

BUSINESS PERFORMANCE 2019 AND PLAN 2020

ANNUAL SHAREHOLDERS' MEETING 2020

A. Business performance 2019

1. Business activities 2019

1.1. Sales and profits

Sales (bil.VND):

Year	Bedding		Padding		Cleaner		Others		Total	
	Amount	Inc (%)	Amount	Inc (%)	Amount		Amount	Inc (%)	Amount	Inc (%)
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	N/A	44.0	6,8%	1.180.7	18,7%
2019	613.9	- 14,0%	284.4	-14,1%	79.8	- 12,7%	26.0	-40,8%	1.004.2	-15,0%

Profit (mil. VND):

Items	2017	2018	2019
Gross profit	329.918	381.075	343.711
Profit before tax	63.250	95.709	93.972
Profit after tax	50.919	76.212	71.888
Volume of outstanding shares	39.547.973	38.047.973	38.047.973
Basic earnings per share (VND)	1.215	1.933	1.889

Basic ratio:

Items	2017	2018	2019
Total assets (mil.VND)	1.276.449	1.490.113	1.537.633.104
Asset (%)			
- Non-current assets/Total assets	24,2%	21,1%	19,8%
- Current assets/Total assets	75,8%	78,9%	80,2%
Resources (%)			
- Liabilities/Total resources	28,2%	27,0%	39,0%
- Shareholders' equity/Total resources	71,8%	73,0%	61,0%
Debt servicing capacity (times)			
- Current ratio	5,9	5,5	5,1
- Quick ratio	3,4	3,5	3,4
Profitability ratios (%)			
- Profit after tax/Total assets (ROA)	4,0%	5,1%	4,7%
- Profit after tax/Net sales (ROS)	5,1%	6,5%	7,2%
- Profit after tax/ Shareholders' equity (ROE)	5,6%	8,4%	7,7%

1.2. Distribution system and Market

Bedding Business

In 2019, the prolonged heat has created many new records such as: The Earth has heated up by 1 degree C and the highest thermal monitoring in the history has appeared in some provinces in Vietnam. This has had a direct impact on the Company's bedding business. The revenue of the bedding sector in 2019 was only VND613,9 bil., 14.0% less than that in 2018. In particular, B2C sales reached VND454,0 bil, while revenue from B2B was VND93,2 bil and export revenue reached VND66,7 bil. The revenue contribution was 73,9%, 15.2% and 10.9% respectively within its revenue structure of the bedding business.

Although the sales have decreased in comparison with the same period, the Company has implemented a lot of prerequisite activities for the long-term sustainable development.

For domestic retail channels: i) conducting surveys on consumption trends and development potentials of Northern provinces and cities, ii) organizing workshops to instruct and support agents' owners to set up online sales channels in order to access new shopping trends as well

as exploit maximum sales in each area; iii) developing new product lines with high applicability, aiming at customers with special requirements for health issues such as: 5-second pillows, shaped pillows, special collections for summer.

For corporate, hotel and export sales channels: deploying a survey of customer orders and customer capacity assessment to best meet customers' requirements for each order while minimizing debt risks.

Padding business

In the context of a slow increase in global trade in 2018 and potential unpredictable factors due to the changes in American commercial policy as well as trade tensions between major countries and the increasing trend of protectionism, the production and export activities of Vietnamese enterprises has been greatly affected. With the revenue structure including 73.6% from exports and 26.4% from domestic sales, the revenue from Padding in 2019 has decreased by 14% over the same period, of which revenue from padding has decreased by 15.4% and revenue from

However, with the advantages of owning two certificates of recycled padding products which are GRC and RCS - global certificates of recycled products- Everpia has gained great competitive advantages and contributed to a 49.3% gross profit ratio of the padding business in 2019.

Cleaner business

The year 2019 is the second year that Everpia has officially operated in the field of manufacturing and trading of Cleaner made from microfiber fabric after acquiring the entire production line from an associated company called Texpia. Similar to Padding business, sales of cleaner mainly come from export activity – accounting for about 95%. Under the influence of the macro economy, revenue from export activities of cleaner has decreased by 12.7%, equivalent to the net revenue of VND79,8 bil. In addition, the gross profit ratio of this business has only reached 6.9% because of the increase in the price of input materials.

Curtain business

Being launched at the Agent Meeting on Jun. 21st, 2018, curtain products were expected to contribute a significant portion to Everpia's revenue structure in 2019. However, due to the particularity of products with many accessories and the multi-step- sales process including: product introduction – order - measurement - tailoring – installation, the revenue of these products in 2019 mainly comes from customers in Hanoi. Despite limited sales, during the period, the Marketing team of the Company has built a lot of important foundations for the development of this item in the future such as: i) building a system of suppliers of high-end curtain materials in Korea and China, ii) researching for the improvement and purchasing new machines supporting production at difficult stages iii) training knowledge about curtains, way of measurement and the installation of products for the whole agents in the Northern region,

iv) launching 03 sets of curtain catalogs with 230 fabric samples and 01 set of window blind catalog with 48 fabric samples.

Other products

In addition to the core business, the revenue from other products such as furniture, decoration, kitchenware, and design consultancy was VND 26 bil., accounting for 2.6% of the total revenue structure in 2019.

2. Investment activities

2.1. Investment on building and upgrading factory sites:

The structure of tangible fixed assets in 2019 has almost no change compared to 2018 except for a slight increase in the value of machinery, equipment and office equipment corresponding to the increase rate of 4.2% and 10.8% respectively. This is explained by investing equipment for showrooms and a part of equipment at the office for sales and marketing in Ton That Thuyet, Hanoi.

