ratio decreased. At the end of the year, current ratio and quick ratio were 5.9 times and 3.4 times respectively.

The interest coverage ratio decreased sharply from 27.2 in 2016 to 9.0 in 2017 due to the abnormal expenses which cause the profit before tax decrease sharply and the interest from company bond in the year.

Cash flow status

Unit: Bil. VND

Items	2015	2016	2017
Net cash from operating activities	71	65	106
Net cash from (used in) investing activities	-74	40	-143
Net cash from (used in) financing activities	15	-72	88
Cash and cash equivalent	47	79	132

Till year-end 2017, cash and cash equivalents of the Company are maintaining at VND132 billion. By actively implementing flexible selling strategies and effective account receivable and inventory management, cash flow from operating activities of the company has been positive in 2017 with VND106 billion returned cash. In 2017, net cash flow from investing activities is VND-143 billion and from financing activities is VND88 billion. Maintaining positive cash flow shows that Everpia's main business is still effective and has the ability to generate high cash for company's operation.

Financial leverage

Items	2013	2014	2015	2016	2017
Liabilities/Equity	0.14	0.20	0.22	0.16	0.39
Liabilities/ Total asset	0.12	0.16	0.18	0.14	0.28

In 2017, debt ratio of Everpia has increased significantly due to VND150 billion company bond issue. Currently, the Company's debt ratio is 0.39 while in 2016 the ratio was 0.16

4. MATERIAL PROCUREMENT ACTIVITIES

Most of the materials that Everpia uses for production are polyester fibers and fabric. Material cost accounted about 81.5% in 2016 and 80.2% in 2017 of cost of goods sold. These are mainly imported from abroad from reputed suppliers in such countries as South Korea, Malaysia, Pakistan, etc. In order to develop Bedding export activities, increase B2B hotel orders as well as develop new Bedding brand - Everon Lite, the Company has expanded its supply of raw materials by finding new suppliers, including local vendors.

During the period, Materials procurement activities include purchasing and supplying materials in sufficient time and at reasonable prices, which contribute to the stability of product quality and the speed of the production process. Proper storage and preservation activities are used to prevent damage to the products.



5. FINANCE AND ACCOUNTING

In 2017, under the instruction of BOM, the accounting department has coordinated related department to set up management reports which help BOM a lot in control and assess the effectiveness of each business unit. This is a big improvement in financial data for internal management purpose. Detail as below:

- Set up and monitoring, auditing, and completing the Company's budget report for monthly, quarterly and annual budget plans in order to improve business operations.
- Improve the ERP system, set up business, management account code to create and monitor the expense analyzing report by expense type and P&L by business unit (B2B, B2C, Bedding export, online, Padding).

Beside the innovation about management accounting, accounting department has complete all their normal task well as below:

- Finish financial statements according to international accounting standards for fiscal year 2015 and 2016 and make financial statement for 2017
- Effectively using banking services for the Company's budget plan.
- Coordinating with the auditors to make financial reports on schedule and publish these in accordance with stock market rules.
- Making tax settlement according to State's regulations. Auditing, detecting, and adjusting accounting documents to improve the financial report.



6. HUMAN RESOURCES

On December 31st 2017, the total number of employees amounted to 1,303 people. Of these, over 194 employees completed degrees at the University level and higher, 82 employees completed College or Intermediate degrees, and around 1,027 employees were technically trained or skilled laborers.

In 2017, the Company recruited 178 employees. However, Everpia terminated 196 labor contracts, includes cases fired by the Company and stopped working by employees themselves. The turnover rate in 2017 was 15.0% (of the total 1,303 employees).

In 2017, the Company organized an annual health check-up for all employees and fully implemented an insurance policy with social insurance, health insurance, and unemployment insurance.

To encourage employees, the Company rewarded those who made significant achievement during the year with several all-expenses-paid travel tours, both local and abroad.

In addition, the Company also supports the training costs of its employees for them to improve their working skills and knowledge.



Stepping on Innovation



7. IMPROVEMENTS IN POLICY AND GOVERNANCE

7.1. Distribution system

According to Company's statistics, till year-end 2017, the Company has 375 effective agents nationwide according to the new statistics method of excluding all small agents which is belong to the big provincial general agents. We have implemented the agent restructuring campaign, applying the requirements on product display and introduction. As the result, 39 agents squared under 50 m2 were closed and 18 new agents squared over 80m² were opened.

7.2. IFRS Financial Reporting

In preparation for being listed in Korean Stock Market, Everpia has finished financial report following IFRS standard for the fiscal year 2015 and 2016. The financial report which is follow the IFRS standard for FY2017 is being preparing. Apart from approaching global capital market, the compliance with IFRS will also enhance the comparability and transparency of financial reporting activity. Accordingly, investors can compare Everpia's business performance with other listed securities companies in local and international market, from which to make more accurate assessments and have a comprehensive look about Company's activities.

7.3. Management accounting

In 2017, we have set up the principle and code of management account, improve the document and ERP system to breakdown expense by each business unit and make the budget for each department. These reports has help the Company a lot in controlling the budget of each department, the sale and profit target, improve awareness of all departments about the effectiveness of their expense.



7.4. Develop Internal Control System

In 2017, we have officially implemented the SoX for risk control and improving internal process. From result of SoX testing, the BOM and related department has discussed and find out the operational risk a lot of time. From that, we changed internal procedures for save working time, improve the effectiveness of each departments.

7.5. Factory innovation

In 2017, a taskforce team was set up for factory innovation and to make the innovation progress faster and more effective, in the beginning of 2018, we hired a group of experienced Korean advisors for factory innovation. The innovation team analyzes the machine arrangement, human management, movements and rearrange the inventories for more convenient to take in, take out inventory and solve obsolete inventory. With the factory innovation, we will utilize the material, reduce the shortage of raw material, increase product quality, improve labor yield. As the result of factory innovation efforts, although the average price of Bedding and Padding product reduced due to fierce competition in 2017, our gross profit margin of both Bedding and Padding sector still recognized the good increasing. Further, by lower and lower production cost with the increasing in labor yield, EVE's competitive ability will be increased significantly in the future. Especially when it resonance with the stronger brand as result of efforts to restrain our brand above.

8. DEVELOPMENT PLAN FOR 2018

From the first day of 2018, the Board of Directors and Heads of departments have discussed on the 2018 business plan. The internal target will be the basis for the Board of Directors to submit to the annual General Shareholders' Meeting. Accordingly, the proposed plan is:

To complete the business plan for the fiscal year of 2017, the Management board has set up a detailed action plan for each department as follows:

Unit: Bil. VND

Items	2017	2018 plan	+/-
Revenue	994.4	1,150	15.6%
Net profit after tax	50.9	115	125.8%

8.1. Bedding business

a. B2C segment:



Diversify product portfolio: In 2018, the Company will further develop several new product lines in order to enhance the flexibility of providing capability, including:

- **Mattress:** adding latex mattress and new series of Everon spring mattress into the portfolio. Imported from Belgium, made from rubber with the advantages of good elasticity, high duration, well supported for the spine, cheaper price but higher quality and design, latex mattress could satisfy lots of customers' demands.
- **Pillow:** diversify the material of insert & create functional pillows to increase facilities for end users, such as: memory foam, latex... in various shape to support neck, anti-snore,... and take better care of users.



Expand the market: In 5-year strategy 2018-2022, the Company will focus on dominating the South market and extend new modern sales channels in addition to maintaining traditional ones.

- In South market: the Company expects to open further 30 large agents, 05 showrooms, upgrade the qualified agents to showroom in order to standardize the brand image. Also, right in 2018, the Company will set up a separate Design Institute for Southern market to make Research and Development on the characteristics in climate, customer taste, so as to launch a distinctive product range that best suitable to Southern consumers. The timeline for launching new collection would also change in accordance with regional nature.
- Develop showrooms as the model case for agents. Besides displaying classic products, the Company will introduce new products via showrooms, test and survey customer taste directly. As planned, the new range of products of cleaners, towels, roller blind, curtains and world-classed spring mattress will be displayed and sold via showrooms network since the end of 2nd quarter 2018.



Agent systems: Following the policy of developing agents in depth, the number of agents in coming years is expected to reduce by half, while the average scale will increase four times. The agents will be fully supported in brand recognition activities, including advertising on local channels, billboards and interiors. In exchange, agents shall need to meet higher sales commitment with the Company.

b. B2B segment:

Current sales of B2B is quite modest compared to corporate Bedding market size, which is considered to be very potential business. This business is positioned as the main momentum of future development with the expected annual growth of 30%.



For hotel and resort customers: To satisfy the diverse customer demands of multiple segments, the Company will change and expand the customer portfolio in the following orientation:

- **Bedding set:** (i) Diversify the fabric material; (iii) Develop the combo set, such as: bath room set, dining room set with specific design that suitable to each style of hotels.
- **Mattress:** Fostering the spring mattress sales, especially at the international brand that will be launched in May 2018.



For corporation customers: Diversify the product portfolio by:

- Making research on the customer taste and add more interested items into the offering catalogue.
- Reaching for exclusive supplying contracts for several special gift items imported from Korea and China
- For high quality products, negotiate with the suppliers to be the exclusive distributor

c. Online segment:



- New Bedding items designed specifically for the online business
- Set up specific online shopping website.

d. Bedding export:



• **Target customers:** Korea market. Korea is traditional market of EVE's Bedding export, due to the advantage of VKFTA and the well-understanding on this market's management scheme.

• **Production:** The current problem is to improve the production capacity and quality control to adapt to the large number of orders. From 2018, EVE plans to separate several specific lines for export orders to specialize production and increase the productivity, because export product range, which includes just several kinds though, are quite different than EVE's classic products.

• **Reduce price:** Co-operate with logistics and Korean exporting company to take advantage of the vessels shipping goods from Korea to Vietnam and returning. By this way, the logistics cost would be much lower than ordering single vessels to Korea.

8.2. Padding business



• **Product:** Besides promoting the advantages of traditional Padding products, the company will foster the research and development of new products to meet the diverse needs of the market. In 2017, the Company has successfully applied non-formalin production for Padding lines in accordance with the chemicals requirement from customers. In 2018, in addition to popularizing this new product in order to improve the competitiveness of the company (especially to Japanese customers), the company will continue to launch new other Padding products such as recycled Padding certified by RCS (international standard for recycled products), products made of microfiber, or Wellon - fake feather.



• **Market expansion:** i) Maintain good relationship with traditional customers, ii) Look for opportunity to sell more goods to current foreign customer, iii) Approach newly established garment factories, iv) Develop group of customers who do not work in garment sector but need to buy Padding products as sub-material in producing such as facemask, sofa, bed sheet, etc.

8.3. New businesses:



• **Rolled blinds and curtains:** Got license since mid of 2017, the Company expects to sell rolled blinds and curtains in addition to Bedding items via current distribution channels from the end of 2nd quarter 2018. This supplement would make a highly appropriate product package for hotels, real-estate projects market which are gradually recovered. As planned, these products are settled at middle & high-end market with the material imported from Korea, eye-catching design and environmentally friendly.



• **Towels, cleaners:** In 1st quarter of 2018, the Company will popularly distribute Texpia products after acquiring its entire factory. The towels and cleaners portfolio will be specified by customer segments, including: (i) consumer: cleaner for smart phones, TV, family rugs & mats, towel... and (ii) industrial cleaning business.

8.4. Other activities



In addition with the mentioned plans, we have other plans to improve our efficiency as below:

- For B2B and Bedding export, SG&A ratio will be re-adjusted and allocated according to the characteristics of each business division to estimate pre-cost breakdown, and regularly revised based on the actual performance.
- Increase profitability by monitoring the sales and profit by business unit to analyze and timely give solutions to improve the efficiency of each unit.
- Not only revenue but also profitability index are considered in the incentive calculation for sales teams.
- Keep the criteria of AR management on the operating evaluation and incentive policy of business units.



Investment plan in 2018

In order to improve services and products for customer, Everpia plans to continue such investment activities as below:

Items	Estimated amount	Items	Estimated amount
Expanding the business operations	62,000	Investment in fixed assets for production and business activities	15,000
Open new showroom	20,000	Padding business	10,000
Agent upgrade	9,000	Bedding business	5,000
Advertisement	28,000		
New products launching and developing	5,000		
Total			77,000

TARGET



PLAN FOR THE TERM 2018 - 2020

INDUSTRY STRATEGY

- Focusing on core brand development
- Building brand names for new products: cleaner and curtain
- Building integrated product packages for both individual and corporate customers: design consultancy, construction, manufacturing and furniture installation



DISTRIBUTION CHANNEL STRATEGY

- **Bedding and new products**
Maintaining market share: Effectively exploiting current distribution system, especially the exclusive agent distribution system
Increasing market share:
 - Developing showroom system in order to increase sales and introduce new products
 - Promoting attracting customers in other potential markets such as hotels, online, export, to enhance the brand value.
- **Padding business**
 - Increasing proportion from traditional orders
 - Expand the customer object



PRODUCTION STRATEGY

- Rationalizing production processes with target of: reducing investment by half, doubling yield
- Encourage technical innovation in production to complete the system and optimize production capacity.

STRATEGY



MANAGEMENT STRATEGY: Apply international standards

- Perform all narrative under Sarbanes-Oxley Act standard
- Make Financial statement according to international standards
- Effective fulfillment of responsibility to society, the environment and employees. In particular, abiding by the Business Social Compliance Initiative, which ensure the social and environment standards within the Company individual and corporate customers: design consultancy, construction, manufacturing and furniture installation



C- REPORT OF BOARD OF DIRECTORS



I. CHAIRMAN'S MESSAGE

Dear valued shareholders,

Since establishment, the new BOD of the term of 2017 – 2021 has built an ambitious target of 20% growth in revenue and profit each year. To achieve this goal, from the first meeting, Board of Directors has set up a business schedule including: thoroughly handling remaining issues, developing company on the core business, outstanding growth through the expansion of business scope and changing business methods.

In terms of corporate governance, 2017 is a successful year for Board of Directors and Management because we have thoroughly dealt with remaining issues and maintained market share in both core businesses of Bedding and Padding in the context of increasingly fierce competition. Particularly, the Company has completely terminated all ineffective investments: closed subsidiaries in Germany and Cambodia, recovered the investment through the acquisition of assets and receipt of business rights from associates – Texpia JSC. The strong investment in marketing activities has aimed to reaching out to young customers and strengthening the position of the leading Bedding brand in Vietnam. These decisions are carried out for the long-term and sustainable development of the Company in the future. Bedding sales increased by 33% over the same period, contributing of 15% growth in total sales, which partially reflected the effectiveness of these decisions.

The year 2018 marked the important milestone in the development history of Everpia: the date of 11th November 2018 will celebrate the 25 years' anniversary. Looking back the past 25 operational years, the Company could be proud of the achievements that generations of Everpia's staff has built: Leading in the industry of Bedding and Padding business in Vietnam, strong finance, widespread distribution network, best welfares and working environment for the employees, actively contributing to the national budget through taxation, the charity and social activities, solid and long term cooperation on the platform of benefit-harmony with the partners, suppliers and the shareholders.

In addition to acquired achievements, BOD also found many weaknesses and inadequacies in company's production and business activities. In the new journey, in order to fulfill the target of 20% growth in both revenue and profit each year, BOD agreed to focus on implementing four groups of strategic solution as follow:

Business scope: Along with maintaining market, continuing to develop Bedding and Padding business, the Company is going to expand its business industry by producing and distributing products like cleaners, curtains and house's furniture like tables, chairs, cabinets, lighting, decorative accessory... toward the targeted market from middle-market with the minimum expected net profit of 10 - 12%.

Distribution channel: Building up the retail supply chain model to provide decoration and interior solutions at the same time by prioritizing investment in large agents and opening new showrooms at big streets. In addition, B2B business and Bedding export will be continuously promoted. Although revenue from these activities had grown sharply in 2017, it was still not commensurate with the market size. I believe that, with accumulated experience, implementation of active business activities on the basis of existing brand, ensuring product quality and professional sales services, we can achieve great growth in revenue.

Productivity improvement: Company's target in the next three years is to reduce investment in new property purchases a half but double yield. Under consultancy of Korean experienced expert team, Company will restructure the production line in each workshop, build the connection system between workshops to minimize time in production so that workers at different stages of production can coordinate in harmony, completely focusing on production.

Improving governance ability: The governance model according to latest recommendation of OECD and G20 about good international governance practices will be studied and applied at Everpia with ultimate goal of preventing potential risks, ensuring maximum investment of shareholders.

2018 marks the fifteenth year since I has directly run the Company as CEO. I would like to apologize our shareholders for not achieving business results. As a leader, I pledge to do my best to fulfill the business goals and profitability of financial year 2018, to build a strong foundation for the following years, to maintain its position as company of top brands. On behalf of Board of Director, I would like to sincerely thank shareholders for your faith on Everpia over years. We will always need your support in this development path.

April, 2018

Lee Jae Eun
Chairman of Board of Directors

II. BOARD OF DIRECTORS' MEMBERS



Mr. Lee Jae Eun

Nationality:
Korea

Degree:
Bachelor of Economics at Sung Kyun Kwan University

Experiences:

- Before joining EVE, Mr. Lee Jae Eun had 20 years of experiences in Finance and Investment in Korea.
- After 15 years running the business as General Director, he has built Everpia as one of the 20 best Korean companies in Vietnam, TOP 100 sustainable businesses, and made Everon the most trusted Bedding brand in Vietnam.



Mr. Park Sung Jin

Nationality:
Korea

Degree:
Bachelor of business administration –Yonsei University

Experiences:

- Mr. Park Sung Jin has 20 years experiences at a fund management company in Korea.
- Joined Everpia since August 2009, he has been directly running the Dong Nai factory since 2011. Under his strict management, the factory operation and the business in the South has contributed a considerable value for the whole company.



Mr. Cho Yong Hwan

Nationality:
Korea

Degree:
Bachelor of Polymer Chemistry at Kyungbook National University.

Experiences:

- With extensive knowledge of synthetic chemicals - Polymer, he has greatly contributed to the launch of top Bedding brand name in Vietnam - Everon.
- Joined Everpia since the earliest inception, currently directly lead the sales activities, he has played an important role in maintaining market share, developing new products, expanding distribution channels and enhancing competitive strength of EVE. Under his direction, Everpia still occupies the no. 1 position in both the Bedding and Padding business.



Ms. Le Thi Thu Hien

Nationality:
Vietnam

Degree:

- Fubright certificate – Harvard Business school
- Bachelor of Credit - Banking Academy

Experiences:

- Involving in the Vietnam securities market in the early years as Head of the Corporate Finance and Consulting Department, Ms. Hien had given consultation to lots of large corporations and economic entities nationwide.
- In charge of the independent BOD member during two terms, she has provided a great deal of support for Investor relation activities and elevating Everpia's position on the domestic financial market.



Mr. Yu Sung Dae

Nationality:
Korea

Degree:
Master of Accounting - Hanyang University

Experiences:

- Mr. Yu Sung Dae has 26 years of working experiences at the world leading audit corporation – PricewaterhouseCoopers, and 28 years as a member of Korean audit association.
- Joining Everpia at the position of an executive BOD's member -Senior Director in charge of Management, in addition to developing Financial Statements & Risk Management Systems under international standards, he has also focused on the production innovation in order to improve productivity, reduce operating costs. His proven efforts are significant contribution to a sustainable and prosperous Everpia.



Mr. Nguyen Khac Hung

Nationality:
Vietnam

Degree:
Bachelor of Finance – Banking Academy

Experiences:

- Mr. Hung has many years of experiences at senior management positions in various fields such as: Financial Director - Elico Oil Company Limited, founding shareholder of Fecon Infrastructure JSC, Chairman of the Board of Directors - NKG Partners Vietnam.

III. COMPANY GOVERNANCE REPORT

Along with strictly conforming to the corporate governance regulations applicable to public company in Vietnam, Everpia is gradually implementing the governance principles adhere to Principles of Corporate Governance of OECD (Organization for Economic Co-operation and Development), Asean Corporate Governance Scorecard. This is Board of Directors' effort in applying the best corporate governance practices which are widely accepted all over the world with the goal of building a business environment based on sustainable development.

1. Activities of BOD in 2017

1.1. Board of Directors' Meetings

In 2017, BOD has conducted 13 meetings, including 04 quarterly meetings and other specialized meetings. All the meetings have been conducted in compliance with the procedures with the active participation, contribution and approval of BOD's members.

In addition to the issues under the authority of the Board of Directors, the meetings in 2017 mainly focused on the business activities following the plan assigned by General Shareholders. BOD closely monitored the performance in each quarter so as to make timely decisions in line with market fluctuations. Resolutions and decisions of the Board of Directors are adopted based on the high consensus of all members to ensure the best interests of the shareholders and sustainable development of the Company.

