

**Everpia JSC**

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BUSINESS PERFORMANCE 2018 AND PLAN 2019

ANNUAL SHAREHOLDERS' MEETING 2019

A. Business performance 2018

1. Business activities 2018

1.1. Sales and profits

Sales (bil. VND):

| Year | Bedding | | Padding | | Cleaner | | Others | | Total | |
|------|---------|---------|---------|---------|---------|---------|--------|---------|---------|---------|
| | Amount | Inc (%) | Amount | Inc (%) | Amount | Inc (%) | Amount | Inc (%) | Amount | Inc (%) |
| 2016 | 503.5 | -3.8% | 340.8 | 5.7% | | | 19.6 | -43.8% | 863.9 | -1.9% |
| 2017 | 667.7 | 32.6% | 285.6 | -16.2% | | | 41.1 | 110.2% | 994.4 | 15.1% |
| 2018 | 714.2 | 7.0% | 331.2 | 16.0% | 91.4 | Na | 44.0 | 6.8% | 1,180.7 | 18.7% |

Profit (mil. VND):

| Items | 2016 | 2017 | 2018 |
|---------------------------------------|--------------|--------------|--------------|
| Gross profit | 291,078 | 329,918 | 381,075 |
| Profit before tax | 113,490 | 63,250 | 95,709 |
| Profit after tax | 89,615 | 50,919 | 76,212 |
| Volume of outstanding shares | 41,979,773 | 39,547,973 | 38,047,973 |
| Basic earnings per share (VND) | 2,148 | 1,215 | 1,933 |

Basic ratio:

| Items | Year 2016 | Year 2017 | Year 2018 |
|--|------------------|------------------|------------------|
| Total assets (mil.VND) | 1,114,827 | 1,276,449 | 1,490,113 |
| Asset (%) | | | |
| - Non-current assets/Total assets | 27.8% | 24.2% | 21.1% |
| - Current assets/Total assets | 72.2% | 75.8% | 78.9% |
| Resources (%) | | | |
| - Liabilities/Total resources | 13.9% | 28.2% | 39.0% |
| - Shareholders' equity/Total resources | 86.1% | 71.8% | 61.0% |
| Debt servicing capacity (times) | | | |
| - Current ratio | 7.4 | 5.9 | 5.5 |
| - Quick ratio | 3.7 | 3.4 | 3.5 |
| Profitability ratios (%) | | | |
| - Profit after tax/Total assets (ROA) | 8.0% | 4.0% | 5.1% |
| - Profit after tax/Net sales (ROS) | 10.4% | 5.1% | 6.5% |
| - Profit after tax/ Shareholders' equity (ROE) | 9.3% | 5.6% | 8.4% |

1.2. Distribution system and Market

Bedding Biz

Bedding is a core business of Everpia, which accounts for a large proportion of the Company business with VND714.2 bil. of revenue, equivalent to 60.4% of total income in 2018. B2C sales reached VND469.0 bil., while revenue from B2B was VND128.7 bil., Online sales gained VND9.8 bil., and export revenue reached VND106.6 bil. Revenue contribution was 65.7%, 18.0%, 1.4% and 14.9% respectively within its revenue structure of Bedding business.

The key sales channel of B2C was blooming with the growth of 12.9% thanks to the effects from the previous marketing programs in 2017 and positive response of customers toward the new Bedding collection in 2019 with important innovations in materials. For the B2B and Export channels, after a long period of high growth and continuously set new records of sales that put a considerable pressure on product

capacity, the Company's leaders have steered to filter orders with net profit margin of 8% at least, and eliminate low margin orders to optimize plant capacity. As a result, sales from these two channels slightly increased over the same period in 2017.

Another highlight in Bedding business is the initial success of the Southern domination plan. The domestic bedding sales in the Southern provinces climbed by 26.1% compared to the same period, in which the B2C sales growth was 26.6% and B2B up to 101.0%. This is the sweet outcome after great efforts of understanding local market via the Southern Design Institute, restructuring the agent system, and promoting marketing activities in the area. These impressive growth figures are also in line with the recognition of Everon brand in the South, which is a stepping stone for further actions following the Southern capturing plan.

Padding Biz

Padding and Quilting business accounts for 28.0% of Everpia's total income but it has great contribution in Everpia's gross profit. Thank for increasing order proportion from new customers and traditional big customer, Padding revenue raised 16.0% compared to the same period. Gross profit margin decreased 12.7% from 49.3% to 36.6% due to some changing in expense allocation accounting method between Bedding and Padding business.

End of 2018 and early 2019, the company has been granted RCS certificate for recycled padding production process and quality, and GRS certificate – a higher international certificate on Global recycling standard. These will be important weapons for the company to obtain orders from foreign customers who have strict requirements, to increase the product value, improve profitability and consolidate the brand prestige on the market.