Resolutions of BOD's meetings:

NO	RESOLUTION/DECISION NO.	DATE	CONTENT	COMPLETION
01	001/2017/HĐQT/NQ	03/03/2017	Approved of GSM 2017 plan	Completed
02	002/2017/HĐQT/NQ	16/03/2017	<ul style="list-style-type: none"> Approved of selling 100% capital and liabilities at Everpia Cambodia. Approved of cancelling the Germany investment plan 	Completed
03	004/2017/HĐQT/NQ	05/05/2017	<ul style="list-style-type: none"> Appointing Chairman of BOD for the term of 2017-2021 Approved the cash dividend payment 2016 	Completed
04	008/2017/NQ-HĐQT	03/08/2017	<ul style="list-style-type: none"> Approved the plan of issuing non-convertible, secured bonds through private placement. Approved on mortgaging assets for Vietcombank – Hung Yen branch to guarantee for all obligations of the Company and branches at this bank. 	Completed
05	009/2017/HĐQT/NQ	14/08/2017	Approved on the principle of the transactions between the Company and related companies as per regulations of law and company charter.	Completed
06	010/2017/HĐQT/NQ	10/10/2017	Decision on supplement of business scope, adjusting the target and scale of investment projects for branches	Completed
07	011/2017/HĐQT/NQ	08/11/2017	Approved of the plan of repurchasing 3,000,000 treasury shares at the price not higher than book value during 30 days since the acceptance of SSC.	Completed (Repurchased volume: 2,431,800 shares from 06th Dec 2017 to 29th Dec 2017)

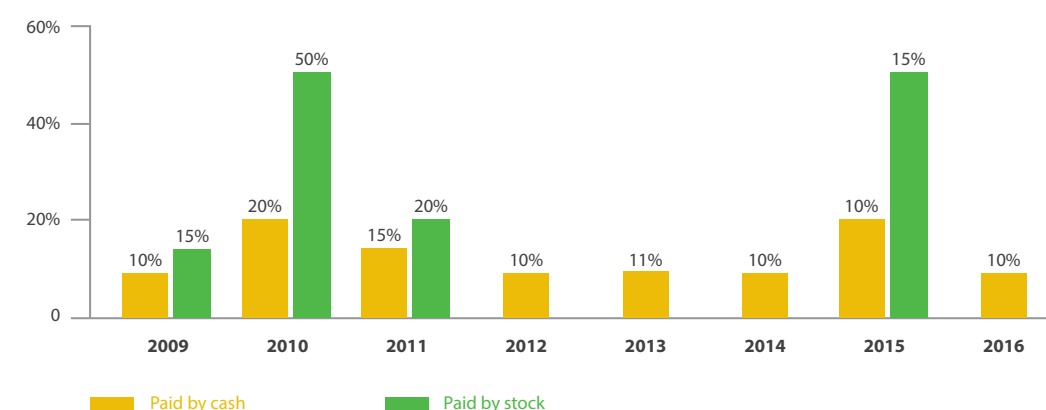
1.2. BOD's performance

a. Business performance

Unit: mil. VND

Criteria	Implemented	Business plan	Completion (%)
Revenue	994,425	1,100,000	90.4%
NPAT	50,919	150,000	33.9%
Normalized NPAT	91,226		60.8%

b. Dividend



Dividend per share

Cash dividends are paid annually based on profit distribution policy: one-third for dividend, one-third for investment and one-third for business operation.

From 2017, due to plant operation has become stable, in order to increase shareholder benefits, Board of Directors has proposed paying dividend by cash of VND 1,000/share, equivalent to 46.8% of after tax profit in 2016.

The list of shareholders who receive dividend of 2016 was closed on May 16th, 2017 and paid on June 26th, 2017.



2.2. Equitable treatment of shareholders

- Shares and voting rights

All shares of the company are ordinary shares, shareholders of the company have equal rights and obligations

- Notice of ASM

- Profiles of candidates for BOD and AC members is fully disclosed on the company's website.
- Not just document for the ASM but other important information was published in Vietnamese and English so that foreign investors can easily access, research and analyze the information about the enterprise.

- Prohibit insider trading and abusive self-dealing

- Clause 1 Article 34 Company Charter and Section 7 Principles of Company Business Ethics clearly states that "BOD's member and all employee are prohibited from disclosing information or getting benefit from their knowledge about Company"

- BOD's member, Company internal person and their related parties are required to report their EVE share transaction within 3 business days.

- Related party transaction by directors and key executives: Clause 4 Article 34 Company Charter clearly stated Obligation to be honest and avoiding conflict of interest, in detail: require management to disclose their interest in transactions and any other conflicts of interest, require them to abstain from voting.

- Protecting minority shareholders from abusive actions: The Company does not provide any financial support to a third party other than a subsidiary for the purpose of controlling or obtaining profits

2.3. Role of Stakeholders

- Everpia has been formulated, issued and disclosed the Code of Conduct and Business Ethics on the EVE's website concerning in order to orient the company culture, and prevent the unlawful or unethical acts.

- The relevant policies regarding the employees, customers, investors, suppliers and sustainability related are reported on the Sustainability Report.

2.4. Disclosure and transparency

- Corporate governance report every six month provides to shareholders the transparent ownership structure, including: Information on shareholders holding over 5%; Ownership of BOD, AC and other key management levels of the company; detailed information on subsidiaries, associates and related party transactions.

- Annual report provides fully financial information and non-financial information that shows clearly the full compliance of the company with corporate governance rules.



2.5. Responsibilities of the Board

2.5.1. Board composition

- On 21/04/2017, the Board of Directors for the term of 2017 - 2021 was elected with six members, of which two independent members represent one third of the total Board's members;

- The structure of Board of Directors ensures the balance between members who have knowledge and experience in law, finance and business field of company;

- Two independent members of BOD are not affiliated with company, member companies or officers who may interfere in making independent decisions in the best interests of company. At the meetings or through email, independent members update their business results monthly, thereby providing advice to help BOD build timely and reasonable strategies.

2.5.2. Access to information

- For quarterly meetings, necessary documents on the issues to be discussed and voted at the meeting will be always sent to BOD members before 7 days. In case of commenting through email, all related documents will be always sent at least 3 days in advance so that BOD can have sufficient time to read, consider and bring out high value opinions;

- To be active in the agenda of BOD members, quarterly meeting schedules and important events of company are made and sent to all BOD members at the 4th quarter meeting of previous year;

- Independent members of BOD have the right to access individual and independent information through the Company's Planning and Accounting Department. BOD members, especially independent members, are always provided with complete, comprehensive, continuous and timely information so that all members can fulfill their duties effectively.

2.5.3. Remuneration

- Remuneration for Board of Directors is approved by the Annual Shareholders Meeting. Remuneration for BOD members during the year is clarified in the Audit Committee Report - Annual Report and reported directly to shareholders at the meeting.

- BOD members who keep management position do not receive remuneration but salary corresponding to their position and responsibility.

2.5.4. Risk management

Under the supervision of Audit Committee, Board of Directors implements activities to protect the investment of shareholders and company assets. In order to comply with current laws and regulations, BOD establishes a risk control system through the identification of the structural entity, the precautionary monitoring system and monitors the risk management results. Periodically, based on reports of internal control department and independent auditing company on financial control, operation, compliance and information technology, BOD conducts the assessment of compliance with relevant laws and protects important assets of company from fraud.

In addition to controlling compliance, in order to prevent risk, BOD and Executive Board issue Code of Conduct and Ethics in Business to all employees, partners and who have interests to develop a transparent and strong Company.

Board of Directors determine the potential risks and preventive solutions as follows **(See details at the next page)**

IV. BOD'S ORIENTATION PLAN


BOD focuses on increasing the corporate governance quality and capacity in the delivery of Everpia business strategy. This aims at shaping a steady governance structure that adopts international best practices, leveraging the consolidated strength of group wide resources, which allows Company to control and supervise business operations in a responsible, transparent, and effective way.

In the AGM 2018, BOD will submit Draft internal corporate governance so as to create a consistent group-wide corporate governance structure. This enables us to control and supervise the business operations in a professional, transparent, and effective way, ensuring shareholders' benefits and in alignment with the benefits of other stakeholders including customers, employees, and the community.

Continue to enhance the role of risk management, compliance and internal control in order to (i) ensure the performance and adequacy of the risk management and internal audit system, (ii) improve the corporate governance practices and (iii) preserve the investment capital and create sustainable value in long-term for shareholders.

2.5.4. Risk management

Potential risks and preventive solutions:

STRATEGY RISK	IMPACT	SOLUTIONS
INVESTMENT STRATEGY RISK	Strategy risk leads to ineffective investment and bad results in terms of capital, cash flow and business performance. Everpia has been investing in subsidiary companies and allied companies; hence, potential risks remain unpredictable during its operating process.	 <p>To mitigate this risk, all investment decisions need to be carefully evaluated based on the size of target market such as scalability, competitiveness, financial efficiency, technology specificity, and other related risks before BOD approves any investment decision. In addition, back up plans need to be prepared in advance to respond promptly to the worst circumstances if happens.</p>
MARKET STRATEGY RISK	Market strategy plays a decisive role toward market share in general and company sales in particular. Misinformation of target market will lead to wrong pricing decisions, customer composition, sales decline, loss of competitive advantages, and economies of scale.	 <p>To mitigate this risk, prior to launching new products, a thorough assessment of market purchasing power, customer composition and market position is needed to be created so that such highly competitive products with reasonable price will be brought out to meet the requirements of consumers.</p>
BARRIERS TO ENTRY BARRIERS	Competitive strategies that do not match market trend will lead the Company losing market share to competitors. Everpia's Bedding products have a low barrier to entry into the market, so facing with the entering of many foreign companies and emerging companies in this market is unavoidable.	 <p>To mitigate this risk, it is necessary to keep up with market trends and competitors' activities to make timely and appropriate adjustment actions. Management Board of the Company must always take initiative steps to set a proper orientation for each stage toward, each business line, while focusing on product quality, productivity, cost management to strengthen and develop company's capability.</p>
MANUFACTURING STRATEGY RISK	Improper production strategy which does not capture market demand in short term leads to excess production, unmanageable and high inventories, affecting cash flow and having impact to quality and product design.	 <p>To mitigate this risk, the Company should regularly updates supply of market demand, economic and weather conditions to develop appropriate production strategies and avoid supply surplus.</p>
OPERATING RISK	IMPACT	SOLUTIONS
BUSINESS RISK	As a manufacturing company, the risks of bad debt and inventory are high, which affects the cash flow and working capital of Everpia.	 <p>Developing a frame contract on debt policy, using the ERP system in statistics of debt, daily debt monitoring, and provisioning for doubtful debts, helped company to manage company's receivable well.</p>
EXCHANGE RATE RISK	Raw materials (polyester fiber and fabric) for production are mostly imported from foreign partners in USD currency. Therefore, the change of exchange rate will affect production costs during that period.	 <p>To minimize this risk, the BOD should frequently update and forecast exchange rate fluctuations by keeping in contact with Banks, implementing material purchasing contracts through L/C to hedge foreign currency scarcity, maintain a long-term production and business plan, and actively store materials to reduce the effects of changes in exchange rate.</p>
LEGAL RISK	In Vietnam, law and the subordinate legal documents are inconsistent and constantly changing leading to greatly influence to business results. The risk of litigation, disputes and fines from regulatory agencies is also quite possible.	 <p>To minimize such legal risks, departments must also cooperatively exchange and update information with the related competent authorities and review the company's contracts and other agreements before signing.</p>
HUMAN RESOURCE RISK	The annual employee turnover rate is fairly high. This causes a risk in human resources because of the inexperience and varying skills of new employees, leading to lower productivity and raising training expenses.	 <p>To minimize this risk, Management Board should concentrate on HR activities by implementing long-term orientation policies and creating favorable conditions for labor. Also, Management Board should frequently organize internal training programs and reward employees to encourage their creativity</p>
OTHER RISK	Environmental risk factors, such as natural disasters, fires, epidemics, etc, may seriously affect the company's business operation should they occur.	 <p>The Company should implement measures to minimize these risks, such as purchasing property insurance, investing in fire prevention and fire-fighting systems, promoting good hygiene.</p>



D - REPORT OF AUDIT COMMITTEE

1. AUDIT COMMITTEE REPORT

1.1. Audit Committee members



MR. TRUONG TUAN NGHIA

Nationality: Vietnam

Degree: MA in Finance and Banking at Paris Dauphine

Experiences:

He has over 15 years of experience in Finance and Investment. With extensive knowledge in accounting and auditing, he has applied his knowledge and experience in developing, operating and controlling business operation of the Company. With his proved contributions during previous term, Mr. Truong Tuan Nghia has been entrusted by the General Shareholders to continuously hold the position of Head of Audit Committee for the term of 2017-2021.

MR. KIM KYOUNG ROK

Nationality: Korea

Degree: Bachelor of Accounting and International Trade - Kangwon National University

Experiences:

Mr. Kim Kyoung Rok is a new appointed member of Audit Committee for the term of 2017-2021 according to approval of annual General Shareholders' Meeting dated 21st April 2017.

With long experiences in textile and finance at many countries over the world, and currently running a private consulting company in Vietnam since 2009, Mr. Kim Kyoung Rok has been giving a strong support in financing and accounting activities, as well as substantial consultation in supervising business operation of the subsidiaries overseas.

MR. CHOI HYUNG JOON

Nationality: Korea

Degree: Bachelor of Commerce, major in Accounting and Finance – Toronto University

Experiences:

Mr. Choi Hyung Joon is a new appointed member of Audit Committee for the term of 2017 - 2021 according to approval of annual General Shareholders' Meeting dated 21st April 2017.

Rolling over lots of specific departments such as sales, investment, or general executive at the Manager position, Mr. Choi Hyung Joon owns a very good overview of the overall corporate operation. Hence, he has actively contributed in filtering and setting up key control points for the risk management process of the Company.

1.2. Activities of Audit Committee in 2017

Activities of Audit Committee in 2017 includes:

- Checking the implementation of the resolutions of General Shareholders' Meeting and Decision of BOD to ensure openness and transparency.
- Monitoring the operations and financial situation of the Company: the Audit Committee quarterly examined financial statements, interim financial statements, and yearly financial statements to assess the reasonableness and accuracy of financial data, questioned the Management and Board of Directors for the abnormal contents.
- Coordinating with the Internal Audit Department about the implementation of inspection tasks, supervising the Company operations periodically.
- Checking the result of financial statements of 2015's conversion and continuously advising Accounting Department to convert financial statements of 2016 and 2017 from VAS to IFRS.
- Collaborating with Internal Audit Department to complete the internal risk management process under Sarbanes-Oxley Act, develop and periodically review the implementation of key controls before the independent audit of PwC this 2nd quarter 2018 after consultation.

1.3. Report of Audit Committee's work

THE IMPLEMENTATION OF RESOLUTION OF GENERAL SHAREHOLDERS' MEETING

The Company has fully implemented the proposed statement approved by Annual Shareholders' Meeting pursuant to the Resolution no 01/ĐHĐCĐ2017/NQ dated 21st Apr 2017, includes:

Cash dividend policy: Everpia has paid 2016 dividend on 28th Jun 2017 with the ratio of 10% par value, equivalent to 2.000 VND/share. Total payment amount is 41,920,159,250 VND.

Business scope expansion: The Company has fully supplemented new businesses according to GSM's approval for the Company in July – August and for branches in November – December 2017.

Remuneration for BOD and AC members: The remuneration allocation for BOD and AC members in 2017 has been carried out as approved by General Shareholders. During the year, BOD members who also keep executive positions in the Company would not receive the bonus as a BOD member, but only receive salary for executive positions.

Salary and bonus of executive BOD members (includes BOD members holding General Director position and other managing positions in the Company) in 2017:

Criteria	Expenses in 2017 (VND)
Salary	10,944,514,359
Bonus (% profit after tax)	0%

Remuneration for independent BOD members in 2017:

Criteria	Expenses in 2017 (VND)
Remuneration	238,799,999

Detail of salary, bonus and remuneration of each BOD members in 2017 are described as follow:

BOD member	Position	Working time	Salary	Bonus	Remuneration	Total
Lee Jae Eun	Chairman / CEO	1/1/2017-31/12/2017	100%	0%	0%	100%
Cho Yong Hwan	BOD member - S.Director	1/1/2017-31/12/2017	100%	0%	0%	100%
Nguyen Van Dao	BOD member - Director of GA & HR Team	1/1/2017-21/04/2017	100%	0%	0%	100%
Lee Je Won	BOD member - Director of HCM Branch	1/1/2017-21/04/2017	100%	0%	0%	100%
Yu Sung Dae	BOD member - S.Director	21/4/2017-31/12/2017	100%	0%	0%	100%
Le Thi Thu Hien	Independent BOD member	1/1/2017-31/12/2017	100%	0%	100%	100%
Ngo Phuong Chi	Independent BOD member	1/1/2017-21/04/2017	0%	0%	100%	100%
Nguyen Khac Hung	Independent BOD member	21/04/2017-31/12/2017	0%	0%	100%	100%



2. AUDIT COMMITTEE ACTIVITY PLAN 2018

- Supervise the compliance to GSM Resolution 2018
- Examine the financial report of independent auditors and monitor the implementation of those given issues
- Control and evaluate the importance, fairness and transparency of dividend payment for Shareholders and preferred shares issuance for employees (if any).
- Supervise BOD's activities and its compliance with law, Company charter and GSM's approval.
- Consider and monitor financial and operating policies, as well as other policies given by BOM and BOD during the year, promote the adherence to governmental law and the beneficial impact of such measures to the shareholders.
- Monitor the converting progress of financial report following IFRS standards.
- Closely cooperate with Internal Audit department to periodically review the implementation as well as the applicability of the internal risk controlling guideline, timely update and handle the incurred incidents.
- Monitor the progress of proposed solutions during the year.
- Regularly check the internal audit reports and monitor the internal audit activities.
- Advise on the selection of the external audit company among the approval list of General Shareholders and propose the list for coming year.
- Supervise the upgrading progress of ERP and management accounting system.
- Co-operate with Korean production experts to monitor the factory innovation progress, advise the Management board on the efficient production management strategy in line with the actual operation of the Company.

3. TRANSACTIONS, REMUNERATION AND BENEFITS OF BOARD OF DIRECTORS, AUDIT COMMITTEE AND MANAGEMENT BOARD

Transactions of internal persons and related persons

No.	Organization/person	Relationship with EVE	Opening share owned		Closing share owned		Note
			Share number	%	Share number	%	
1	LEE BANG HYUN	Son of Chairman	-	0.00%	500,000	1.19%	Increase ownership by buying 500,000 shares from 3/3/2017 to 16/3/2017
2	KWON SUNG HA	Finance Director	262,325	0.62%	230,005	0.55%	Decrease ownership by selling 60,000 shares from 25/4/2017 to 25/5/2017
3	LEE HYUN JOO	Sister of Chairman	200,530	0.48%	230,530	0.55%	Increase ownership by buying 30,000 shares on 30/6/2017
4	LEE JUNG HYUN	Son of Chairman	-	0.00%	500,000	1.19%	Increase ownership by buying 500,000 shares from 27/7/2017 to 15/8/2017

1.3. Report of Audit Committee's work (Continued)

Remuneration of Audit Committee in 2017

In 2017, AC members put a lot of effort into the tasks of supervising & consulting on corporate governance. The amount paid to AC members was VND 807,652,349. Details as follow:

Criteria	Expenses in 2017 (VND)
Remuneration	807,652,349
Business travel expenses	0
Total	807,652,349

SUPERVISION OF THE COMPANY'S ACTIVITIES IN 2017:

Financial activities:

2017 Financial Statements of Everpia JSC was audited by Ernst & Young Vietnam. These reports has fully and clearly reflected the financial status and business results of the Company.

According to AC's assessment, business performance of the Company in 2017 was basically good. However, the abnormal expenses incurred within the period including provisions for loans and investment at Texpia, huge extraordinary investment in marketing activities, additional deduction for the change in local government's policy, ... at the total of around 46.3 billion dong have seriously down out the net profit. Nevertheless, most of these are long term investments that will generate profit for following years.

The financial statements indicated that the Company was in a good financial situation in 2017 with the liquidity ratio, debt ratio, and efficiency ratio were all stable and safe.

Monitoring activities of the BOD and Management Board

The Audit Committee found no abnormalities during activities of BOD and Management board members as well as of other management positions of the Company. The Company has been operated in accordance with government law and Company Charter by BOD and the Managements.

The BOD has always attached to the target and orientation which was approved by General Shareholders Meeting in order to give solutions and implementation of particular tasks.

The auditing and accounting departments of the Company were in compliance with the standards and current accounting regime. Everpia needs to disclose all regular and irregular information following the regulation of State Securities Committee and Hochiminh Stock Exchange.

Other activities:

Carry out the procedures of closing subsidiaries in Germany and Cambodia

- The company has completed the procedures to cancel investment project in Germany

- With Cambodian project, on 2nd quarter 2017, the Company had signed the contract to transferring entire project for a local individual investor. The transferring price has been defined by an independent evaluation party after evaluating whole project. According to the contract, the transferee is responsible for completing all legal obligations with Cambodian government. Currently, the Company is waiting for the completion confirmation from the transferee to officially terminate this project.



E. SUSTAINABLE DEVELOPMENT REPORT

Parallel to the business endeavor, Everpia has been consistently stuck to sustainable development goals, by focusing on integrating sustainability into short, medium and long-term business strategies.

With the great aspiration to reach international level as well as affirming the Company's belief and commitment on sustainable development, 2017 is the first year that Everpia made sustainable development report according to international framework of GRI standards, created by Global Reporting Initiative (GRI), based on the 17 United Nations Sustainable Development Goals (SDGs).

I. GENERAL DISCLOSURE ACCORDING TO UNIVERSAL STANDARDS (GRI 101-102-103)

1.1. Report background:

- Sustainable development report discloses all information, achievements on economics, environment and society of Everpia JSC and subsidiaries from 01st Jan 2017 until 31st Dec 2017 (financial year 2017). In this report, the material topics are determined by analyzing substantial concerns of stakeholders, and presented under GRI guidelines.

- Report structure: This report includes 02 major parts:
 - i) General disclosure according to Universal standards – to introduce and describe the management approach of sustainable topics of Everpia
 - ii) Specific disclosure according to Topic-specific Standards, including: Economic, Environmental and Social topic.

- Contact person: Ms. Dinh Thi Thanh Nhan – Senior Manager of Planning team.

1.2. Company profile:

Please kindly refer to the section Company Overview

1.3. Management approach:

Everpia established our own foundation for sustainable development based on material topics that most interested by our stakeholders, and ranking by the importance of each topic.



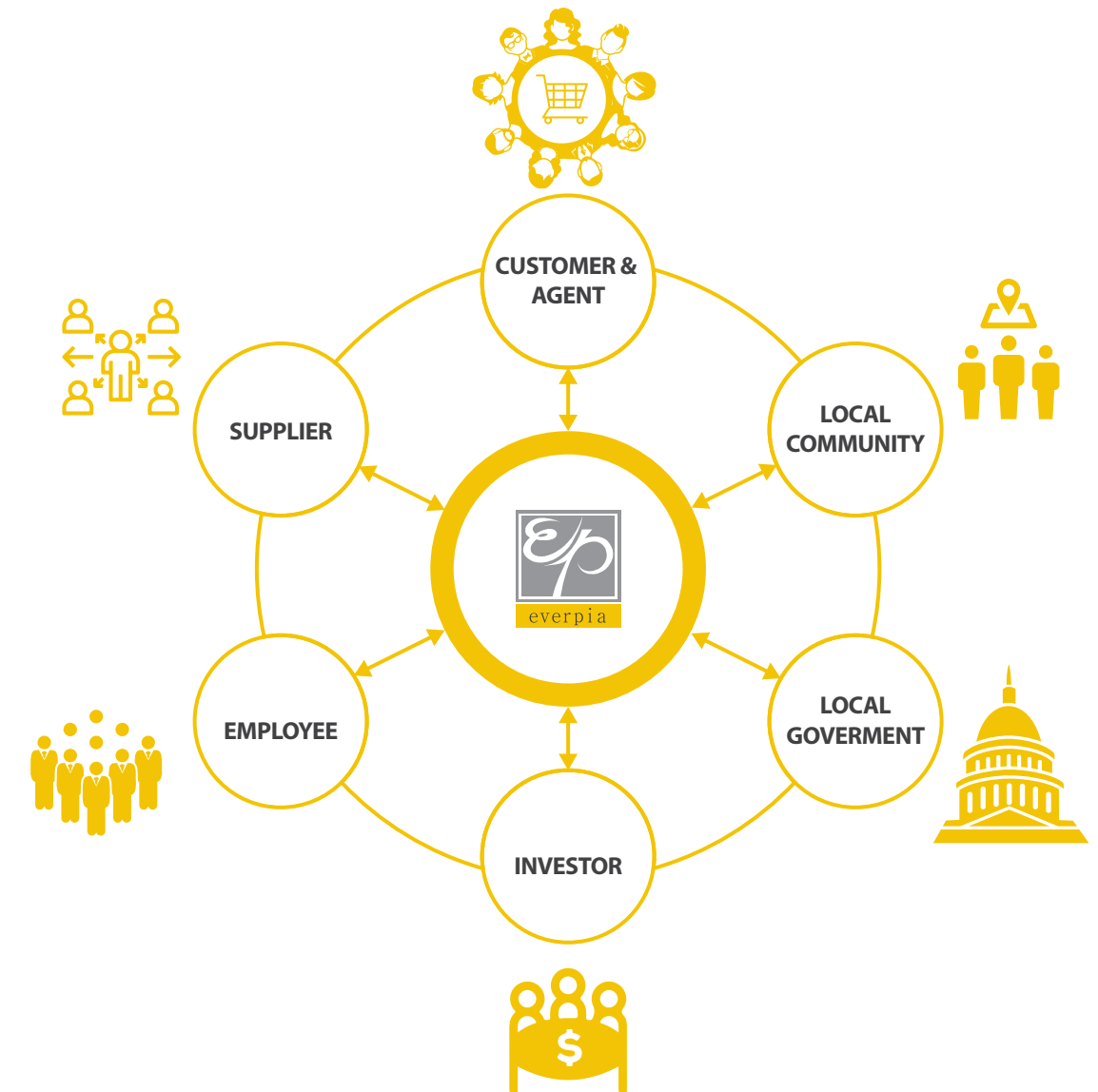
1.4. Stakeholder engagement:

As a leading business in Bedding and Padding industry, we recognize our missions and working principles as "Optimizing the demand of customers – Creating value – Marketing development". With the desire to provide customers with quality and useful products, Everpia has been constantly innovating and experimenting with new eco-friendly materials while still facilitate consumer's experience. Moreover, we also continuously improve our production capability, say no to chemicals in the PE mattress production with the first priority of ensuring health and safety for customers, employees and the environment...

These initiatives originated from the effective integration of sustainable development goals into the business model and actual business culture, based on close and frequent engagement with stakeholders so as to propose the reasonable orientation and optimizing collective strength.

In order to identify the key stakeholders, we explore the whole value chain of the business, starting with mobilizing capital, purchasing inputs, through production and selling goods to consumers.







Relied on the influential level of each party to Everpia, as well as their dependence on the Company, we identify our key stakeholders as the parties with the most extensive two-way impact, including:



1.5. Material topics identification




After positioning the key stakeholders, we build up an engagement platform with the stakeholders through series of periodic or thematic survey channels, face-to-face dialogue, workshops, interviews... in line with the characteristics of each stakeholder. The collected information will be grouped into large topics, and solutions will be figured out accordingly on the basis of frank and constructive conversations for perfect solutions that bring maximum value for stakeholders.

The material topics are aggregated and classified according to the GRI 2016 standard of Sustainable Development report. Since this is our first report under the GRI standards, the assessment mostly based on the perspective and perception of the departments that directly interact with stakeholders.

STAKEHOLDER	ENGAGEMENT METHOD	INTERESTED ISSUES	RESPECTIVE MATERIAL TOPICS	EVERPIA'S ACTIONS
CUSTOMERS AND AGENTS 	<ul style="list-style-type: none"> Surveys with customers via agent showroom network Direct interaction via website, social network, hotline Agent meeting, interview with agents 	<ul style="list-style-type: none"> Commitment to product quality Customer communication and aftersales service Clear and honest instruction Policy on agent training and caring Receivables policy Policy on returning and exchanging defective goods 	<ul style="list-style-type: none"> Customer health and safety Marketing and branding Economic performance 	<ul style="list-style-type: none"> Control product quality from raw materials to production by setting up detailed standards for input materials and strictly processing KCS. Standardize the labelling and packaging, focusing on information transparency and supporting user's experience. Create online supporting channel beside the direct support at stores. Initiative the practical and useful supporting policies for agents, in order to strengthen the competence and image of agents, in addition to promoting marketing activities in a systematic and effective way. Give financial support while maintaining frequent assessment and well controlling agents' debt.
SUPPLIERS 	Meetings and face-to-face visits with suppliers.	<ul style="list-style-type: none"> Transparent and equal supplier selection criteria Liquidity Production and consuming capacity 	<ul style="list-style-type: none"> Economic performance Procurements practices Anti-corruption 	<ul style="list-style-type: none"> Build clear selection criteria, emphasizing on sustainability. Set up hotline 24/7 on business ethics, combined with internal audit's task on anti-corruption Disclose the business ethics commitment on company's website, and send by mails directly to all partners as a strong declaration of business culture.
EMPLOYEE 	Via dialogues with employees, periodical exchange with the Union; hotline on business ethics	<ul style="list-style-type: none"> Jobs, salary and bonus Safe and healthy working environment Advanced technical training to increase personal value. Welfare and insurance Democratic environment that encourage employees to voice out and be listened. 	<ul style="list-style-type: none"> Employment Occupational health and safety Training and education Diversity and equal opportunity Freedom of association and collective bargaining 	<ul style="list-style-type: none"> Developed a fair and clear wage and welfare policy. Set up training & competence strengthening programs, develop career path for employees, Create occupational health and safety policy Encourage employees to participate in the Union and other associations, frequently talk with employees through democratic regulation, periodic dialogues and labor association regulation. Develop international standard working environment according to BSCI requirements.
SHAREHOLDERS AND INVESTORS 	General shareholders' meeting, investors and analyst meetings, communication via phone and email Information disclosure	<ul style="list-style-type: none"> Transparent and timely disclosure Economic profitability and shareholders' benefit 	<ul style="list-style-type: none"> Anti-corruption Economic performance 	<ul style="list-style-type: none"> Standardize and enhance corporate governance capability Set up and strengthen internal risk management system Transparency and responsibility in disclosure.
LOCAL GOVERNMENT 	Via seminars, meetings & inspections	<ul style="list-style-type: none"> Law compliance Contribution for common socio-economy through creating jobs and government budget contribution. 	<ul style="list-style-type: none"> Socioeconomic compliance Environmental compliance Energy Water Effluents and waste 	<ul style="list-style-type: none"> Seriously comply with law and regulations. Strictly follow the socioeconomic commitments
LOCAL COMMUNITY 	Via communication media, hotline, and dialogues.	<ul style="list-style-type: none"> Pay attention to living environment around manufacturing site. Creating jobs for local citizen Devotion for local community 	<ul style="list-style-type: none"> Local community Effluents and waste Water Environmental compliance 	<ul style="list-style-type: none"> Socioeconomic compliance Use resources efficiently and economically Donate in local community development programs.

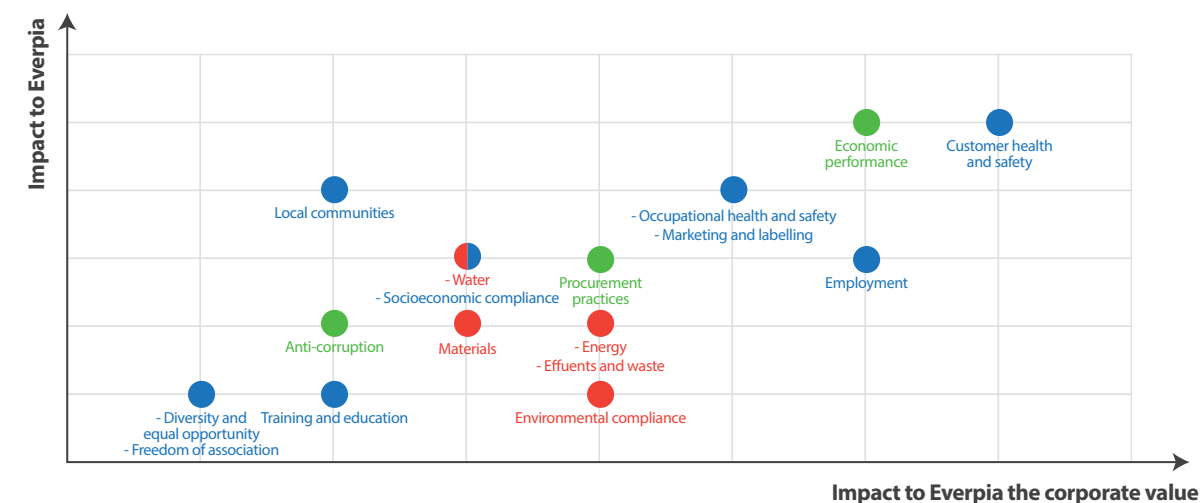
1.6. Material topics – importance matrix.

Desired to take part in working towards 17 global sustainable development goals by 2030 of United Nation, Everpia has mixed and integrated these goals (SDGs) into our material topics as follows:

CATEGORY	MATERIAL TOPICS	GRI CODE	CORRESPONDING SDGS
ECONOMIC CATEGORY GRI 200 	Economic performance	GRI 201	8 - Sustainable work and economic growth
	Procurement practices	GRI 204	12 - Responsible consumption and production
	Anti-corruption	GRI 205	10 - Reduced inequalities
ENVIRONMENTAL CATEGORY GRI 300 	Materials	GRI 301	13 - Climate action
	Energy	GRI 302	7 - Affordable and clean energy
	Water	GRI 303	6 - Clean water and sanitation
	Effluents and waste	GRI 306	6 - Clean water and sanitation
	Environmental compliance	GRI 307	15 - Life on land
SOCIAL CATEGORY GRI 400 	Employment	GRI 401	8 - Decent work and economic growth
	Occupational health and safety	GRI 403	1 - No poverty
	Training and education	GRI 404	3 - Good health and well-being
	Diversity and equal opportunity	GRI 405	4 - Quality education
	Freedom of association and collective bargaining	GRI 407	10 - Reduced inequality
	Local communities	GRI 413	5 - Gender equality
	Customer health and safety	GRI 416	16 - Peace, justice and strong institutions
	Marketing and labelling	GRI 417	11 - Sustainable cities and communities
	Socioeconomic compliance	GRI 419	12 - Responsible consumption and production

Materiality matrix

To evaluate and prioritize material topics, we study each topic from the perspective of present and future: actual impact on the Company and stakeholders, as well as potential impacts to the corporate value in the long run. These impacts will be ranked in the following matrix of influence to Everpia and stakeholders as below:



II. TOPIC-SPECIFIC DISCLOSURES

As an essential consumer goods manufacturer, we understand our mission of "Optimizing Customer Needs" – to deliver high value products that protect community health and minimize the impact on the environment.

Accordingly, this is the principle orienting all activities of Everpia with the aim of building trade mark from the trust of customers and partners, sticking the Company's success together with key stakeholders. Our sustainable activities in the reporting period regarding three core categories of Economic, Environmental and Social will be presented in more details in following content:

1. Economic category (GRI 200)

1.1. Economic performance (GRI 201)

1.1.1. Direct economic value generated and distributed (GRI 201-1)

	Index
Direct economic value generated and distributed	GRI 201-1
Financial implications and other risks and opportunities due to climate change	GRI 201-2
Defined benefit plan obligations and other retirement plans	GRI 201-3
Financial assistance received from government	GRI 201-4

Table of direct economic value generated and distributed:

Criteria	Value (mil. VND)
Economic value generated	1,009,378
Economic value distributed	958,458
Including:	
- Employee wages and benefits	196,149
- Capital expense	49,841
- Payment to government	57,392
- Community investment	882
Economic value retained	50,919

(For more details please refer to part Financial Report)

Launched in 1999, the Bedding brand of EVERON has become very familiar to Vietnamese consumers, especially young to middle-aged customers with good income.

With the superiority in market share, together with the elaborate investment in design, research and development of new materials, EVERON has increasingly conquered hearts of customers. In 2017, about 22 million of Everpia's products have been delivered to consumers worldwide via distribution channels both domestic and export, with the total sales up to 994.4 billion Dong.



Gross margin was maintained at 33% in a situation that raw material cost for export and hotels orders were much higher than traditional products. Total cost of goods sold was 664.5 billion dong.

Selling and general administration expenses for core business (excluding abnormal facts) remained at 22.8% of revenue, equal to nearly VND227.1 billion, after ranges of significant changes in terms of production management such as: efficient re-arrangement of machinery layout, downsizing and optimizing of production personnel to improve the efficiency of existing resources.

As the result of the strong marketing and advertising activities during the year, the Company's business performance in 2017 has achieved certain success, while creating momentum for the development in upcoming years.

Employee wages and benefits

Understanding the important role of human resources for the future corporate development, Everpia commits to creating a friendly, professional working environment and competitive welfare to attract and retain talented persons.

In 2017, the Company spent VND 156 billion for employee wages, of which VND 37 billion for the office and VND 119 billion for the production. Per capita income increased to 11.4 million VND. Also, the Company has celebrated a rewarding for 10 excellent staff and 2 promotions for 32 high-performance staff in the year, with total reward value of 56 million and average wage increase of 27%.

Payment to providers of capital

2017 was remarked as a year of strategic investment for marketing and advertising, with many big and outstanding promotion campaigns. The company has also successfully issued 150 billion of secured non-convertible bonds in order to raise capital for marketing activities, upgrading agent system as well as supplementing production facilities. Interest expense, as a result, reached VND 7.9 billion, up 82.5% over last year period.

During the year, the Company had also paid VND 41.9 billion in cash to pay 2016 dividend of 10% to shareholders. The cash dividend payment has been maintained annually since listing time so far, with a payout ratio of 10-20% per annum. In 2016, in addition to the cash dividend, the company paid additional dividends by shares at a ratio of 2: 1, enlarging the number of outstanding shares of the Company from 27,986,515 shares to 41,979,773 shares.

The Company is also rapidly preparing for listing plan on the Korean Stock Exchange to mobilize funds for our expansion, as well as to affirm Everpia's reputation and multiply the chances of dominating export market.



Payments to government

Everpia always strictly adheres to the state regulations, and fulfills our obligations to the society. In 2017, Everpia has delivered to the Government 65.8 billion of tax obligations.

Year	2015	2016	2017
Total tax paid (mil. VND)	45,064	107,418	65,795

We understand our responsibility for contributing to national development and are working our best to develop and improve ourselves so that we can contribute more to the development of society.

Community investments

With a conception of sharing for mutual development and to continue the tradition of CSR activities, in 2017 Everpia has contributed 882 million for education in the local area where our branches operate. Many scholarships have been awarded to poor students with outstanding achievements in Dong Nai province; KhoaiChau, Yen My and AnThi district of Hung Yen province.

The company also sponsored dozens of sets of tables and chairs for the Vietnam-Korea Secondary school with the longing to improve the learning conditions of the students, as well as contribute a small part in growing up the good relationship between the two countries.

1.1.2. Financial implications and other risks and opportunities due to climate change (GRI 201-2)

Climate change has been causing undeniable impacts on Vietnamese weather, climate and environment.

Average temperature in the first 09 months of 2017 was rather high, typically as several incredibly hot days at 41.5°C in Hanoi, broke the record over the past 40 years. Therefore, Everpia's sale during this period was behind the plan.

There were concerns that this kind of weather would continue during the end of the year, and thus adversely affect the products consumption. However, contrary to this prediction, the winter of 2017 turned out to be series of long lasting extreme coldness not only in Vietnam, but also in Europe, Russia, America, China,... That was the influence of the global climate shifting from El Nino – warmer sea water, to La Nina – colder sea water. This transition has caused lots of scary extreme climates globally such as floods, droughts, snowstorms & hurricanes.



Widespread natural disasters have seriously damage the economy, environment and humans, indirectly reduced the consumption power of the market. On the other hand, such unusual cold weather around the world has boosted the demand for Bedding and Padding products worldwide. Bedding sales during last months of the year skyrocketed, and number of export orders for Padding product used for jacket also increased sharply. Turnover of the 4th quarter of 2017 grew by 36.5% over last year period and hit the record level since establishment, pushed the whole year's sales close to thousand billion, representing a 15.1% growth over 2016.

Although, the disturbance in weather of 4 seasons has implied lots of potential risks affecting economic performance of the Company, due to the high seasonality of the Bedding and Padding business.

Facing such challenges, we have prepared for ourselves short-term and long-term strategies to cope with the ongoing risks and limit the potential impacts.

Climate change consequence	Risks	Opportunities	Solutions
Increasing temperature	Winter may not be cold that diminishes the demand of mattress, Bedding items and Padding for jacket. Hot summer may affect workers' health and productivity.	Opportunity to access export markets of temperate/ subtropical countries because their temperature may be equivalent to cold season in Vietnam after becoming hotter.	Develop more products made from light and airy materials that suitable to use in air-condition room. Equip further heat isolated roof, fans, cooling equipment for workshops; distribute the production plan to the cooler time.
Natural disasters	Affect the delivery time and expense		Set a backup time for transportation and production
Unpredictable extreme weather	Could hardly estimate the market demand to build production plan	Opportunity to take advantage of scale to quickly react with market.	Increase the proportion of pre-orders to limit the fluctuation by increasing incentives for these orders.

1.1.3. Defined benefit plan obligations and other retirement plans (GRI 201-3)

Outstanding welfare policy is one of the attractions of Everpia to employees, because in addition to the statutory welfare benefits, the Company also provides lots of other benefits such as: Shuttle buses and parking allowance for staff in Hanoi; travel allowance for workers, kindergarten allowance for employee's children; seniority, skills, attendance, telephone, or extra allowance for employees under harsh working conditions (eg extreme hot weather, continuous overtime, ...).