New biz

Cleaner business contributed VND91.4 bil. of revenue, bringing VND13.5bil. of gross profit. Although it is relatively modest compared to the overall net margin, this is a significant improvement over the situation before incorporation into Everpia. Benefited from the factory innovation, the Cleaner business is expected to make a breakthrough once handling the previous backlog of management and production capacity to better take existing advantages of products and customers network. Besides export activities, retail activities is carried out from March 2018 through the existing bedding agent system.

2. Investment activities

2.1. Investment on building and upgrading factory sites:

Besides the maintaining of current machines, the company has upgraded and set up several more machines and equipment in Ha Noi, Hung Yen and Dong Nai factory and purchased all asset from Texpia with total investing in fixed asset is VND43.3 billion. Several main investments are:

- Cleaner machines from Texpia : VND 14.0 billion
- Padding machines : VND 11.0 billion
- Quilting machines : VND 8.6 billion
- Cars and trucks : VND 5.0 billion

2.2 Financial Investment

In the end of 2017, after analyze the benefit of acquisition options, the company decided to transfer the entire project of producing fabric and fabric for towel of Texpia into Everpia project. From 2018, basing on the customer network and asset from Texpia transaction, we has set up cleaner as new business.

3. Innovation

After a long journey of 25 years development from incorporation, it is the first time Everpia JSC has performed a super innovation deeply and strongly.

The first is to change the perception and thinking of employees. This transformation needs to be carried out regularly, continuously and persistently until it becomes a habit and even corporate culture in a higher level. Therefore, under the guidance of consultants, EVE's management has recapped "10 basic spirits of innovation" and "4 slogans on rationalization" that have been repeated daily by the whole employees. With the concise, visual and easily understandable content, these slogans have well encouraged the innovation spirit at anytime, anywhere, and thus this spirit is forming a strong wave throughout the company. Instead of simply following routine, EVE's staff has been proactively thinking and proposing more reasonable working method, hence help creating further enthusiasm and spreading innovative spirit.

The second is to change the working method. In which, EVE focuses on 2 main solutions:

- Clean and clear working environment, specifically: goods are classified by circulation speed, labelled and stored in separate area logically to facilitate the take in – take out process. 5S activities are conducted in a daily basis instead of weekly as before.



- Rearrange the machinery and production line in a scientific way. Accordingly, the spring mattress production line has been moved to Hung Yen factory to supply a full set of bedding items from 01 manufacturing site. The quilting line has also been reorganized for continuous production, reducing the transition time from production to quality control process. In addition, the company has equipped tables at the stages of taking out finished-goods, or cutting at sewing workshop for the best working posture, then increasing productivity and protect employees' health.

The third is diverging and handling of inventory. In order to increase space for daily production, the slow-moving goods after a certain period of time will be moved to a special warehouse, to concentrate in production and optimize productivity. This special warehouse will be visited each 02 weeks by the relevant departments, and the solutions to utilize, such as: designing new patterns or new products from these old fabrics, or promoting special clearance sales, will be discussed and implemented.

The above synchronized innovation is not only acted by staff, but also joined and closely followed by the entire the board of leaders from the highest level. The company has hired a specialist to be the production manager to directly manage the innovation. Every week, one member of Board of Management, including General Director, patrol the whole factory and oversee the innovation progress, as well as give feedback and encourage staff during the transformation.

4. Enhancing brand power

In 2018, as the efforts to enhance our brand, the company have continued hiring Kim Tae Hee for advertisement; opened 5 showrooms more and continued renovating our agent system which focus on agent quality with the ambitious to recover and increase our market share. Recognize a part of our efforts, Bedding revenue has increased by 7.0%. Especially, B2C revenue increased by 12.9% and B2C sale volume increased significantly by 8.0%. This is very good signal about the advertisement campaign and it promises the large potential for growth rate of B2C and bedding revenue in 2019 and future.

5. Profit distribution

In execution of Annual Shareholders' Meeting 2018's resolution, Everpia has distributed the undistributed profits until the end of 2017 to all existing shareholders:

- Pay dividend on May 18th 2018, in which:
 - Cash dividend : 10% (each stock received VND1.000)
 - Cash paid : VND 39,805,509,500
- Allocated Management fund of 5% from NPAT, equal to VND2.5 billion. We had paid VND15.2 billion. The fund remains VND0.3 billion.

B. Plan 2019

With the slogan "Keep changing, go further", inheriting positive achievements from the reform process in 2018, from the early days of 2019, BOD and the department heads have developed plans to act with many innovations to complete the business plan at both basic targets: revenue and profit.