In addition, the Company annually organizes two large collective activities, namely the year-end Party on December 31st and the Sports festival in March. These are valuable playgrounds for all staffs and their families to be together, sharing and participating in common activities, enhancing solidarity and exercising physically. Hundreds of gifts have been given to most of staffs on these occasions as a meaningful way to say "thank you" to all employees.



In 2017, total value of welfare benefit was 47.5 billion dong, particularly:

Type	Welfare	Value (VND)	Company's contribution	Employee's contribution	Total
Compulsory	Social insurance	22,518,476,308	18% (on salary & allowance)	8% (on salary & allowance)	25.5%
	Health insurance	3,953,466,108	3% (on salary & allowance)	1.5% (on salary & allowance)	4.5%
	Unemployment insurance	1,744,051,414	1% (on salary & allowance)	1% (on salary & allowance)	2%
	Union fee	1,628,503,533	2% (on salary & allowance)	0% (on salary & allowance)	2%
Voluntary	Physical check	117,040,000	100%		
	Meal allowance	10,546,004,359	100%		
	Shuttle bus allowance	5,191,362,341	100%		
	Kid allowance	274,650,000	100%		
	Teambuilding	1,046,462,154	100%		
	Other benefits	496,565,231	100%		

1.1.4. Financial assistance received from government (GRI 201-4)

Everpia JSC does not receive any tax deduction or special allowances from the Government, but only applied benefits and obligations like ordinary businesses.

1.2. Procurements practices (GRI 204)

Index	
Spending on local suppliers:	GRI 204-1

With the mindset of bringing the best quality products to the market, Everpia pays special attention to set up a sustainable and qualified supply chain, because with consumer products like Bedding and Padding, the character of raw materials determines 90% of the product quality.

Due to the high requirements for the main materials, very few domestic suppliers are eligible for becoming the Company's suppliers. Thus, the proportion of spending on local suppliers is still modest, although the number prevails.

Spending on local suppliers:

Suppliers	Number	Proportion	Supplied value	Proportion
Local suppliers	599	87%	380.5 bil. VND	49%
Foreign suppliers	86	13%	400 bil. VND	51%

For Padding products, the raw material is polyester fiber, which is entirely imported from Korea in the situation that production capacity of the domestic oil refining industry could not fully cover the need of national textile industry.

For Bedding products, Everpia stamped its brand by signing exclusive fabric supplying contract with Korean partner. All patterns after being created by experts from the Everpia Design Institute will be sent to Korea for fabric checking and printing at their factories in Korea and China, making a unique fabric of Everpia. This process will help to limit the counterfeit and fake Everon products in the market. Especially, for the fabric for hotel orders with quite simple design requirement, the Company has been trying to increase the number of Vietnamese suppliers that meet the quality standards to reduce the price, transportation cost, and increase the rate of localization.

For auxiliary fabric and other sub materials such as embroidery thread, elastic band, etc, the company applies the policy of prioritizing local suppliers, in order to increase the localization rate of products and contribute to the development of the local economy.

All input materials, whether imported or purchased domestically, must meet certain standards of origin, present full dossiers and quality certificate. These are the basic but necessary procedures to restrict the illegal circulation of goods.

Since 2015, the company has implemented the supplier selection by OEKO-Tex certificate in order to minimize the negative impact on the environment of the value chain, thereby strengthening the sustainability of entire supply chain.

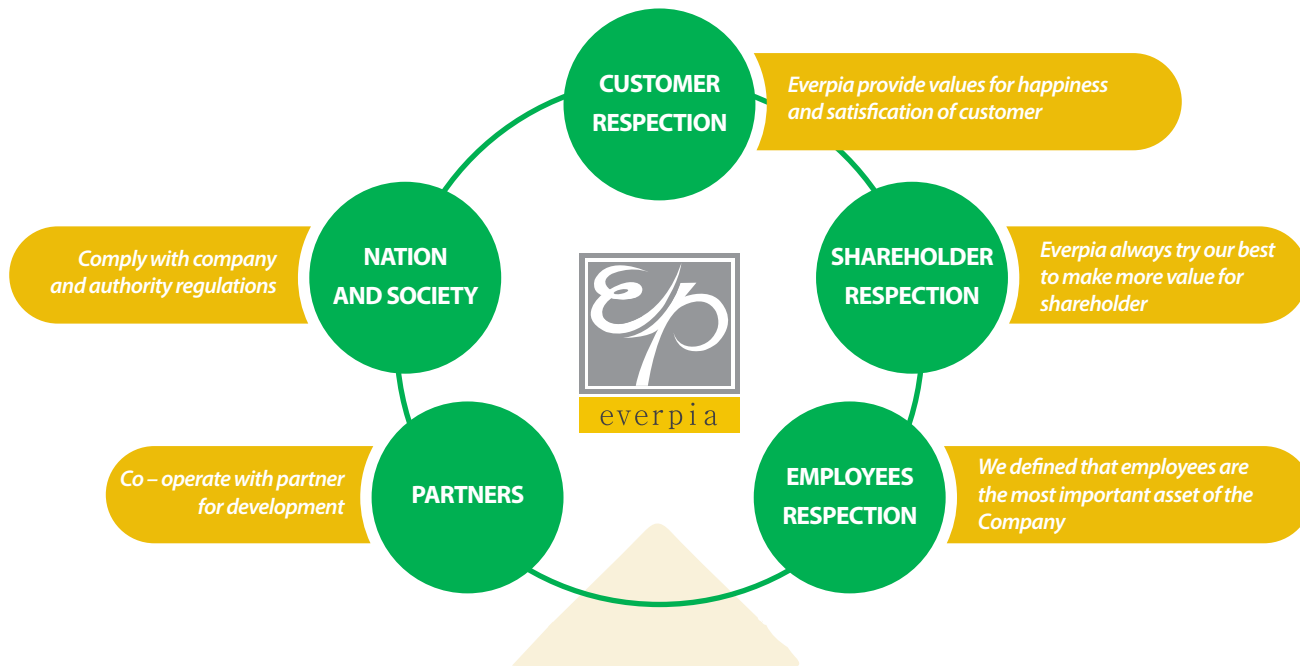


1.3. Anti-corruption (GRI 205)

Corruption and bribery are the global problems, causing big wasted loss to the economy and distortion of social justice. The fight against corruption has been one of the fundamental mission of the Vietnamese Government in recent years, sparking a wave of positive responses among the populace, especially the enterprise community.

In the beginning of 2017, Everpia has popularized the business ethics framework, replacing the previous Code of Conduct, with stronger commitments from the Management as well as all employees in the Company. The spirit was explained concisely and briefly in the Business Ethics and Implementation of Business Ethics.

Accordingly, the business ethics describe the action principles of Everpia in the transactions with key stakeholders:



Based on these five basic principles, Everpia proposed an implementation plan of 09 "Don't" for each staff that was personally emailed by the CEO concurrently as the Chairman of the Board of Directors to all partners, agents and customers of Everpia, beside popularized in details for the entire staff. The Commitment of Business Ethics is signed by each employee to confirm their compliance, and is posted at public and popular locations in the Company for easier reading and remembering.

Also, the Management has set up a 24/7 business ethics hotline to facilitate the receipt of information and report from employees, customers and agents.

In addition, on the way to becoming a Global company as our vision, Everpia also sets up our own Global Anti-Corruption policy, that is applicable to all units owned or controlled by Everpia worldwide with the purpose of fighting with corruption, restoring civil confidence in the integrity of the global market and promoting a fair and competitive business environment.

Accordingly, Everpia strictly prohibits bribery and corruption in all business transactions of the Company, whether with private units or government officials. Controlling methods are: i) To maintain accurate recording and filing in a transparent and honest accounting regime; ii) To establish a rigorous internal audit system that regularly monitors and evaluates employee compliance.

The policy also explain the definition of "anything of value", or publish the definition and requirements on transparent implementation of sensitive transactions such as: discount, deduction; or gifts, pre- discount that are accepted within the business culture to avoid confusion with corruption.

Index	
Operations assessed for risks related to corruption	GRI 205-1
Communication and training about anti-corruption policies and procedures	GRI 205-2

2. Environmental category (GRI 300)

2.1. Materials (GRI 301)

Index	
Materials used by weight or volume	GRI 301-1
Recycled input materials used	GRI 301-2
Reclaimed products and their packaging materials	GRI 301-3

With the orientation of customer centricity, Everpia has focused on product development in the direction of selecting materials that are healthy and have least impact on the environment. We also request our suppliers to seriously pay attention to the environment by compliance with OEKO-TEX standards.

In 2017, the Company has carried out many specific solutions regarding materials innovation, including:

- i) 2017 Bedding collection was designed on the basis of using 04 modern fabrics beside traditional cotton material, namely: satin, tencel, modal and bamboo. These are environmentally friendly materials, in which tencel and modal are premium biotech fabrics made of wood pulp that utilizing recycled wood, minimizing emissions while still giving great experience to user.
- ii) Everpia staff had self-improved the PE mattress line that name Everpia as the first manufacturer be able to produce 18cm thick PE mattress without using resin to attached 02 pads of 9cm.
- iii) In Padding business, the non-formalin production was also researched and successful experimented in Everpia, in order to minimize presence of chemicals.
- iv) In 2018, Everpia is going to officially manufacture and distribute towels and cleaners made of microfiber – super slim and tiny polyester fiber with good absorbability, high duration and soft, well fitted for absorbing and cleaning function.

Materials used by weight or volume, recycled materials:

Some main materials used:

Material	Quantity	Unit
Fiber	4,989,525	kg
Resin	1,041,208	kg
Glue	7,081	kg
Fabric	4,287,090	m
Bag	651,479	pcs
Label, catalogue	3,162,706	pcs

Besides, the Company has used nearly 100 other sub materials for production, due to the characteristics of high diversity in product portfolio and designs.

Regarding recycled materials: At present, recyclable materials such as fiber for PE mattress and Padding product, or iron for spring mattress have been extensively utilized. As for recycled Padding, the Company is completing the application procedures for RCS certificate to be eligible for exporting these products to Japan, Korea, and thus increasing value for these products.

Reclaimed products and their packaging materials:

Targeting on high-end market, Everpia wants to bring the best experience for consumers, from outer packaging and labelling to inner product quality. Packaging materials for Bedding products are decided as plastic bags, which is both elegant looking, well preserving this kind of humid-sensitive products, and allowing customers to visually check color and pattern of the products inside. Plastic bags can be combined with non-woven fabric, or like-leather plastic to increase softness and aesthetics. These elaborate plastic bags allow consumers to reuse these packages for a variety of purposes, or to preserve the product for later uses.

With special orders from corporations or hotels, packaging will be at the request of customers. For export orders, the product will be packaged at export standards, with a wrapped layer of nylon and packed in carton boxes before shipping by container.

The use of packaging materials has been carefully considered to both well maintain the product, reduce waste and minimize the negative impact on the environment.

2.2. Energy (GRI 302)

Together with climate change, energy crisis is also a big concern of many countries, including Vietnam. Therefore, Everpia is well aware of the need for efficient and economical use of energy resources to reduce adverse impacts on the environment.

	Index
Energy consumption within the organization	GRI 302-1
Reduction of energy consumption	GRI 302-4
Reduction in energy requirements of products and services	GRI 302-5

Energy consumption within the organization

Two major energy resources used within the Company is: electricity, petroleum and gas. Measured in three factories in Hung Yen, Hanoi and Dong Nai, the actual energy consumption is as follows:

	Consumption in 2017	Consumption in 2016	+/-
Electricity (KW)	3,435,908	3,610,592	-174,684
Gasoline (Litter)	73,845	71,160	2,685
Diesel (Litter)	554,629	569,225	-14,596
Gas (Kg)	612,377	553,395	58,982

The lack of electricity and power cuts in the summer have significantly effect the Company's production as well as the health of employees. To solve this problem, in addition to preparing the generators to serve the needs of continuous production, the company also proactively concentrated production before and after the peak dry season to loosen production pressure during summer, in order to ensure the health and safety for workers as well as reduce the power consumption pressure during peak time.

Initiates and solutions for energy saving

Machinery and equipment:

- Regular maintenance to minimize energy consumption.
- Appropriately arranging machinery to increase productivity, reduce operating time.
- Research and develop the pressure releasing system for Padding production line, reduce the pressure for the fan system and limit the conversion of electricity into heat.
- Inventing automatic packing machines for ball Padding line; Automatic blanket inserting machine that help increasing productivity by 2.4 and 4 times respectively, reducing production time and thereby saving energy consumption.

Lighting and conditioning system:

- Use the Compaq lamp to reduce the power consumed.
- Turn off the power and conditioning system after working hours (16h30' every day)
- Turn off the power during the breaks, such as: lunch time, shift break.

Car coordination:

Combine the trips on the same route to reduce the travel distance



2.3. Water (GRI 303)

The Company has two major sources of water:

- Refined water supplied by municipal water companies (Hanoi and Dong Nai factories)
- Ground water treated through drilling wells of the Company (Hung Yen and Hanoi factories)

	Index
Water withdrawal by source	GRI 303-1
Water sources significantly affected by withdrawal of water	GRI 303-2
Water recycled and reused	GRI 303-3

As Everpia's plants are located in industrial zones, the water supply infrastructure is already calculated in the infrastructure planning, thereby not negatively affecting the ecosystem as well as the local community.

Consumption of refined water from municipal water supply (according to water company's invoices):

Year	2017	2016
Consumption (m ³)	48,960	46,824



With ground water, the exploitation of the Company is carried out through the drilled well system in compliance with the License on underground water exploitation issued by the local Department of Natural Resources and Environment for each factory.

Due to the product's characteristics of high sensitivity to moisture, the water used in our production is almost zero, while the amount used for living is not much. Therefore, the investment in recycled water system does not make sense, while the cost of investment is quite big.

Instead, we focus on measures that limit the waste of water, including:

- Popularize the consciousness of saving water to each staff; Include the recognition and assessment of behavior and attitude of staff in personal performance.
- Regularly examine and clean; periodically maintain the well system and internal water supply & drainage system to increase using efficiency, ensuring water quality and reduce waste.

2.4. Effluents and waste (GRI 306)

As a company manufacturing health care products, we pay great attention to ensuring human health, including the management and treatment of effluents and wastes.

	Index
Water discharge by quality and destination	GRI 306-1
Significant spills	GRI 306-3
Transport of hazardous waste	GRI 306-4
Water bodies affected by water discharged and/or runoff	GRI 306-5

Anywhere located Everpia's factory, we thoroughly investigate the environmental impacts before coming to official implementation, through the Environmental Protection Scheme and the Environmental Protection Commitment, which is approved by the local district People's Committee.

Committed to responsible production, we had hired a specialized technical consultant, such as the Center for Environmental Technology Transfer and Research, or the New Technological Institute under the Institute of Science and Technology, to provide in-depth advice on how to organize production to limit the impact on the environment, potential environmental implications and mitigation measures. In particular, effluents and waste content were described in details, from the early stage of construction till operation of the company, accompanied with specific dealing measures.

The company has also issued and disseminated the guidelines for waste classification and management according to ISO 14001: 2004, which clearly defines the responsibilities of each department. This process has been imparted thoroughly to each staff for improving awareness in environmental protection.

Every year, the company conducts periodic environmental monitoring in a comprehensive manner to detect potential environmental risks, timely check and manage incurring impacts.

With the proved efforts in environmental activities, Everpia has been certified by the Multinational Environmental Management System (NQA) for our environmental management and compliance with BS EN ISO 14001: 2004 standard for three factories, valid from 2015 to September 2018.

Management methods:

For effluents:

Everpia always strictly adheres to environmental regulations. Based on the fact of operation, we have registered the discharge of waste water with the Department of Natural Resources and Environment in the provinces and was granted the water discharged license.

Due to the characteristics of the company's production, effluent is mostly arising from daily activities of staff and runoff rainwater.



With rainwater, we have invested proper drainage system at each plant. The ground was designed with a reasonable partial slope, total of 2% so that runoff rainwater could be collected down the drain. Drainage sewers are armed with lids, trenches covered with lids are separated from the living waste water drainage system to prohibit flooding within the company's area and not affect the drainage of the surrounding area.

With living waste water, the company has established a large-scaled wastewater treatment plant with the advice and construction by a specializing party. Entire waste water is to be collected and treated through three septic tanks as follows: wastewater is concentrated in the harmonic tank to classify in layers, passed for nitrogen treatment through the anoxic tank, then aeration at aerotank to oxidize organic micro organisms into activated sludge. The treated water shall be deposited through the clarifying tank and finally sterilized with 0.5% Cloramin before pouring into the drainage system of the area.

Remains will be collected and disposed of in the specialized area. Test results of the Institute of Occupational and Environmental Health and the 1st Technical Center of Quality measurement Standards for the sample of living wastewater treated through the Company's system showed that: wastewater after treatment meets the national technical standards no. QCVN 14: 2008/BTNMT. Therefore, the wastewater of the company does not significantly affect the receiving water body.



For solid waste:

Solid waste of the Company comes from two main sources: i) Solid waste arising from the daily activities of staff such as bottles, waste paper, excess food,... ii) Solid waste derived from the manufacturing process, including: excess Padding/fabric/thread, carton, straps, thread cores,...

Redundant raw materials discarded from the manufacturing process will be sorted and collected daily, and then weekly will be sold to the Industrial Waste Collection Company for recycling.

With living garbage, we arrange many waste bins for collection, in addition to educating the awareness of responsible waste disposal for staffs. At the end of working day, the cleaning team will clean the entire production area and office, and collect garbage from the bins to storing area of the Company. The leftover food and organic waste from the canteen will be collected and sold to a private party for feed. The company also signed a contract to collect, transport and treat the waste for the remaining living waste with a specialized partner to handle in accordance with the regulations.

For hazardous waste:

Prioritizing safe production and consumption, the company does not use chemicals in the entire Bedding production process. For Padding business, due to product characteristics, a few product lines need to use resin for production.

Therefore, the Company's hazardous waste is limited, mostly light bulb, ink cartridge, wasted diesel, machine cleaners with diesel. All these hazardous wastes have been registered with the local Department of Natural Resources and Environment and concurrently signed a separate hazardous waste transportation and treatment contract with the specialized company for collecting, transporting, storing and treating hazardous wastes arising during operation.

Classification of conventional and hazardous waste is also carried out through two controlling layers:

- i) staff classify themselves into 2 rubbish bins: common waste and hazardous waste;
- ii) at the end of the day, cleaning team will collect, review and reclassify if necessary. Once sorted, waste will be delivered to waste store, where each type of waste will be stored in a separate area and will be collected by a dedicated waste disposal company on a monthly basis. Depending on the characteristics of each type of waste, they will be recycled, separated, solidified or incinerated, buried to limit the impact on the environment.

Each 06 months, the Company will report the hazardous waste management to local Department of Natural resources and Environment.

Dust, emissions and noise:

Dust, emissions arising from the process of transporting goods or production such as: fabric dust through the cutting, sewing, quilting process, or fiber dust during the process of mixing, blowing fiber to make the blanket, pillow's inserts.

With 25 trucks, 7 cars and 3 buses operating continuously, the amount of dust and emission generated from the transportation is quite considerable. In order to meet the transportation demand for business activities while minimizing adverse impacts on the environment, Everpia has run the following measures: i) all the vehicles will be tested on emission status according to the national standard TCVN 6438-2001; ii) watering the area within the company and gate area to minimize dust.

In order to treat the dust, the Company has installed a sync dust collector system at the Padding workshop. In the insert workshop, many large panels and ventilated fans are installed to adsorb dust in the air.

Noise is also an interested environmental issue in Everpia. In addition to equipping earplugs for staff who working in noisy areas like embroidery workshop, we have studied the measures of installing and maintaining machines to minimize noise and vibration, such as: increase the depth of foundation of the machine, install rubber cushions and anti-vibration springs for high capacity equipment, carefully check the balance of the machine when installed, and periodically check for wear, lubricant of equipment.

Significant spills:

Due to the characteristics of our industry, the Company does not use large amounts of petroleum, fuel or chemicals, so there is no significant spill incident.

2.5. Environmental compliance (GRI 307)

Everpia is committed to always comply with environmental regulations. The requirements for the registration of waste source owners, or the licensing of water sources or discharge are strictly followed.

Every six months, the company shall make a report on the implementation of discharge of effluents and the report on hazardous waste management to the provincial Department of Natural Resources and Environment in accordance with the regulations.

Since 2015 so far, the Company has not violated any environmental obligation and not subjected to any administrative penalties, that affirming the strong commitment of the Management and entire staff.

3. Social category (GRI 400)

Apart from environmental topics, Everpia also specially focus on social issues. The Business Social Compliance Initiative (BSCI) standards have been chosen as the guideline for the Company's social and cultural activities.



The selection of a high standard international code of conduct demonstrates the Company's strong determination to build a standardized, civilized and democratic working environment for employees.

In 2015, Everpia was rated A - the highest compliance rating in the BSCI, with Class A rating for all 13 performance areas.

In March 2018, Everpia has continued to be ranked A in the next evaluation, effective until 8/10/2019.

3.1. Employment (GRI 401)

Qualified human resources are fundamental for the survival and sustainable development of the enterprise. Therefore, Everpia focuses on developing human resources based on three factors: i) competitive welfare benefit; ii) friendly & fair working environment; iii) Frank path of career development.

	Index
New employee hires and employee turnover	GRI 401-1
Benefits provided to full-time employees that are not provided to temporary or part-time employees	GRI 401-2
Parental leave	GRI 401-3

As a result, the average seniority of all Everpia's employees is 6.82 years, the number of senior staff over 5 years in Everpia reached 53%, over 3 years reached 63%. These are impressive figures over the average ratio of garment industry in Vietnam.

In addition to growing business to improve living standards and working conditions for employees, the company has conducted surveys to determine the specific reasons with each leaving staff, in order to improve working environment and welfare benefit. In 2017, Everpia recruited 186 new employees, while the number of turnover was 224 employees, corresponding to a turnover rate of 17.2%. In fact, from 2017, the company had started to speed up the production innovation process in order to enhance the working efficiency. As a result, the trend of streamlining the HR system may continue in the coming time.

As a garment manufacturing company, the percentage of female workers is overwhelming, reaching 57.7%, means 752 people, and male workers account for 42.3%. 100% of employees are entitled to maternity leave in accordance with regulations, including male and female employees. The rate of return to work after maternity leave is 98%, and the employee is supported with kid allowance of 100,000 VND / month until the child enter primary school.



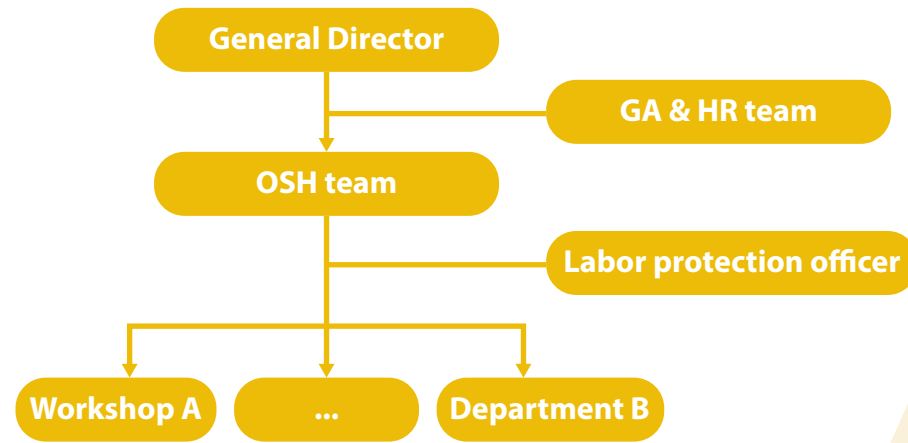
Fulltime employees, in addition to basic remuneration, will be entitled to the following benefits: i) responsibility allowance for managing position; ii) Bike parking allowance of 3,000 VND / day; iii) Travel allowance of VND 10,000/day for workers; iv) Seniority allowance for employees who have been working for 02 years and more; v) attendance allowance; vi) telephone allowance; vii) Attraction allowances for individuals who are exceptionally excellent; viii) Toxic or dangerous allowances applicable to heavy, hazardous or dangerous laborers; ix) Kid allowance of 100,000 VND/month/child.

Moreover, based on the working performance and attitude, the Company has annually rewarded outstanding employees with outstanding achievements or handover bonus for the staff who make significant improvement or creditable behaviors. For example, in 2017, with the initiative of creating automatic inserting machine that help increasing 400% productivity, the One head team and mechanic team were awarded 10 million VND, and honored in front of the whole company.

3.2. Occupational health and safety (GRI 403)

As a manufacturing company, occupational safety is the first priority in the HR and general administration management of Everpia. We have organized a special team in charge of occupational health and safety (OSH team) with the participation of the Company's management, representatives of the Union and each department, workshop. Specific models are as follows:

	Index
Workers representation in formal joint management-worker health and safety committees	GRI 403-1
Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities	GRI 403-2
Health and safety topics covered in formal agreements with trade unions	GRI 403-3



In which: The General Director directly instructs the establishment and orientation for the OSH team. The GA and HR department is the advisory unit to the General Director, and directly supports the work of the OSH team.

The members of the OSH team include two representatives of the Union, head of a number of departments and workshops, and several members of the GA and HR team. This team will nominate one person or a group as labor protection specialists who will be responsible for the allocation, review and monitoring of the use of labor protection tools and reporting on occupational accident (if any).

A labor protection officer may remind, or suspend work in emergency case for workers who do not comply with occupational safety and health rules, especially labor protection.

Heads of departments and workshops are responsible for coordinating with the OSH team to communicate and urge their staff to comply with the rules on occupational safety and health.

With the above structure, the OSH team can maximize the role of managing, coordinating and supervising occupational safety and health in the whole company.



Occupational health and safety activities are divided into three main areas:

- i) Communication, training and evaluation;**
- ii) Health examination for staffs;**
- iii) Safety and hygiene at workplace;**

Communication, training and evaluation: Single worker who starts working at Everpia will be allocated labor protection tools suitable with their job position, for example: uniforms, cotton gloves, masks, knees and elbows protection panel for cleaning team; or the mechanical team will be provided with iron gloves, safety clothing and shoes, hats and masks for repairing machines; Embroidery workers are provided with uniforms, rubber earplugs, masks to minimize noise impacts. GA & HR Department together with the OSH team periodically organize communication on safety and health awareness for employees, including the use of labor protection tools to protect the health, emphasizing carefulness for high risk work. Labor protection officer's review weekly or extraordinarily the observance of laborers, report to the OSH team for reasonable solutions. The important contents of occupational safety and health are summarized and cited in the Internal Labor Regulations, distributed to all new employees and posted at various places such as restaurants, workshops, gates for staff to read and remember.

Training: Every year, the Company hires a professional consultant to carry out a massive training on occupational safety and hygiene. General Director Lee Jae Eun is also a trainee in this program. After the training course, the participants will be qualified with the certificate of training completion. The participation of the General Director has confirmed the special priority of Everpia to the safety and hygiene of workers. In addition, every year, the Company also invites a third specialized party to provide training on fire prevention and first aid services in order to timely respond to occupational incidents and accidents. The chefs are trained on food safety and food mixing to avoid poisoning. Direct technical staff are well trained in the process of using the machine, the instruction dealing with some basic problems to avoid the health risks.

The evaluation is conducted regularly by the GA & HR Department with the support of the OSH team. They shall set up a monitoring book on labor safety and hygiene for each year, record the training history for staff and follow up events and incidents, naming staff with good or poor awareness for personal evaluation at the end of the year.



Diversity of governance bodies and employees	GRI 405-1
Ratio of basic salary and remuneration of women to men	GRI 405-2

Regarding medical examination, the employees must be physically good for being recruited. Also, every year, the company organizes periodic health checks for workers to continuously monitor the impact of work on workers' health, assess potential risks and make necessary adjustments. Exceptionally for employees doing heavy work, the Company will carry out an additional medical examination in the mid-term as this type of work would have more latent serious consequences than normal. All these expenses are borne by Everpia. Up to now, according to the results of the medical examinations, the Company has not recorded any cases of workers suffering serious occupational disease.

Safety and hygiene at workplace: At the workshops, the 5S guidelines are posted popularly so that staff can easily read and follow. Heads of the production departments after 5S mandatory training will be responsible for disseminating and guiding 5S activities in practice. In the canteen, all ingredients are purchased from private units that have sufficient food safety certificates or certified veterinary hygiene conditions for meat products. Waste bins are conveniently located for use, and all employees are required to dispose garbage in the right place. Thanks to these ongoing efforts, in 2017, no serious occupational accidents were identified at Everpia.

Health and safety topics covered in formal agreements with trade unions

The union in Everpia JSC also has an important voice in the company. The union had a collective opinion, and together with the Company's leaders signed a collective labor agreement, stating the commitments made by each party to engage in labor relations at Everpia. In this agreement, the content of health and safety is mentioned in Article 4 on Responsibilities and Obligations of Employees and Employers.

Các chỉ số

Average hours of training per year per employee	GRI 404-1
Programs for upgrading employee skills and transition assistance programs	GRI 404-2
Percentage of employees receiving regular performance and career development reviews	GRI 404-3

3.3. Training and Education (GRI 404)

In addition to building corporate culture, education and training is extremely important in forging and retaining key personnel.

With the production department, new employees will be trained onsite to familiarize themselves with the actual work. When producing a new product, workers will also be trained for practice.

With the office, all new employees will be offered a 3-day training course. In this training, new employees will meet and get used to with the departments, learn about the work of each department, interaction with departments and corporate culture. After that, each employee will be trained directly in their department for technical skills. This is a very useful training course, as the training will give the new staff an overview of the company, the flow of work, and especially familiarity with the corporate culture before entering new job.

Some of the outstanding employees that is identified as core personnel and the future leaders will be sent to Korea for training. This is one of Asia's leading development country, and staff will learn more about management skills as well as expertise. There will be 1-2 such scholarships sponsored by the company each year on average.

At the end of each year, the company will evaluate the performance of all employees, and vote for excellent employees. The assessment will be done in two steps: i) self-assessment and ii) assessment of direct manager and rating of performance. With the sales department, the assessment will be based majorly on the financial indicators of sales. As a result, staff performance evaluations and ratings are conducted in a transparent and fair manner, contributing to the motivation of employees and increased engagement with the company.



3.4. Diversity and equal opportunities (GRI 405)

Gender equality is a concern able social issue in Vietnam. There are many legitimate legal protocols as well as major movements supporting gender equality, especially for women. In Everpia, where 57.7% of the population are women, there has been no existing of gender discrimination definition. The percentage of female employees holding managerial positions is 54%; from part leaders is 45%.

Table of labor structure by position, age and gender:

Criteria	Male	Female	Total
Staff	407	633	1044
Under25	82	133	215
From 25-30	91	137	228
From30-40	109	187	300
From 40-50	81	157	238
Over 50	44	19	63
Part leaders to managers	101	71	176
Under25	1		1
From 25-30	13	24	37
From30-40	34	31	69
From 40-50	46	15	61
Over 50	7	1	8
Managers and above	38	45	83
From 25-30	5	2	7
From30-40	13	31	44
From 40-50	11	11	22
Over 50	9	1	10
Total	546	749	1303



It is seen from the table above that the opportunity to develop a career in Everpia is relatively equal for everyone, regardless of gender or age. Management always closely monitored the efforts of staff, timely recognize and motivate staff with good performance and outstanding competence.

Wage and remuneration are calculated on work load, and will be adjusted annually to the extent of completion of the work performance.



3.5. Freedom of Association and Collective Bargaining (GRI 407)

In Everpia, employees are watched and empowered by democracy. We have clear regulations on democracy in the workplace, whereby the Company will have to publicly inform employees of: i) Direction, plan and business status; business and investment, the major policies on changing management and transformation of enterprises; ii) Rules, regulations and policies on salary and bonus related to laborers; iii) Collective labor agreement; iv) The deduction and use of funds contributed by employees, union fees and insurance.

Employees have the right to comment on and decide on the content of the collective bargaining agreement of the company, as well as the freedom to join trade unions and other occupational organizations.

The mode of exercising the right to democracy is periodic and regular dialogue between the company's management and employees, or the workers' conferences to synthesize opinions for trade unions, besides maintaining Suggestion Box and Internal Hotline. We also have specific instructions on the Statute of Periodic Interpretation at Work, and the Employee Conventions Regulations for convenience and ease of use.

These regulations are agreed with the Labor Union and voted by the laborers before being officially promulgated. Accordingly, the dialogue is conducted at least quarterly, with the basic contents such as updating the production and business situation, exchanging issues related to the performance of labor contracts, collective bargaining, working conditions, or other requirements from the employee or the employer. In the event of unexpected problems arising from either party requesting the extraordinary dialogue, the two parties shall arrange for the meeting to be held within 10 working days of the request.

In conclusion, Everpia's employees are given full rights of democracy to maximize their collective voice and to build a strong, democratic, equitable, and inclusive organization.

3.6. Local communities (GRI 413)

Sharing value with the community is one of our missions and a measure of corporate success. Only sharing success can be sustainable success.

Depending on the annual business performance, Everpia has implemented community support and social activities, focusing mainly on education and investment for the next generations. In 2017, beside dozens of scholarships and furniture donated to pupils in many provinces throughout the country, during the Lunar New Year, the company has donated about 100 warm blankets for homeless in Hanoi with the desire to share a warm Tet to people in difficult situation.

In addition to the participation in community development, we also do our best to ensure the local community's living environment by the strict compliance of the environmental regulations.



	Index
Assessment of the health and safety impacts of product and service categories	GRI 416-1
Incidence of non-compliance concerning the health and safety impacts of products and services	GRI 416-2

3.7. Customers health and safety (GRI 416)

The customer's health and safety criteria are the top criteria across all of Everpia's business operations. Because one-third of the time each person's life is tied to bed and Bedding items, we well understand our responsibilities, whereby set strict requirements for product quality, from the early stage of design, select the raw materials to the preservation of products.



For designing, Everpia has put forward the choice of user-friendly materials such as tencel, cotton, ... purchased from selected suppliers, meeting the evolving environmental and health requirements of Oeko-tex. Purchased material is kept in the material store, equipped with a qualified desiccant system, fan and temperature. Production is also carried out under strict labor hygiene conditions. With the blanket and pillow insert, the company has installed a metal detector to remove the remaining iron grit, prohibiting unpleasant feelings for customers. The finished product is checked again through the quality control team to remove unqualified products.

Training on vocational skill as well as responsible production awareness are also important. Therefore, all employees of Everpia are always mindful of making quality products that good for the health of users.

In addition, the Company has also invested in R&D to bring high-value products to users, and to better take care of customers' health. For example, the ADVANSA ULTRA pillow of Everon is a combination of activated carbon for antimicrobial, anti-fungal, anti-parasitic functions; or Everon's anti-snoring pillow is made of cotton wool, designed with a certain degree of concentration to help prevent snoring; Latex pillows featuring neck support edge to facilitate the neck during sleep; Developing a wide range of mattress products including spring mattress, bag spring mattress, rubber mattress, wave mattress, activated carbon cushion, ... with many different advantages to meet the needs of customers.

3.8. Marketing and labelling (GRI 407)

In the situation of the severe competitive market, counterfeit goods have become a social problem, Everpia understands that it is our responsibility to protect consumers and customers by transparency and labelling standardization, as well as promotion of marketing activities, emphasizing on genuine products selection.

	Index
Requirements for products and service information and labelling	GRI 417-1
Incidents of non-compliance concerning product and service information and labelling	GRI 417-4
Incidents of non-compliance concerning marketing communications	GRI 417-5

Requirements for products and service information and labelling

Every genuine product made by Everpia is labelled and clearly identified. The label consists of 5 following parts:

i) Trademark: Include a large label of paper wrapped in the outer package, including brand information and product name (such as bed sheet or quilting bed sheet, etc) for easy recognized by the customers, and 1 small label of fabric attached at the edge of the product. Small labels are embroidered with brand names, such as Everon, Artemis,... to prevent counterfeiting.

ii) Bar Code: Stuck on the label or product packaging, used for statistical purpose in the company's internal control system, listing the sales price, and also a signal for the customer to check the genuineness. This is an important measure in preventing counterfeit goods and protecting consumers.



iii) Quality Pass certificate: A small hard card that confirms that the goods have been inspected by the Company's Quality Control Department and are qualified for circulation.

iv) Product Information: Printed on white fabric and sewn on the edge of the product. Information includes: product name, material, size, name, address and contact number of the company.

v) Instructions: Printed on a white cloth and sewn on the edge of the product, the content instructs customers how to use, clean and maintain products to achieve maximum durability and quality.

The labelling is fully implemented for each product, and is designed briefly, eye-catching, supporting maximum information for consumers.

Marketing activities

Marketing is not only a part of the business strategy on brand powering, as well as a lively and convenient information channel to consumers. Therefore, this activity is carefully implemented by Everpia. Targeted on young consumers on early marriage, in 2017 Everpia has signed a brand representative contract with Korea's No. 1 favorite actress Kim Tae Hee. With the message "Go home is back to the smoothness with Everon," the promotional video featuring Kim Tae Hee has received the attention and response of the crowds of consumers.



3.9. Socioeconomic Compliance (GRI 419)

With a high sense of compliance, in 2017 Everpia did not recognize any significant penalties, nor any non-monetary sanctions during the implementation of legal regulations in the socio-economic field.

The Company only incurred certain liabilities related to small errors during the operation such as loss of invoice, late payment of VAT with total penalty for all errors in the whole year 2017 is 19,378,992 VND. These are the popular operational risks that normally arise in large organizations due to the large volume of transactions, and the above error rate is negligible.



F - FINANCIAL STATEMENT

The Company audited financial statement includes Consolidated financial statement and Separate financial statement. These financial statement were published on the Company website as follow:
<http://www.everpia.vn/everon/ir/financial-statement.aspx>

GENERAL INFORMATION

THE COMPANY

Everpia Joint Stock Company ("the Company") is a joint stock company incorporated under the Law on Enterprise of Vietnam following a change in legal form from a 100% foreign-owned company, Everpia Vietnam Co., Ltd., in pursuant to the Investment Certificate No. 011033000055 issued by Hanoi Department of Planning and Investment on 27 April 2007, and the subsequent amended investment certificates, with the latest, being the 18th Amended Investment Certificate, granted on 17 August 2017.

The shares of the Company have been officially listed on the Ho Chi Minh City Stock Exchange from 17 December 2010 under Decision No. 247/2010/QĐ-SGDHCM by the Director of the Ho Chi Minh City Stock Exchange dated 30 November 2010.

The principal activities of the Company following Investment Certificate are to produce, import, distribute (wholesale or retail), export and transfer technical for non-knitting cloth, filter cloth, wool, blanket, bedding, pillow, mattresses, knapsacks, valise, bags, underclothes and other garment products; import, distribute (wholesale or retail) and export furniture goods, kitchen and office facilities and trading of real estate under the form of house and infrastructure leasing.

The Company has its head office located at Duong Xa Commune, Gia Lam District, Hanoi and five branch offices located in Hung Yen, Ho Chi Minh City, Hoa Binh, Dong Nai and Da Nang.

BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of this report are:

Mr Lee Jae Eun	Chairman	
Mr Cho Yong Hwan	Member	
Ms Le Thi Thu Hien	Member	
Mr Yu Sung Dae	Member	Appointed on 21 April 2017
Mr Park Sung Jin	Member	Appointed on 21 April 2017
Mr Nguyen Khac Hung	Member	Appointed on 21 April 2017
Mr Lee Je Won	Member	Resigned on 21 April 2017
Mr Nguyen Van Dao	Member	Resigned on 21 April 2017
Mr Ngo Phuong Chi	Member	Resigned on 21 April 2017

BOARD OF SUPERVISION

Members of the Board of Supervision during the year and at the date of this report are:

Mr Truong Tuan Nghia	Head of Board of Supervision	
Mr Kim Kyoung Rok	Member	Appointed on 21 April 2017
Mr Choi Hyung Joon	Member	Appointed on 21 April 2017
Mr Yu Sung Dae	Member	Resigned on 21 April 2017
Mr Hong Sun	Member	Resigned on 21 April 2017

MANAGEMENT

Member of management during the year and at the date of this report are:

Mr Lee Jae Eun	General Director	
Mr Cho Yong Hwan	Deputy General Director	
Mr Yu Sung Dae	Deputy General Director	Appointed on 10 May 2017
Mr Kwon Sung Ha	Finance Director	Resigned on 10 May 2017
Mr Nguyen Van Dao	Administration Director	Resigned on 31 March 2017
Mr Lim Jin Taek	Ho Chi Minh City Branch Director	Appointed on 23 May 2017
Mr Lee Je Won	Ho Chi Minh City Branch Director	Resigned on 23 May 2017
Mr Park Sung Jin	Dong Nai Branch Director	

LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mr Lee Jae Eun, Chairman of the Board of Director and General Director of the Company.

AUDITOR

The auditor of the Company is Ernst & Young Vietnam Limited.

Management of Everpia Joint Stock Company ("the Company") is pleased to present this report and the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2017

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the consolidated financial statements of each financial year which give a true and fair view of the consolidated financial position of the Company and its subsidiaries and of the consolidated results of its operations and its consolidated cash flows for the year. In preparing these consolidated financial statements, management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Company and its subsidiaries and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Company and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management confirmed that it has complied with the above requirements in preparing the accompanying consolidated financial statements.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company and its subsidiaries as at 31 December 2017, and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprises Accounting System and the statutory requirements relevant to the preparation and presentation of consolidated financial statements.

For and on behalf of management:



Lee Jae Eun
General Director
27 March 2018

INDEPENDENT AUDITORS' REPORT

To: The shareholders of Everpia Joint Stock Company

We have audited the accompanying consolidated financial statements of Everpia Joint Stock Company ("the Company") and its subsidiaries as prepared on 27 March 2018 and set out on pages 6 to 45, which comprise the consolidated balance sheet as at 31 December 2017, and the consolidated income statement and consolidated cash flow statement for the year then ended and the notes thereto.

Management's responsibility

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Company and its subsidiaries as at 31 December 2017, and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of consolidated financial statements.