Target revenue and profit are submitted by BOD and the Board of management in the Annual Shareholder's Meeting 2019:

Unit: VND billion

| | Plan for 2019 | 2018 | +/- |
|------------------|----------------------|-------------|------------|
| Revenue | 1,300 | 1,180 | 10.1% |
| Profit after tax | 100 | 76 | 31.2% |

To complete the revenue and profit plan for financial year 2019, the Board of Directors developed a detailed action plan for the whole Company as follows:

1. Bedding Biz

a. Domestic retail operations

❖ Distribution channels

- **Development of showroom system:** With the goal of building a model for agents, where the Company introduces new products, explores and directly surveys customers' demand. In 2019, the company plans to open 10 new showrooms in some potential areas such as Nha Trang, Phu Quoc, Hai Phong... and high-end apartment buildings in Hanoi and Ho Chi Minh.

- **Agent system:** In order to make the most of resources from the distribution market, as well as promote the introduction of new businesses to consumers, in 2019, Everpia will seek and select partners to open new distribution agents simultaneously or separately products provided by the Company. Agents will be fully supported with furniture on display, product training, sales skills, after-sales care activities... In return, agents must achieve revenue levels committed with the company.

❖ Product portfolio

- **KingKoil spring mattress:** to maximize the international spring mattress brand in the retail market, the product introduction communication activities will be held at the General



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distribution agents. In addition, the Company set up a fanpage to introduce details of features, advantages of each mattress line, regulations on warranty, shipping... so customers can quickly get full necessary information before purchasing.

- **Rolled blinds and curtains:** With the aspiration to become a companion of every family, the sales program combining bedding and curtains, apartment interior solution packages will be exploited and distributed by the company in 2019.

- ❖ **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.
- ❖ **Communication activities:** Keeping up with the new development trend of the market with the opportunity to reach customers by the cheapest cost from the digital revolution, Everpia will build a professional Digital Marketing team to create the best interaction, increase search results and deliver the fastest messages to consumers.

b. Business operations of business orders (B2B):

Currently, B2B sales are quite modest compared to corporate Bedding market size. This segment is considered very potential and the Company oriented that B2B will be the business segment contributing a large proportion in revenue structure of bedding products in the coming time.

- ❖ **For hotel and resort customers:**

- **Bedding products:** expand supplier material to satisfy the diverse customer demands of multiple segments

a wide range of suppliers to meet the needs of different hotels in different segments

- **Mattress products:** focus on exploiting advantages from KingKoil spring mattress brand which is believed to be used by international five-star hotels in Vietnam.

- **Rolled blinds and curtains:** is a commodity sector that accounts for a large proportion of new investment structure of hotels, revenue from curtain blinds is expected to contribute 40% of total revenue of B2B activities in 2019.

- ❖ **For corporation customers:**

- Continuously adding exclusive gift items, catching to market trends.

- Working with suppliers of high quality home appliances and gift products with the immediate goal of being an exclusive distributor in Vietnam, the long-term goal is to form an essential supply chain of supplies.



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c. Online sales activities

Overcoming the limitations of online marketing activities that have been implemented in the last years, Everpia is currently building a professional sales website with the launch of a new bedding brand only for Online sales channel that contributes to maximizing market demand without affecting sales from Everon brand of distribution agents.

d. Export of bedding products:

- **Market:** Korea is the traditional export market of EVE due to the well-understanding of market management policy as well as the advantages of VKFTA. The potential for export to the Korean market is still very large. In 2019, Korea continued to be selected as a key market in export marketing activities.
- **Production:** to ensure product quality, a Quality Control team with clear working procedures has been established right from the beginning of 2019. The production process has also been renewed to improve production capacity and reduce labor costs.

2. Padding Biz

- **The product:** Besides promoting the advantages of traditional Padding products, from 2019, the recycled padding products have met both strict standards: RCS and GRS. This is a great competitive advantage in introducing products to Korean and Japanese customers as well as seeking new export markets for the company.
- **The 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.

3. Other activities

In addition to the revenue target, the profit target is also a matter of special attention of the Board of Directors, to ensure the expected profit rate, the Company builds the following action solutions:

- Build profit targets for each business department. Profit is one of items which reveal completing or not completing the annual plan of each department.
- The revenue and profit report according to the department is made and sent to the business department monthly, to the departments to adjust and plan the business for the coming months.
- Plan budgets for the entire Company and each department. Periodically reviewing the cost items to ensure the cost ratio similar or lower than the rate of revenue growth.

- Continue to put the debt assessment into the assessment of performance and reward policies for the business units.

4. Investment plan

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

Unit: mil. VND

| Items | Estimated amount |
|--|-------------------------|
| Expanding the business operations | |
| Open new showroom | 40.000 |
| Agent upgrade | 9.000 |
| Advertisement | 28.000 |
| New products launching and developing | 5.000 |
| Investment in improving production capacity | |
| Padding production line | 10.000 |
| Bedding production line | 5.000 |
| Total | 97.000 |