Ernst & Young Vietnam Limited



Nguyen Thai Thanh
Deputy General Director
Audit Practising Registration
Certificate No. 0402-2018-004-1

Nguyen Manh Hung
Auditor
Audit Practising Registration
Certificate: No. 2401-2018-004-1

Hanoi, Vietnam
27 March 2018

CONSOLIDATED BALANCE

Currency: VND

CODE	ASSETS	Notes	Ending balance	Beginning balance
100	A. CURRENT ASSETS		967,784,776,618	804,991,252,918
110	I. Cash and cash equivalents	4	131,586,803,113	79,148,811,059
111	1. Cash		40,605,973,113	48,648,811,059
112	2. Cash equivalents		90,980,830,000	30,500,000,000
120	II. Short-term investments		187,860,000,000	73,140,000,000
123	1. Held-to-maturity investments	5	187,860,000,000	73,140,000,000
130	III. Current accounts receivable		245,392,766,521	243,742,976,292
131	1. Short-term trade receivables	6.1	219,073,543,239	180,180,602,822
132	2. Short-term advances to suppliers	6.2	9,249,395,885	6,071,660,749
135	3. Short-term loan receivables	7	60,773,000,000	60,773,000,000
136	4. Other short-term receivables	8	9,554,592,897	6,100,750,847
137	5. Provision for doubtful short-term receivables	6.1, 6.2, 7, 8	(53,257,765,500)	(9,383,038,126)
140	IV. Inventories	10	394,350,010,953	405,618,484,232
141	1. Inventories		405,108,685,714	412,586,637,519
149	2. Provision for obsolete inventories		(10,758,674,761)	(6,968,153,287)
150	V. Other current assets		8,595,196,031	3,340,981,335
151	1. Short-term prepaid expenses	16	8,164,772,429	3,190,981,335
152	2. Value-added tax deductible		279,552,990	-
153	3. Tax and other receivables from the State		150,870,612	150,000,000
200	B. NON-CURRENT ASSETS		308,664,616,795	309,836,108,255
210	I. Long-term receivables	8	2,519,686,456	1,647,711,335
216	1. Other long-term receivables		3,844,575,131	2,923,038,131
219	2. Provision for doubtful long-term receivables		(1,324,888,675)	(1,275,326,796)
220	II. Fixed assets		275,586,750,070	285,736,663,309
221	1. Tangible fixed assets	11	266,371,606,845	274,781,108,969
222	Cost		530,905,577,919	505,473,867,741
223	Accumulated depreciation		(264,533,971,074)	(230,692,758,772)
224	2. Finance lease assets	12	71,919,283	83,274,958
225	Cost		113,556,756	113,556,756
226	Accumulated depreciation		(41,637,473)	(30,281,798)
227	3. Intangible fixed assets	13	9,143,223,942	10,872,279,382
228	Cost		40,266,572,356	39,451,177,876
229	Accumulated amortization		(31,123,348,414)	(28,578,898,494)
250	III. Long-term investments		2,638,200,000	2,638,200,000
252	1. Investments in associate	14	-	-
253	2. Investment in other entities	15	2,638,200,000	2,638,200,000
260	IV. Other long-term assets		27,919,980,269	19,813,533,611
261	1. Long-term prepaid expenses	16	14,476,024,569	15,147,738,448
262	2. Deferred tax assets	30.3	13,443,955,700	4,665,795,163
270	TOTAL ASSETS		1,276,449,393,413	1,114,827,361,173

CONSOLIDATED BALANCE

Currency: VND

CODE	ASSETS	Notes	Ending balance	Beginning balance
300	C. LIABILITIES		359,927,108,517	155,177,746,983
310	I. Current liabilities		164,722,042,912	108,391,290,137
311	1. Short-term trade payables	17.1	56,437,003,377	43,809,854,386
312	2. Short-term advances from customers	17.2	8,994,409,919	5,647,479,131
313	3. Statutory obligations	18	18,289,156,808	26,760,029,293
314	4. Payables to employees		14,998,237,891	11,454,147,070
315	5. Short-term accrued expenses	19	4,908,635,738	2,546,128,909
319	6. Other short-term payables	20	5,889,541,219	1,038,688,812
320	7. Short-term borrowings and finance lease obligations	21	55,205,057,960	17,134,962,536
330	II. Non-current liabilities		195,205,065,605	46,786,456,846
337	1. Other long-term liabilities	20	15,166,237,507	3,849,537,782
338	2. Long-term borrowings and finance lease obligations	21	179,951,919,582	41,405,772,228
343	3. Scientific and technological development fund	22	86,908,516	1,531,146,836
400	D OWNERS' EQUITY	23	916,522,284,896	959,649,614,190
410	I Capital	23	916,522,284,896	959,649,614,190
411	1. Share capital	23.3	419,797,730,000	419,797,730,000
411a	Shares with voting rights		419,797,730,000	419,797,730,000
411b	Preference shares		-	-
412	2. Share premium	23.2	203,072,724,247	203,072,724,247
415	3. Treasury shares	23.2	(49,000,000,000)	-
417	4. Foreign exchange differences reserve		268,875,989	(172,241,448)
420	5. Other funds belonging to owners' equity	23.5	12,968,739,200	12,055,386,440
421	6. Undistributed earnings		329,414,215,460	324,896,014,951
421a	Undistributed earnings up to the end of prior year		278,495,114,387	235,281,188,675
421b	Undistributed earnings of current year		50,919,101,073	89,614,826,276
429	7. Non-controlling interests		-	-
440	TOTAL LIABILITIES AND OWNERS' EQUITY		1,276,449,393,413	1,114,827,361,173



Lee Jae Eun
General Director

Hanoi, Vietnam
27 March 2018

Yu Sung Dae
Deputy General Director
In charge of Finance

Nguyen Bao Ngoc
Preparer



Lee Jae Eun
General Director

Hanoi, Vietnam
27 March 2018

Yu Sung Dae
Deputy General Director
In charge of Finance

Nguyen Bao Ngoc
Preparer

CONSOLIDATED INCOME STATEMENT

Currency: VND

CODE	ITEMS	NOTES	CURRENT YEAR	PREVIOUS YEAR
01	1. Revenue from sale of goods and rendering of services	25.1	997,890,967,052	868,969,242,139
02	2. Deductions	25.1	(3,465,659,352)	(5,054,666,284)
10	3. Net revenue from sale of goods and rendering of services	25.1	994,425,307,700	863,914,575,855
11	4. Cost of goods sold and services rendered	26	(664,507,032,247)	(572,836,325,077)
20	5. Gross profit from sale of goods and rendering of services		329,918,275,453	291,078,250,778
21	6. Finance income	25.2	14,402,530,080	14,457,940,475
22	7. Finance expenses	27	(12,358,247,744)	(5,913,773,842)
23	- In which: Interest expenses		(7,920,513,791)	(4,338,980,359)
24	8. Share of loss of associates	14	-	(9,740,391,052)
25	9. Selling expenses	28	(128,845,594,279)	(82,114,536,494)
26	10. General and administrative expenses	28	(139,845,737,949)	(96,447,072,433)
30	11. Operating profit		63,271,225,561	111,320,417,432
31	12. Other income		549,676,287	4,323,488,385
32	13. Other expenses		(570,674,656)	(2,153,863,240)
40	14. Other (loss)/profit		(20,998,369)	2,169,625,145
50	15. Accounting profit before tax		63,250,227,192	113,490,042,577
51	16. Current corporate income tax expenses	30.1	(21,656,292,114)	(28,541,011,464)
52	17. Deferred tax income	30.3	9,325,165,995	4,665,795,163
60	18. Net profit after tax		50,919,101,073	89,614,826,276
61	19. Net profit after tax attributable to shareholders of the parent	22.1	50,919,101,073	89,614,826,276
62	20. Net profit after tax attributable to non-controlling interests		-	-
70	21. Basic earnings per share	32	1,215	2,148
71	22. Diluted earnings per share	32	1,215	2,148

CONSOLIDATED CASH FLOW STATEMENT

Currency: VND

CODE	ITEMS	NOTES	CURRENT YEAR	PREVIOUS YEAR
I. CASH FLOWS FROM OPERATING ACTIVITIES				
01	Profit before tax		63,250,227,192	113,490,042,577
	<i>Adjustments for:</i>			
02	Depreciation and amortization of intangibles fixed assets and finance leases assets and amortisation of intangible fixed assets		39,987,944,098	33,317,416,821
03	Provisions		50,449,838,015	7,613,866,755
04	Foreign exchange losses/(gains) arisen from revaluation of monetary accounts denominated in foreign currency		246,407,100	(847,133,236)
05	(Profit)/loss from investing activities		(9,714,536,783)	852,405,118
06	Interest expenses	27	7,920,513,791	4,338,980,359
08	Operating profit before changes in working capital		152,140,393,413	158,765,578,394
09	Increase in receivables		(41,349,683,220)	(13,832,597,823)
10	Decrease/(increase) in inventories		1,147,841,725	(33,738,486,688)
11	Increase/(decrease) in payables		37,594,878,627	(297,785,985)
12	(Increase)/decrease in prepaid expenses		(4,383,074,015)	220,589,796
14	Interest paid		(4,245,161,265)	(4,445,158,091)
15	Corporate income tax paid	18	(29,882,615,153)	(37,481,419,321)
17	Other cash outflows from operating activities		(5,011,626,873)	(4,615,814,228)
20	Net cash flows from operating activities		106,010,953,239	64,574,906,054
CASH FLOWS FROM INVESTING ACTIVITIES				
21	Purchase, construction of fixed assets and other long-term assets		(31,217,669,959)	(45,231,657,994)
22	Proceeds from disposals of fixed assets and other long-term assets		176,854,545	501,016,182
23	Loans to other entities, short term investment		(187,860,000,000)	(255,813,000,000)
24	Collections from borrowers, short-term investments		73,140,000,000	330,965,000,000
27	Interest and dividends received		3,121,417,402	9,692,731,378
30	Net cash flows (used in)/from investing activities		(142,639,398,012)	40,114,089,566

CONSOLIDATED CASH FLOW STATEMENT

Currency: VND

CODE	ITEMS	NOTES	CURRENT YEAR	PREVIOUS YEAR
III. CASH FLOWS FROM FINANCING ACTIVITIES				
31	Proceeds from issuing share		-	22,564,158,603
32	Capital redemption		(49,000,000,000)	-
33	Drawdown of borrowings		271,536,356,044	133,024,350,793
34	Repayment of borrowings		(92,138,933,362)	(171,947,736,743)
35	Repayment of principal of finance lease liabilities		(34,078,570)	(25,057,953)
36	Dividends paid to shareholders		(41,920,159,250)	(55,897,044,106)
40	Net cash flows from/(used in) financing activities		88,443,184,862	(72,281,329,406)
50	Net increase in cash for the year		51,814,740,089	32,407,666,214
60	Cash and cash equivalents at the beginning of the year	4	79,148,811,059	46,536,789,925
61	Impact of exchange rate fluctuation		623,251,965	204,354,920
70	Cash and cash equivalents at the end of the year	4	131,586,803,113	79,148,811,059



Lee Jae Eun
General Director

Sungdae Y

Yu Sung Dae
Deputy General Director
In charge of Finance

Bleqas

Nguyen Bao Ngoc
Preparer

Hanoi, Vietnam
27 March 2018



**NOTE TO THE CONSOLIDATED
FINANCIAL STATEMENT**

1. CORPORATE INFORMATION

Everpia Joint Stock Company (“the Company”) is a joint stock company incorporated under the Law on Enterprise of Vietnam following a change in legal form from a 100% foreign-owned company, Everpia Vietnam Co., Ltd., in pursuant to the Investment Certificate No. 011033000055 issued by Hanoi Department of Planning and Investment on 27 April 2007, and the subsequent Amended Investment Certificates, with the latest, being the 18th Amended Investment Certificate, granted on 17 August 2017.

The shares of the Company have been officially listed on the Ho Chi Minh City Stock Exchange from 17 December 2010 under Decision No. 247/2010/QĐ-SGDHCM by the Director of the Ho Chi Minh City Stock Exchange dated 30 November 2010.

The principal activities of the Company following Investment Certificates are to produce, import, distribute (wholesale or retail), export and transfer technical for non-knitting cloth, filter cloth, wool, blanket, mattresses, bedding, padding, pillow, knapsacks, valise, bags, underclothes and other garment products; import, distribute (wholesale or retail) and export furniture goods, kitchen and office facilities; and trading of real estate under the form of house and infrastructure leasing.

The Company's normal course of business cycle is 12 months.

The Company has its head office located at Duong Xa Commune, Gia Lam District, Hanoi and five branch offices located in Hung Yen, Ho Chi Minh City, Hoa Binh, Dong Nai and Da Nang.

The number of employees of the Company and its subsidiaries as at 31 December 2017 is 1,303 (31 December 2016: 1,341).

COMPANY STRUCTURE

Details of the subsidiary and the percentage of the Company's voting and interests in its subsidiary as at 31 December 2017 are as follows:

Everpia Cambodia Co., Ltd.

This is a limited liability company established in pursuant with the Investment Certificate No. 554/BKHDT – DTRNN issued by the Ministry of Planning and Investment of Vietnam on 26 September 2012. Everpia Cambodia Co., Ltd is located at No. 360, Monivong, Phnom Penh City, Kingdom of Cambodia. The principal activities of Everpia Cambodia Co., Ltd are trading of quilt bed sheets, pillows, mattresses; consulting and technology transfer in the field of manufacturing and trading; perform the right to import and export under the laws of the Kingdom of Cambodia.

As at 31 March 2017, the Company sold 100% of its share in this subsidiary.

Everpia Intermaru Co., Ltd.

This is a limited liability company which is established according to Investment Certificate 201600083 issued by the Ministry of Planning and Investment of Vietnam on 12 January 2016. Everpia Intermaru Co., Ltd is located at No. 30-34 Ludwig-Erhard-Strasse, 65760 Eschborn, Germany. Principal activities of Everpia Intermaru Ltd are trading in bed sheets, pillows, mattresses; consulting and technology transfer in the field of manufacturing and trading and carry out the right to import or export according to German law.

As at 16 March 2017, the Company has decided to cancel the investment plan in this subsidiary.

Everpia Korea Joint Stock Company

This is established under Investment Certificate No. 201600179 issued by the Ministry of Planning and Investment of Vietnam on 1 August 2016. Everpia Korea Joint Stock Company is located at 18 104 Gil Samsung-ro, Kangnam Gu, Seoul, Korea. The principal activities of Everpia Korea Joint Stock Company are trading of bed sheets, pillows, mattresses; consulting and transferring technologies in the field of production and business and perform the right to import and export follow the Korean law.

As at 31 December 2017, the Company is registered to hold 100% shares and voting rights in this subsidiary. At the date of this report, the Company had contributed the total amount of USD 1,000,000 (equivalent to VND 22,710,000,000), equivalent to 67% of charter capital to this subsidiary.

2. BASIS OF PREPARATION

ACCOUNTING STANDARDS AND SYSTEM

The consolidated financial statements of the Company and its subsidiaries, which are expressed in Vietnam Dong (“VND”), are prepared in accordance with the Vietnamese Enterprise Accounting System and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- Decision No. 149/2001/QĐ-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 1);
- Decision No. 165/2002/QĐ-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- Decision No. 234/2003/QĐ-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);
- Decision No. 12/2005/QĐ-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4); and
- Decision No. 100/2005/QĐ-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 5).

Accordingly, the accompanying consolidated financial statements, including their utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

APPLIED ACCOUNTING DOCUMENTATION SYSTEM

The Company's applied accounting documentation system is computer based system.

FISCAL YEAR

The Company's fiscal year applicable for the preparation of its consolidated financial statements starts on 1 January and ends on 31 December.

ACCOUNTING CURRENCY

The consolidated financial statements are prepared in VND which is also the Company's accounting currency.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2017.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continued to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-company balances, income and expenses and unrealised gains or losses result from intra-company transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.

Impact of changes in the ownership interest of subsidiaries, without a loss of control, is recorded in undistributed earnings

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, cash at banks and short-term, highly liquid investments with an original maturity of less than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

INVENTORIES

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale

The perpetual method is used to record inventories, which are valued as follows:

Materials, merchandise	- cost of purchase on a weighted average cost basis.
Finished goods, work in progress	- cost of direct materials and labour plus attributable manufacturing overheads based on the normal operating capacity on a weighted average basis.

Provision for obsolete inventories

An inventory provision is created for the estimated loss arising due to the impairment of value (through diminution, damage, obsolescence, etc.) of raw materials, finished goods, and other inventories owned by the Company, based on appropriate evidence of impairment available at the balance sheet date.

Increases and decreases to the provision balance are recorded into the cost of goods sold and service rendered account in the consolidated income statement.

RECEIVABLES

Receivables are presented in the consolidated financial statements at the carrying amounts due from customers and other debtors, after provision for doubtful debts. The provision for doubtful debts represents amounts of outstanding receivables at the balance sheet date which are doubtful of being recovered. Increases and decreases to the provision balance are recorded as general and administrative expense in the consolidated income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of a tangible fixed asset comprises of its purchase price and any directly attributable costs of bringing the tangible fixed asset to working condition for its intended use.

Site restoration costs are recognized as part of the cost of building, structures using discounted cash flow of the future cash flow to settle the site restoration obligation at the end of the factory area rental period.

Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the consolidated income statement as incurred.

When tangible fixed assets are sold or retired, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the consolidated income statement.

LEASED ASSETS

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised in the consolidated balance sheet at the inception of the lease at the fair value of the leased assets or, if lower, at the net present value of the minimum lease payments. The principal amount included in future lease payments under finance leases are recorded as a liability. The interest amounts included in lease payments are charged to the consolidated income statement over the lease term to achieve a constant rate on interest on the remaining balance of the finance lease liability.

Capitalised financial leased assets are depreciated using straight-line basis over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company and its subsidiaries will obtain ownership by the end of the lease term.

Rentals under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the lease.

INTANGIBLE FIXED ASSETS

Intangible fixed assets are stated at cost less accumulated amortization. The cost of an intangible fixed asset comprises of its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use.

Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the consolidated income statement as incurred.

When intangible fixed assets are sold or retired, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the consolidated income statement

Trade mark, distribution channels

Trade mark and distribution channels are recognised as intangible fixed assets at purchase price as indicated in the purchase contract

DEPRECIATION AND AMORTIZATION

Depreciation of tangible fixed assets, finance lease and amortization of intangible fixed assets are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Buildings, structures	25 - 46 years	Trade mark	20 years
Machinery and equipment	6 - 15 years	Distribution channels	15 years
Office equipment	6 - 8 years	Computer software	4 years
Motor vehicles	9 - 10 years	Other intangible fixed assets	4 years
Others tangible fixed assets	4 - 10 years	Site restoration cost	5 years
		Domain	20 years

During the year, the Company changed the depreciation period of buildings, structures and machinery, equipment in Dong Nai factory following the expected time to relocate the factory out of Bien Hoa Industrial Zone in 2022, in accordance with Official Letter No.548/PTKCN-XNGD of the Industrial Zone Development Corporation of Dong Nai province dated 3 July 2012. The net effect of this change for the current year result in increase in the depreciation expense of VND 4,656,708,311.

BORROWING COSTS

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are recorded as expense during the year in which they are incurred, except to the extent that they are capitalized as explained in the following paragraph.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset.

PREPAID EXPENSES

Prepaid expenses are reported as short-term or long-term prepaid expenses on the consolidated balance sheet and amortized over the period for which the amounts are paid or the period in which economic benefits are generated in relation to these expenses.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortization. Goodwill is amortized over 10-year period on a straight-line basis. The parent company conducts the periodical review for impairment of goodwill of investment in subsidiaries. If there are indicators of impairment loss incurred is higher than the yearly allocated amount of goodwill on the straight-line basis, the higher amount will be recorded in the consolidated income statement.

INVESTMENTS

Investments in associates

The Company's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence that is neither subsidiaries nor joint ventures. The Company generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, the investment is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill arising on acquisition of the associate is included in the carrying amount of the investment. Goodwill is not amortised and subject to annual review for impairment. The consolidated income statement reflects the share of the post-acquisition results of operation of the associate.

The share of post-acquisition profit/(loss) of the associates is presented on face of the consolidated income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividend/profit sharing received or receivable from associates reduces the carrying amount of the investment.

The financial statements of the associates are prepared for the same reporting period and use the same accounting policies as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company

Investment in other entity

Investments in other entity are stated at their acquisition costs.

Provision for investments in other entity

Provision is made for any diminution in value of the investments at the balance sheet date in accordance with the guidance under Circular No. 228/2009/TT-BTC dated 7 December 2009 and Circular No. 89/2013/TT-BTC dated 26 June 2013 issued by the Ministry of Finance.

Increases and decreases in the provision balance are recorded as finance expense in the consolidated income statement.

Held-to-maturity investments

Held-to-maturity investments are stated at their acquisition costs. After initial recognition, held-to-maturity investments are measured at recoverable amount. Any impairment loss incurred is recognised as finance expense in the consolidated income statement and deducted against the value of such investments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

PAYABLES AND ACCRUALS

Payables and accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

SCIENTIFIC AND TECHNOLOGICAL DEVELOPMENT FUND

Scientific and technological development fund is appropriated for scientific and technological activities of the Company in accordance with Circular No. 15/2011/TT-BTC dated 09 February 2011 issued by the Ministry of Finance. The annually appropriated amount is approved by the Management based on the annual budget proposed for scientific and technological activities and will not exceed 10% of taxable income. The appropriated amount is charged to the consolidated income statement for the year.

The amount appropriated to scientific and technological development fund is eligible for corporate income tax deduction. For the subsequent 5 years from the year the fund is appropriated, if scientific and technological development fund is unused or used less than 70% or used for improper purposes, the Company will have to pay the corporate income tax on the balance of the fund which is unused, or used less than 70%, or used for improper purposes, as well as the interest arising from such tax amount.

ACCRUAL FOR SEVERANCE PAY

The severance pay to employee is accrued at the end of each reporting period for all employees who have been more than 12 months in service up to the end of the accounting period at the rate of one-half of the average monthly salary for each year of service up to 31 December 2008 in accordance with the Labour Code, the Law on Social Insurance and related implementing guidance. The average monthly salary used in this calculation will be revised at the end each accounting period following the average monthly salary of the 6-month period up to the reporting date. Any increase or decrease to the accrued amount will be taken to the consolidated income statement.

This accrued severance pay is used to settle the termination allowance to be paid to employee upon termination of their labour contract following Article 48 of the Labour Code.

PROVISIONS

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision for site restoration costs

The Company records a provision for site restoration costs in relation to the land on which the Company's buildings and structures are located. Site restoration costs are provided at the estimated costs to settle the obligation and are recognized as part of the cost of the buildings and structures, which will be amortized over the lease term of the land on which the buildings and structures are located. The estimated costs of site restoration liability are reviewed periodically and adjusted as appropriate. Changes in the estimated future costs are added to or deducted from the cost of the asset.

FOREIGN CURRENCY TRANSACTIONS

Transactions in currencies other than the Company's reporting currency (VND) are recorded at the actual transaction exchange rates at transaction dates which are determined as follows:

- Transaction resulting in receivables are recorded at the buying exchange rates of the commercial banks designated for collection;
- Transactions resulting in liabilities are recorded at the selling exchange rates of the transaction of commercial banks designated for payment;
- Capital contributions are recorded at the buying exchange rates of the banks designated for capital contribution; and
- Payments for assets or expenses without liabilities initially being recognised is recorded at the buying exchange rates of the commercial banks that process these payments.

At the end of the year, monetary balances denominated in foreign currencies are translated at the actual transaction exchange rates at the consolidated balance sheet dates which are determined as follows:

- Monetary assets are translated at buying exchange rate of the commercial bank where the Company and its subsidiaries conducts transactions regularly; and
 - Monetary liabilities are translated at selling exchange rate of the commercial bank where the Company conducts transactions regularly.
- All foreign exchange differences incurred during the year and arisen from the translation of monetary accounts denominated in foreign currency at year-end are taken to the consolidated income statement.

FOREIGN EXCHANGE DIFFERENCES ARISING FROM THE CONVERSION OF REPORTING CURRENCY OF A FOREIGN ENTITY

The conversion of reporting currency for accounting purpose is according to the following principles:

- Transactions resulting in assets are recorded at the buying exchange rates of the commercial banks;
- Transactions resulting in liabilities are recorded at the selling exchange rates of the commercial banks;
- Net assets of subsidiaries hold by the parent company are converted with book recorded exchange rate at the date of acquisition.
- Undistributed earnings incurred after acquisition date are converted with reference to respective items of income and expenses of the income statement;
- Items of income statement and cash flow statement are converted at the actual exchange rates available at the transaction dates. In case the average exchange rate of the reporting period is approximately equal to the actual exchange rate (variance not over +/- 1%), the average exchange rate of the reporting period is used.

In case exchange rate variation between beginning and ending date is greater than 20%, then the exchange rate at ending date is used.

All foreign exchange difference incurred during the converting of reporting currency are recorded as separate part of owner's equity until disposal investment in independent operation foreign units.

APPROPRIATION OF NET PROFITS

Net profit after tax is available for appropriation to shareholders after approval in the annual shareholders' meeting, and after making appropriation to reserve funds in accordance with the Charter of the Company and its subsidiaries and Vietnam's regulatory requirements.

The Company maintains the following reserve funds which are appropriated from the Company's net profit as proposed by the Board of Directors and approved at the annual shareholders' meeting.

Other fund belonging to owners' equity

This fund is set aside for other purposes of the Company's operation following the resolution of the annual shareholders' meeting. According to resolution of shareholders' meeting, the Board of Director and Management are authorised to use this fund for the Company's business activities in order to maximize the Company's operating results.

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and its subsidiaries and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods.

Rendering of services

Revenue is recognized when services are completed.

Interest

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

Dividends

Income is recognised when the entitlement of Company and its subsidiaries as an investor to receive the dividend is established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted as at the balance sheet date. Current income tax is charged or credited to the consolidated income statement, except when it relates to items recognised directly to equity, in which case the current income tax is also dealt with in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Company to set off current tax assets against current tax liabilities and when the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporarily differences associated with investments in subsidiary and associates, and interests in joint ventures where timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised, except:

- Where the deferred tax asset in respect of deductible temporary difference which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporarily differences associated with investments in subsidiary, associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Previously unrecognised deferred tax assets are re-assessed at each consolidated balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset realised or the liability is settled based on tax rates and tax laws that have been enacted at the consolidated balance sheet date.

Deferred tax is charged or credited to the consolidated income statement, except when it relates to items recognised directly to equity, in which case the deferred tax is also dealt with in the equity account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right for the Company and its subsidiaries to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on

- Either the same taxable entity;

- Or when the Company intends either settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

SEGMENT INFORMATION

A segment is a component determined separately by the Company and its subsidiaries which are engaged in providing products or related services (business segment) or providing products or services in a particular economic environment (geographical segment), that is subject to risks and returns that are different from those of other segments.

RELATED PARTIES

Parties are considered to be related parties of the Company if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, or when the group and other party are under common control or under common significant influence. Related parties can be enterprise or individual, including close members of the family of any such individual.

4. CASH AND CASH EQUIVALENTS

	Currency: VND	
	Current year	Previous year
Cash on hand	132,442,000	670,761,319
Cash at banks	40,473,531,113	47,978,049,740
Cash equivalents (*)	90,980,830,000	30,500,000,000
	131,586,803,113	79,148,811,059

(*) Cash equivalents represent bank deposits with terms from 1 month to 3 months, which earn the interest rates ranging from 4.2% to 6% per annum (2016: interest ranging from 4.3% to 5% per annum).

5. HELD-TO-MATURITY INVESTMENTS

	Ending balance		Beginning balance	
	Cost	Carrying value	Cost	Carrying value
Term deposit	187,860,000,000	187,860,000,000	73,140,000,000	73,140,000,000
	187,860,000,000	187,860,000,000	73,140,000,000	73,140,000,000

Held-to-maturity investments include deposits with terms from 6 months to 1 year, which earn the interest rates ranging from 5.3% to 6.5% per annum (2016: deposits with terms of 6 months, which earn interest ranging from 4.3% to 5.5% per annum).

6. SHORT-TERM TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS

SHORT-TERM TRADE RECEIVABLES

	Currency: VND	
	Ending balance	Beginning balance
Trade receivables from customers	217,987,110,420	178,974,195,038
- Everpia Cambodia Co., Ltd.	15,426,086,160	-
- Imarket Vietnam Co., Ltd.	12,280,000,000	-
- Aeon Vietnam Co., Ltd-Long Bien branch	8,843,728,976	165,640,975
- Global Garment Sourcing Co., Ltd.	6,563,563,820	4,896,229,069
- Welcron Global Vietnam Co., Jsc.	6,272,624,590	7,921,768,085
- Indochina Investment Co., Jsc.	3,873,319,811	-
- RSCO Co., Ltd.	2,822,191,036	5,186,214,570
- AT - 278 PHO HUE	2,335,358,729	4,904,525,592
- Phu Truong Giang Investment Trading Co., Ltd.	1,985,647,843	8,660,898,816
- Other trade receivables	157,584,589,455	147,238,917,931
Trade receivables from related parties (Note 31)	1,086,432,819	1,206,407,784
	219,073,543,239	180,180,602,822
Provision for doubtful debts	(21,949,361,190)	(8,686,958,126)

6. SHORT-TERM TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS (CONTINUED)

SHORT-TERM ADVANCES TO SUPPLIERS

	Currency: VND	
	Ending balance	Beginning balance
Shenzhen East Pacific International Freight Forwarders Co., Ltd.	1,830,925,551	296,709,740
Ngan Ha Fashion Co., Ltd.	790,086,000	-
Ngan Ha Investment and Import – Export Co., Jsc.	729,000,000	-
JM E&C Vina Co., Ltd.	696,080,000	696,080,000
Dong Ha Co., Ltd.	438,585,840	464,455,050
Advance to other suppliers	4,764,718,494	4,614,415,959
	9,249,395,885	6,071,660,749
Provision for doubtful advances to suppliers	(696,080,000)	(696,080,000)

7. SHORT - TERM RECEIVABLES

	Currency: VND	
	Ending balance	Beginning balance
Short - term loan to related parties (Note 31)	60,773,000,000	60,773,000,000
	60,773,000,000	60,773,000,000
Provision for doubtful short - term loan receivables	(25,365,588,640)	-

8. OTHER RECEIVABLES

	Currency: VND	
	Ending balance	Beginning balance
Short-term		
Interest income from term deposit and loan	8,356,777,708	2,671,645,130
Advance to employees	924,516,884	636,650,166
Refundable import tax	61,166,173	97,179,805
Deposit	-	593,560,000
Other short-term receivables	212,132,132	2,101,715,746
	9,554,592,897	6,100,750,847
Provision for doubtful short-term other receivables	(5,246,735,670)	-
<i>In which:</i>		
<i>Other receivables from Related parties (Note 31)</i>	5,246,735,670	2,279,711,500
<i>Other receivables</i>	4,307,857,227	3,821,039,347
Long-term		
Rental of machinery	893,491,200	893,491,200
Fabric loan	252,051,882	252,051,882
Receivable from employees	98,599,640	98,599,640
Long-term deposit	2,106,486,456	1,678,895,409
Other long-term receivables	493,945,953	-
	3,844,575,131	2,923,038,131
Provision for other long-term receivables	(1,324,888,675)	(1,275,326,796)

9. OVERDUE DEBTS

	Currency: VND			
	Ending balance		Beginning balance	
	Cost	Recoverable amount	Cost	Recoverable amount
Everpia Cambodia Co., Ltd	15,426,086,160	5,474,463,373	-	-
Texpia Joint Stock Company	66,019,735,670	35,407,411,360	62,322,711,500	62,322,711,500
Others	24,236,570,612	10,217,863,534	14,282,317,109	3,623,952,187
	105,682,392,442	51,099,738,267	76,605,028,609	65,946,663,687

10. INVENTORIES

	Currency: VND			
	Ending balance		Beginning balance	
	Cost	Provision	Cost	Provision
Goods in transit	13,112,559,991	-	13,907,889,386	-
Materials	230,960,014,911	(6,431,220,743)	207,115,603,974	(688,261,204)
Work in process	-	-	22,295,952	-
Finished goods	153,281,165,757	(3,042,652,257)	182,552,792,701	(6,279,892,083)
Merchandise	7,754,945,055	(1,284,801,761)	8,988,055,506	-
	405,108,685,714	(10,758,674,761)	412,586,637,519	(6,968,153,287)

Movements of provision for obsolete inventories:

	Currency: VND	
	Ending balance	Beginning balance
Beginning balance	6,968,153,287	1,703,866,848
Add: Provision made during the year	9,594,318,575	5,471,789,138
Less: Reversal of provision during the year	(3,068,769,813)	(207,502,699)
Less: Divestment in subsidiary	(2,735,027,288)	-
Ending balance	10,758,674,761	6,968,153,287

11. TANGIBLE FIXED ASSETS

	Currency: VND					
	Buildings and structures	Machinery and equipment	Office equipment	Motor vehicles	Others	Total
Cost:						
Beginning balance	182,094,947,025	258,080,523,546	19,645,957,115	26,517,602,606	19,134,837,449	505,473,867,741
- New purchase	16,883,021,132	10,194,584,535	674,518,273	2,725,086,664	359,564,684	30,836,775,288
- Disposal	-	(2,761,850,000)	-	(315,184,937)	-	(3,077,034,937)
- Decrease due to divestment	(872,561,600)	(1,228,695,225)	-	(154,950,400)	(71,822,948)	(2,328,030,173)
Ending balance	198,105,406,557	264,284,562,856	20,320,475,388	28,772,553,933	19,422,579,185	530,905,577,919
<i>In which:</i>	827,878,509	83,309,986,181	4,024,118,538	4,585,512,469	4,106,550,975	96,854,046,672
<i>Fully depreciated</i>						
<i>Fixed assets used as loan and bond collateral (Note 21.2, 21.3)</i>	195,220,167,614	165,373,614,672	71,331,818	5,670,290,909	7,422,892,658	373,758,297,671
Accumulated depreciation:						
Beginning balance	45,030,192,190	150,505,357,334	10,818,330,948	13,387,963,329	10,950,914,971	230,692,758,772
- Depreciation for the year	12,840,948,708	17,818,478,694	895,957,762	4,079,585,421	1,797,167,919	37,432,138,504
- Disposal	-	(2,196,632,193)	-	(229,999,863)	-	(2,426,632,056)
- Decrease due to divestment	(55,431,200)	(932,148,792)	-	(112,348,942)	(64,365,212)	(1,164,294,146)
Ending balance	57,815,709,698	165,195,055,043	11,714,288,710	17,125,199,945	12,683,717,678	264,533,971,074
Net carrying amount:						
Beginning balance	137,064,754,835	107,575,166,212	8,827,626,167	13,129,639,277	8,183,922,478	274,781,108,969
Ending balance	140,289,696,859	99,089,507,813	8,606,186,678	11,647,353,988	6,738,861,507	266,371,606,845

12. FINANCE LEASES

Cost:

Beginning balance	113,556,756
Addition	-
Ending balance	113,556,756

Accumulated depreciation:

Beginning balance	30,281,798
Depreciation for the year	11,355,675
Ending balance	41,637,473

Net carrying amount:

Beginning balance	83,274,958
Ending balance	71,919,283

This is the photocopier leased from Chailease International Finance Lease Company Limited according to Contract No. B140301607 dated 24 March 2014 with a term of 48 months, which bears interest rate at 1.83% per month.

13. INTANGIBLE FIXED ASSETS

	Trade mark	Distribution channel	Computer software	Others	Total
<i>Currency: VND</i>					
Cost:					
Beginning balance	23,494,500,000	7,831,500,000	7,438,284,189	686,893,687	39,451,177,876
- New purchase	-	-	-	815,394,480	815,394,480
Ending balance	23,494,500,000	7,831,500,000	7,438,284,189	1,502,288,167	40,266,572,356
<i>In which:</i>					
Depreciated	-	7,831,500,000	266,973,710	686,893,687	8,785,367,397
Accumulated amortization:					
Beginning balance	16,137,011,848	7,315,137,120	4,439,855,839	686,893,687	28,578,898,494
Amortization for the year	1,226,248,025	516,362,880	801,839,015	-	2,544,449,920
Ending balance	17,363,259,873	7,831,500,000	5,241,694,854	686,893,687	31,123,348,414
Net carrying amount:					
Beginning balance	7,357,488,152	516,362,880	2,998,428,350	-	10,872,279,382
Ending balance	6,131,240,127	-	2,196,589,335	815,394,480	9,143,223,942

14. INVESTMENT IN ASSOCIATE

Investment Value

Beginning balance	11,590,390,000
Ending balance	11,590,390,000

Accumulated losses after buying associate:

Beginning balance	(11,590,390,000)
Accumulated losses after acquisition of associate	-
Ending balance	(11,590,390,000)

Remaining value:

Beginning balance	-
Ending balance	-

Texpia Joint Stock Company is a joint stock company established under the Investment Certificate No. 472033001056 issued by the Management Board of Dong Nai Industrial Zone on 16 October 2013 and the Amended Investment Certificates, with the latest being the 6th No. 472033001056 issued on 2 June 2017.

Texpia Joint Stock Company is located in Bien Hoa I Industrial Zone, An Binh ward, Bien Hoa city, Dong Nai province. The principal activities of Texpia Joint Stock Company are to produce and process all kinds of towels and garment fabrics towel.

Currency: VND
Office equipment

As at 30 December 2017, the Company and Texpia Joint Stock Company had signed the project transfer contract, in which, the Company will purchase Texpia's entire project of producing fabric and fabric for towel ("Project"), in detail: purchase the whole assets, machinery, receivables, payable obligations, and take over current entire workforce while maintaining the current labor conditions and benefit. As at the date of this report, the Company is in process of acquiring the above mentioned Project.

15. INVESTMENTS IN OTHER ENTITY

Investment in other entity represents the investment in the shares of Bac Ninh Pharmaceutical Joint Stock Company, with 172,000 shares at the cost of VND 2,638,200,000. The Company was unable to assess the fair value of this investment as these shares are not listed in a stock exchange.

16. PREPAID EXPENSES

	Ending balance	Beginning balance
<i>Currency: VND</i>		
Short-term		
Prepaid rentals	605,000,000	150,000,000
Tools and spare parts	164,379,593	645,283,827
Fire insurance	449,309,413	447,941,340
Advertisement	5,757,580,362	914,994,045
Others	1,188,503,061	1,032,762,123
	8,164,772,429	3,190,981,335
Long-term		
Prepaid rentals (*)	7,076,234,375	7,380,175,025
Land lease in Hoa Binh province	-	5,429,545,455
Showroom furniture	4,244,622,230	-
Tools and spare parts	2,278,825,990	1,242,478,256
Others	876,341,974	1,095,539,712
	14,476,024,569	15,147,738,448

(*) Prepaid rentals represent the payment for the long-term lease of commercial area at Keangnam Building, Pham Hung street, Hanoi for a period of 45 years commencing from 2012. Prepaid rentals are allocated to the consolidated income statement on a straight-line basis over 32 years from 2012, which corresponds to the remaining period of the Company's Investment Certificate.

(**) In 2017, the Company has signed an Amendment to the Contract of sale of fixed assets buildings, structures dated 26 December 2013. Accordingly, the total contract value is revised to be the purchase price of the house and assets attached on the land.

17. SHORT-TERM TRADE PAYABLES

TRADE PAYABLES

	Ending balance		Beginning balance	
	Amount	Amount payable	Amount	Amount payable
Short-term trade payables	54,333,221,961	54,333,221,961	43,588,754,386	43,588,754,386
- EP International Company Limited	2,869,397,818	2,869,397,818	10,648,692,462	10,648,692,462
- Payables to other suppliers	51,463,824,143	51,463,824,143	32,940,061,924	32,940,061,924
Payables to related parties (Note 31)	2,103,781,416	2,103,781,416	221,100,000	221,100,000
	56,437,003,377	56,437,003,377	43,809,854,386	43,809,854,386

ADVANCES FROM CUSTOMERS

	Ending balance	Beginning balance
<i>Currency: VND</i>		
Syrena Phu Quoc Joint Stock Company	3,430,856,814	-
Hoa Binh Co., Ltd.	1,350,515,149	-
Others	4,213,037,956	5,647,479,131
TOTAL	8,994,409,919	5,647,479,131

18. STATUTORY OBLIGATIONS

	Beginning balance	Increase in the year	Decrease due to divestment	Payment in the year	Ending balance
Value added tax	2,954,458,996	24,073,177,900	24,544,830	23,839,114,643	3,163,977,423
Import duties	573,239,843	522,063,908	-	1,095,303,751	-
Corporate income tax	22,436,698,823	21,656,292,114	-	29,882,615,153	14,210,375,784
Personal income tax	717,881,952	10,589,732,524	16,021,370	10,376,789,505	914,803,601
Other taxes	77,749,679	550,258,362	26,914,990	601,093,051	-
	26,760,029,293	57,391,524,808	67,481,190	65,794,916,103	18,289,156,808

Currency: VND

19. SHORT-TERM ACCRUED EXPENSE

	Ending balance	Beginning balance
Construction work completed	-	2,353,120,000
Advertising expense	1,893,927,273	-
Other short-term accrued expenses	3,014,708,465	193,008,909
	4,908,635,738	2,546,128,909

Currency: VND

20. OTHER PAYABLES

Short-term

	Ending balance	Beginning balance
Accrued interest	3,961,761,775	-
Coupon payables	1,228,693,181	588,840,909
Trade union fee	33,978,810	4,908,000
Social insurance	204,988,435	84,545,734
Other short-term payables	460,119,018	360,394,169
	5,889,541,219	1,038,688,812

Currency: VND

Long-term

	Ending balance	Beginning balance
Provision for severance allowances	12,286,423,193	3,522,669,782
Provision for site restoration	2,762,996,314	-
Other long-term payables	116,818,000	326,868,000
	15,166,237,507	3,849,537,782

21. BORROWINGS AND FINANCE LEASES

	Beginning balance		Movement during the year		Foreign exchange difference	Divestment of subsidiary	Ending balance	
	Balance	Payable amount	Increase	Decrease			Balance	Payable amount
Short-term								
Borrowings from banks (Note 21.1)	-	-	116,508,269,044	(77,882,377,885)	56,044,116	-	38,681,935,275	38,681,935,275
Current portion of finance lease	25,057,953	25,057,953	34,748,831	(34,078,570)	-	-	25,728,214	25,728,214
Current portion of long-term borrowings (Note 21.2)	14,375,104,583	14,375,104,583	16,497,394,471	(14,256,555,477)	(118,549,106)	-	16,497,394,471	16,497,394,471
Borrowings from others	2,734,800,000	2,734,800,000	-	-	-	(2,734,800,000)	-	-
	17,134,962,536	17,134,962,536	133,040,412,346	(92,173,011,932)	(62,504,990)	(2,734,800,000)	55,205,057,960	55,205,057,960
Long-term								
Bond (Note 21.3)	-	-	150,000,000,000	-	-	-	150,000,000,000	150,000,000,000
Borrowings from banks (Note 21.2)	41,371,023,397	41,371,023,397	5,028,087,000	(16,497,394,471)	50,203,656	-	29,951,919,582	29,951,919,582
Finance lease	34,748,831	34,748,831	-	(34,748,831)	-	-	-	-
	41,405,772,228	41,405,772,228	155,028,087,000	(16,532,143,302)	50,203,656	-	179,951,919,582	179,951,919,582
	58,540,734,764	58,540,734,764	288,068,499,346	(108,705,155,234)	(12,301,334)	(2,734,800,000)	235,156,977,542	235,156,977,542

Currency: VND

21. BORROWINGS AND FINANCE LEASES (CONTINUED)

SHORT-TERM BORROWINGS FROM BANK

Bank	31 December 2017		Principal payment term	Interest rate per annum	Description of collateral
	VND	Original currency			
Joint Stock Commercial Bank for Foreign Trade of Vietnam ("Vietcombank")	25,080,714,544	USD 1,103,176	6 months since loan drawdown date. Final principal repayment is on 28 May 2018	2.5%	None
Joint Stock Commercial Bank for Foreign Trade of Vietnam ("Vietcombank")	13,601,220,731	VND 13,601,220,731	6 months since loan drawdown date. Final principal repayment is on 11 February 2018	5.5%	None
	38,681,935,275				

LONG-TERM BORROWINGS FROM BANKS

Details of the long-term borrowings from banks are as follows:

Bank	31 December 2017		Principal and interest payment term	Interest rate per annum	Description of collateral
	VND	Original currency			
Shinhan One Member Limited Liability Bank of Vietnam	29,290,027,900	USD 1,457,488	4-5 years since loan drawdown date. Final principal repayment is on 11 June 2020	Libor 3 months + 2.7%/year	Machinery and equipment was funded including funded by the bank
Shinhan One Member Limited Liability Bank of Vietnam	13,886,558,880	VND 13,886,558,880	5 years since loan drawdown date. Final principal repayment is on 24 November 2020	Fixed interest rate of 7% per annum for first 3 years then interest rate is MFC 6 months + 2% per annum	Machinery and equipment was funded including funded by the bank
Shinhan One Member Limited Liability Bank of Vietnam	3,272,727,273	VND 3,272,727,273	5 years since loan drawdown date. Final principal repayment is on 30 November 2021	MFC 6 months + 1.3%/year	Car is bought from this loan
	46,449,314,053				

In which: Current portion 16,497,394,471
Long-term portion 29,951,919,582

BOND

	Ending balance			Beginning balance		
	Value (VND)	Interest (%/year)	Term and maturity	Value (VND)	Interest (%/year)	Term and maturity
Issued at par value	150,000,000,000	7.5%	Final settlement is on 30 August 2022	-	-	-
TOTAL	150,000,000,000			-		

Under the bond trading contract No. 01/2017/EVE-BVB between the Company and Joint Stock Commercial Bank For Foreign Trade of Viet Nam-Hung Yen Branch dated 25 August 2017, the Company has issued 150 non-convertible bond with total par value of VND 150 billion VND.

Securities for this bonds conclude:

- Assets attached to land of Hung Yen factory in Tan Quang commune, Van Lam district, Hung Yen province;
- Assets attached to land of factory in Duong Xa commune, Gia Lam district, Hanoi;
- Machineries and equipment of the Company in Hanoi and Hung Yen factories;
- Other fixed assets financed by bond issuance plan in 2017.

22. SCIENTIFIC AND TECHNOLOGICAL DEVELOPMENT FUND

	Current year	Previous year
Beginning balance	1,531,146,836	2,683,121,285
Addition:		
Allocated from retained earnings	-	-
Deduction:		
Utilisation during the year	(1,444,238,320)	(1,151,974,449)
Ending balance	86,908,516	1,531,146,836

Currency: VND

23. OWNERS' EQUITY

INCREASE AND DECREASE IN OWNERS' EQUITY

Currency: VND

	Share capital	Share premium	Treasury shares	Other funds belonging to owners' equity	Foreign exchange reserve	Undistributed earnings	Total
Previous year							
Beginning balance	279,865,180,000	191,000,000,000	(10,491,434,356)	9,949,623,119	(108,571,925)	436,787,936,102	907,002,732,940
- Profit for the year	-	-	-	-	-	89,614,826,276	89,614,826,276
- Transfer of treasury shares	-	12,072,724,247	10,491,434,356	-	-	-	22,564,158,603
- Appropriation to reserve	-	-	-	5,677,153,321	-	(5,677,153,321)	-
- Dividends declared	139,932,550,000	-	-	-	-	(195,829,594,106)	(55,897,044,106)
- Foreign exchanges differences arising from conversion of financial statements of subsidiary	-	-	-	-	(63,669,523)	-	(63,669,523)
- Utilisation of fund	-	-	-	(3,571,390,000)	-	-	(3,571,390,000)
Ending balance	419,797,730,000	203,072,724,247	-	12,055,386,440	(172,241,448)	324,896,014,951	959,649,614,190
Current year							
Beginning balance	419,797,730,000	203,072,724,247	-	12,055,386,440	(172,241,448)	324,896,014,951	959,649,614,190
- Profit for the year	-	-	-	-	-	50,919,101,073	50,919,101,073
- Purchase of treasury shares	-	-	(49,000,000,000)	-	-	-	(49,000,000,000)
- Appropriation to reserve	-	-	-	4,480,741,313	-	(4,480,741,313)	-
- Dividends declared	-	-	-	-	-	(41,920,159,250)	(41,920,159,250)
- Foreign exchanges differences arising from conversion of financial statements of subsidiary	-	-	-	-	268,875,989	-	268,875,989
- Disposal of subsidiary	-	-	-	-	172,241,448	-	172,241,448
- Utilisation of fund	-	-	-	(3,567,388,553)	-	-	(3,567,388,553)
Ending balance	419,797,730,000	203,072,724,247	(49,000,000,000)	12,968,739,200	268,875,989	329,414,215,461	916,522,284,897

CONTRIBUTED CHARTER CAPITAL

Currency: VND

	Ending balance		Beginning balance	
	Total	Ordinary shares	Total	Ordinary shares
Share capital	419,797,730,000	419,797,730,000	419,797,730,000	419,797,730,000
Share premium	203,072,724,247	203,072,724,247	203,072,724,247	203,072,724,247
Treasury shares (*)	(49,000,000,000)	(49,000,000,000)	-	-
	573,870,454,247	573,870,454,247	622,870,454,247	622,870,454,247

(*) In December 2017, the Company bought 2,431,800 treasury shares.

CAPITAL TRANSACTIONS WITH OWNERS AND DISTRIBUTION OF DIVIDENDS, PROFITS

Currency: VND

	Current year	Previous year
	Contributed capital	
Beginning balance	419,797,730,000	279,865,180,000
Increase in the year	-	139,932,550,000
Decrease in the year	-	-
Ending balance	419,797,730,000	419,797,730,000
Dividends paid	(41,920,159,250)	(195,829,594,106)

According to the resolution of the Extraordinary Meeting of Shareholders No. 02/DHDCD2016/NQ dated 24 June 2016, on 27 July 2016, the Company issued shares to pay dividends for 2015 at the rate of 50%. The number of shares issued to pay dividends is 13,993,255 shares, equivalent to the increase of share capital of 139,932,550,000 VND.

According to the resolution of the Annual Meeting of Shareholders No. 01/DHDCD2017/NQ dated 21 April 2017, the Company paid dividends by cash for 2016: 10% of par value (VND 1,000 per share).

23. OWNERS' EQUITY (CONTINUED)

SHARES

Issued shares

Issued and paid-up shares

Ordinary shares
Preferred shares

Treasury shares

Ordinary shares
Preferred shares

Shares in circulation

Ordinary shares
Preference shares

Ending balance	Beginning balance
Shares	Shares
41,979,773	41,979,773
41,979,773	41,979,773
41,979,773	41,979,773
-	-
-	-
(2,431,800)	-
(2,431,800)	-
-	-
-	-
39,547,973	41,979,773
39,547,973	41,979,773
-	-

The par value of share in circulation during the year is VND10,000/share (2016: VND10,000/share).

OTHER FUNDS BELONGING TO OWNERS' EQUITY

Other fund belonging to owners' equity is set up according to the Resolution of the General Shareholders No. 01/DHDCD2017/NQ dated 21 April 2017 with the amount of 5% of Profit after tax presented in the consolidated financial statements for the year ended 31 December 2016. According to this Resolution, the Board of Director and Board of Management are authorised to use this fund for the Company's business activities in order to maximize the Company's operating results

24. OFF BALANCE SHEET ITEMS

Currency: VND

Foreign currency

- United State dollar ("USD")
- Euro ("EUR")
- Korean Won ("KRW")

Ending balance	Beginning balance
505,990	678,776
-	162
1,703,462	-

25. REVENUE

REVENUE FROM SALE OF GOODS AND RENDERING OF SERVICES

Currency: VND

Gross revenue

In which:

Sales of bedding products
Sales of padding products
Sales of quilting products
Other sales

Scrap sales

Rendering of services

Revenue deductions

Sales return

Trade discount

Net revenue

In which

Sales of bedding products
Sales of padding products
Sales of quilting products
Other sales

Scrap sales

Rendering of services

In which:

Sales of goods and rendering of services to related parties (Note 31)
Sales of goods and rendering of services to others

Current year	Previous year
997,890,967,052	868,969,242,139
671,163,206,864	508,516,212,616
231,005,866,122	262,368,040,097
54,555,363,670	78,501,474,216
37,609,432,302	19,076,994,595
455,622,892	506,520,615
3,101,475,202	-
(3,465,659,352)	(5,054,666,284)
(2,971,198,134)	(821,166,454)
(494,461,218)	(4,233,499,830)
994,425,307,700	863,914,575,855
667,697,547,512	503,461,546,332
231,005,866,122	262,368,040,097
54,555,363,670	78,501,474,216
37,609,432,302	19,076,994,595
455,622,892	506,520,615
3,101,475,202	-
3,938,300,388	3,734,356,001
990,487,007,312	860,180,219,854

FINANCE INCOME

Profit from disposal of subsidiary
Interest income
Foreign exchange gain
Dividend income

Currency: VND

Current year	Previous year
1,381,572,833	-
8,582,936,962	10,452,656,820
4,214,420,285	3,781,683,655
223,600,000	223,600,000
14,402,530,080	14,457,940,475

26. COST OF GOODS SOLD AND SERVICES RENDERED

Cost of bedding products sold
Cost of padding products sold
Cost of quilting products sold
Other cost of goods sold and services rendered
Adjustment to depreciation of assets to be relocated

Currency: VND

Current year	Previous year
480,931,418,492	378,028,139,940
105,965,890,332	136,563,985,175
38,927,392,125	49,478,253,855
34,438,549,123	8,765,946,107
4,243,782,175	-
664,507,032,247	572,836,325,077

27. FINANCE EXPENSES

Interest expense
Foreign exchange losses
Other finance expense

Currency: VND

Current year	Previous year
7,920,513,791	4,338,980,359
4,428,530,930	1,559,424,497
9,203,023	15,368,986
12,358,247,744	5,913,773,842

28. SELLING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES**Selling expenses incurred during the year**

- Raw materials
- Labour costs
- Depreciation and amortisation
- External services
- Advertising expenses
- Others

Currency: VND

Current year	Previous year
4,816,696,228	2,504,655,564
42,110,500,234	29,577,137,363
2,828,177,642	2,632,355,455
33,462,798,645	38,706,700,582
34,566,481,987	-
11,060,939,543	8,693,687,530
128,845,594,279	82,114,536,494

General and administrative expenses incurred during the year

- Labour costs
- Depreciation and amortisation
- External services
- Others

62,635,335,569	58,802,551,694
8,303,761,085	7,360,652,744
16,709,914,645	19,655,395,932
52,196,726,650	10,628,472,063
139,845,737,949	96,447,072,433
268,691,332,228	178,561,608,927

29. PRODUCTION AND OPERATING COSTS

Materials
Labour costs
Depreciation and amortization
Expenses for external services
Other expenses

Currency: VND

Current year	Previous year
512,495,158,258	479,652,272,869
196,149,450,249	169,057,422,824
39,987,944,098	33,317,416,821
57,345,614,878	61,586,419,352
97,926,274,096	19,331,673,012
903,904,441,579	762,945,204,878

29. CORPORATE INCOME TAX

The statutory corporate income tax ("CIT") applicable to the Company is 20% of taxable profits for the year ended 31 December 2017.

Everpia Korea JSC has obligation to pay corporate income tax in accordance with the regulation of the host country, equivalent to 10% of profit for the financial year ended 31 December 2017.

The tax returns filed by the Company are subject to examination by the tax authorities. As the application of tax laws and regulations is susceptible to varying interpretations, the amounts reported in the separate financial statements could change at a later date upon final determination by the tax authorities.

CIT EXPENSES

Current CIT expenses
Deferred tax income

Currency: VND

Current year	Previous year
21,656,292,114	28,541,011,464
(9,325,165,995)	(4,665,795,163)
12,331,126,119	23,875,216,301

The reconciliation between CIT expenses and the accounting profit multiplied by CIT rate is presented below:

Profit before tax

At CIT rate of 20%
Adjustments to increase:
Expenses not eligible for CIT deduction
Loss of subsidiary
Loss of associate
Other increases
Adjustments to decrease:
Temporary differences
Income not subject to CIT
Reversal of provision for investment in associates
Profit from disposal of subsidiary
Dividend received

Currency: VND

Current year	Previous year
63,250,227,192	113,490,042,577
12,650,045,438	22,698,008,515
2,572,663,207	4,062,308,351
805,844,443	1,026,284,618
1,766,818,764	655,113,512
-	1,948,078,210
-	432,832,011
(2,891,582,526)	(2,885,100,565)
-	(2,022,795,029)
-	(817,585,536)
(2,318,078,000)	-
(528,784,526)	-
(44,720,000)	(44,720,000)
12,331,126,119	23,875,216,301

CIT expense**CURRENT TAX**

The current tax payable is based on taxable profit for the current year. The taxable profit of the Company and its subsidiaries for the year differs from the profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. Liability for current tax of the Company and its subsidiaries is calculated using tax rates that have been enacted by the balance sheet date.

30. CORPORATE INCOME TAX (CONTINUED)

DEFERRED TAX

The following are the deferred tax assets and deferred tax liabilities recognised by the Company and its subsidiaries, and the movements thereon, during the current and previous years.

	Consolidated balance sheet		Consolidated income statement	
	Ending balance	Beginning balance	Current year	Previous year
Deferred tax assets				
Unearned revenue	245,738,636	117,768,182	127,970,454	117,768,182
Sale deduction not yet issued invoices	98,892,244	846,699,966	(747,807,722)	1,393,630,658
Provision for obsolete inventories	2,151,734,952	1,393,630,658	1,305,109,752	846,699,966
Provision for doubtful debts	8,661,228,543	1,876,607,625	6,784,620,918	1,876,607,625
Accrual for severance pay	2,342,821,143	704,533,956	1,638,287,187	704,533,956
Allocation of site restoration provision	110,519,852	-	110,519,852	-
	13,610,935,370	4,939,240,387	9,218,700,441	4,939,240,387
Deferred tax liabilities				
Unrealised foreign exchange gain of cash and trade receivables	(166,979,670)	(273,445,224)	106,465,554	(273,445,224)
Net deferred tax assets	13,443,955,700	4,665,795,163		
Net deferred tax credit to consolidated income statement			9,325,165,995	4,665,795,163

31. TRANSACTIONS WITH RELATED PARTIES

Significant transactions of the Company with related parties during the year were as follows:

Related party	Relationship	Transactions	Currency: VND	
			Current year	Previous year
Texpia JSC	Associate	Loans	1,500,000,000	16,040,000,000
		Collection of loans	1,500,000,000	3,640,000,000
		Processing revenue	1,168,155,045	2,851,649,941
		Loan interest	3,697,024,170	4,157,661,832
		Disposal of assets	-	400,000,000
		Services revenue	2,699,524,473	880,000,000
		Purchase of goods	1,990,950,060	809,950,000
		Buy computer	18,639,508	-
		Purchase of raw material	156,971,015	-
		Revenue from cap selling for staffs	70,620,870	2,706,060
		Sales of materials	358,719,642	-

The terms and conditions of transactions with related parties

The sales and purchases transactions with related parties shall comply with the prices and the terms prevailing in the market.

Except the short-term loan receivables presented in note 7, outstanding balances at 31 December 2017 is unsecured, interest-free and will be settled in cash. For the year ended on 31 December 2017, the Company has made a provision of VND 30,612,324,310 for doubtful loan receivable and interest receivable relating to amounts owed by related parties - Texpia Joint Stock Company (associate) (31 December 2016: nil). This assessment is done for each year through examining the financial position of the related party and the relevant markets in which it operates.

31. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Amounts due to and due from related parties at the balance sheet dates were as follows:

Related parties	Relationship	Transactions	Currency: VND	
			Current year	Previous year
Short-term trade receivables (Note 6.1)		Processing	59,113,327	1,206,407,784
Texpia Joint Stock Company	Associate	Rendering of services	648,087,098	-
		Sales of materials	358,719,642	-
		Sales of goods	20,512,752	-
			1,086,432,819	1,206,407,784
Other short-term receivable (Note 9)	Associate	Loan interest	5,246,735,670	1,549,711,500
Texpia Joint Stock Company		Disposal of assets	-	330,000,000
		Providing services	-	400,000,000
			5,246,735,670	2,279,711,500
Short-term loan receivables (Note 7)	Associate	Loan	60,773,000,000	60,773,000,000
Texpia Joint Stock Company (*)			60,773,000,000	60,773,000,000
Short-term trade payables (Note 17)	Associate	Purchase of goods	2,103,781,416	221,100,000
Texpia Joint Stock Company			2,103,781,416	221,100,000

(*) This is un-secured loan to Texpia Joint Stock Company under the contracts signed in 2015 and 2016. These loans have term from 1 to 8 months with the interest of 6% per annum.

Remuneration to members of the Board of Directors and Management:

	Currency: VND	
	Current year	Previous year
Salaries and bonus	18,572,752,683	17,009,454,229

32. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit after tax attributable to ordinary equity holders of the Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Currency: VND	
	Current year	Previous year
Net profit after tax attributable to ordinary equity holders for basic earnings	50,919,101,073	89,614,826,276
Effect of dilution	-	-
Net profit attributable to ordinary equity holders adjusted for the effect of dilution	50,919,101,073	89,614,826,276
Weighted average number of ordinary shares for basic earnings per share	41,907,263	41,718,323
Effect of dilution	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	41,907,263	41,718,323
Basic earnings per share	1,215	2,148
Diluted earnings per share	1,215	2,148

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

33. SEGMENT INFORMATION

The principal activities of the Company and its subsidiaries are manufacturing and trading of products of blankets, sheets, pillows, mattress and padding. Revenue from sale of blankets, sheets, pillows, mattresses and padding accounted for 95.86% of total revenue in the year. Besides, the production and business activities of the Company and its subsidiaries are mainly carried out in the territory of Vietnam. Therefore, the Company and its subsidiaries have only one business segment and one geographic segment. Accordingly, the Company and its subsidiaries do not disclose business segment and geographic segment.

34. EVENTS AFTER THE BALANCE SHEET DATE

There is no matter or circumstance that has arisen since the balance sheet date that requires adjustment or disclosure in the consolidated financial statements of the Company and its subsidiaries.



Lee Jae Eun
General Director

Hanoi, Vietnam
27 March 2018

Yu Sung Dae
Deputy General Director
In charge of Finance

Nguyen Bao Ngoc
Preparer



Stepping on innovation

NOTE TO READERS

- All herein financial information originated from the Audited Consolidated Financial Statement in 2017 of Everpia JSC
- Herein marketing & production capacity information is from Everpia's intenal report. All cautiously analysed statements are appropriate as of the publication date according to our subjective assessments.