Several main investments are:

- Padding line : VND 4.1 billion
- Bedding line : VND 7.0 billion
- Equipment : VND 2.5 billion
- Cars and trucks : VND 1.6 billion

2.2 Financial investment

a. Short-term investments

❖ Held-for-trading securities

Đây là khoản đầu tư được đảm bảo bởi bên thứ ba. Công ty phân loại khoản đầu tư này là chứng khoán kinh doanh dựa trên chủ trương chuyển nhượng trước ngày đáo hạn được Ban giám đốc xây dựng trước khi thực hiện đầu tư

This investment is guaranteed by a third party. The Company classified the bond as held-for-trading securities (short-term) based on the proposition by the management to divest before maturity date

<i>Issuer</i>	<i>31 December 2019</i>	<i>Principal and interest repayment term</i>	<i>Interest rate (% p.a)</i>
<i>Sunshine Group JSC</i>	<i>37,000,000,000 (VND)</i>	<i>3 years, interest receivable on annual basis. The securities mature on 24 October 2021.</i>	<i>11.5%</i>

❖ Held-to-maturity investments

Held-to-maturity investments represent deposits with terms from 6 months to 1 year, which earn the interest rates ranging from 6.9% to 12% per annum (2018: deposits with terms from 6 months to 1 year, which earn interest rate ranging from 6.2% to 7.2% per annum).

Currency: VND

	<i>Ending balance</i>		<i>Beginning balance</i>	
	<i>Cost</i>	<i>Carrying value</i>	<i>Cost</i>	<i>Carrying value</i>
Term deposits	515,700,000,00	0	452,548,500,00	0
	515,700,000,00	515,700,000,000	452,548,500,00	452,548,500,000
	0	515,700,000,000	0	452,548,500,000

b. Investment in other entities

By the end of 2019, Everpia has had 02 investments in the form of buying shares of unlisted businesses, specifically:

Company	Number of share	Ownership	Investment value (VND)
Bac Ninh Pharmaceutical JSC	26.382	0,7%	2.638.200.000
Kalon Investment Asset Co., Ltd	30.000	5,7%	5.781.000.000
Total			8.419.200.000

Everpia has invested in Bac Ninh Pharmaceutical since mid-2009, during the past 10 years, the Company has annually received cash dividend at an average rate of 15%. By the end of 2019, the return on investment value of this capital contribution has been 52.8%.

Kalon Investment Asset is a new investment by Everpia in 2019. The initial investment value was 300 million Korean won which is equivalent to the 5,7% ownership rate.

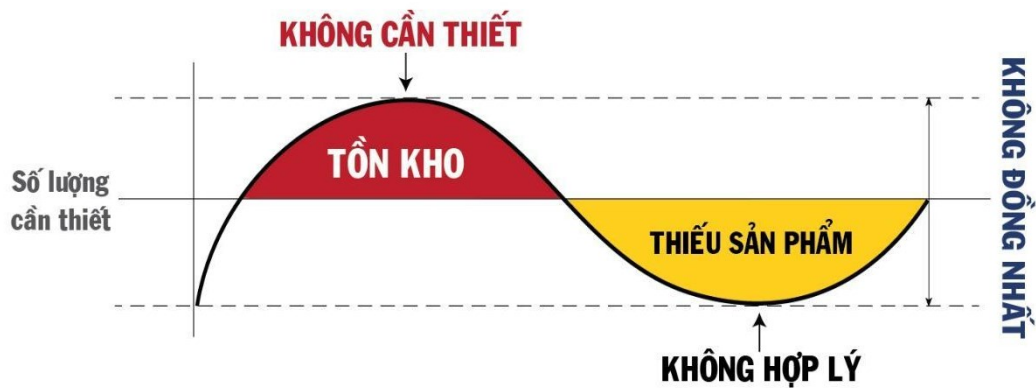
3. Innovation initiatives

3.1. The establishment of the 5S evaluation team

During the period, the company has established 5S evaluation teams as representatives of the production plants. These evaluation teams carry out cross-assessment of 5S implementation at the plants every week. Up to now, all factory employees have been aware of the importance of 5S and they have automatically and proactively combined 5S standards with their work to

achieve the following objectives: i) No waste in the factory ii) The high productive plant iii) The safe and convenient factory, iv) The clean and tidy factory v) The disciplined factory

3.2. “Three-No” model in production



With the slogan "Keep changing, go further", in 2019, Everpia has introduced measures to balance production through the application of “3-No” model: unnecessary (overproduction leads to storage), unreasonable (customers need but cannot provide) and inconsistency (concentrating resources on one item, which causes overproduction, but lacking resources to produce another item). In particular, the elimination of unnecessary activities gains more attention and it is implemented through the synchronous implementation of elimination measures of “7 unnecessary things”:

1. Unnecessary of overproduction: manufacturing products which are not guaranteed to be marketable.
2. Unnecessary of storage: the stagnation of raw materials, products, goods, ...
3. Unnecessary of redundant operations: performing extra actions.
4. Unnecessary of waiting: waiting due to lack of materials or waiting for the previous stage to finish.
5. Unnecessary of transportation: placing temporarily or moving excessing necessary level
6. Unnecessary of defective goods: manufacturing products that cannot be sold.
7. Unnecessary of processing: the stage or the work which is thought to be vital but in fact it is unnecessary.

The Identification and elimination of “7 unnecessary things” have helped Everpia better meet customers’ requirements about the quality of products; minimize waste on unreasonable transportation and movement; minimize waste due to defective goods and problems incurred during the production process; use production materials properly and produce on time.

4. Profit distribution

In execution of Annual Shareholders’ Meeting 2019’s resolution, Everpia has distributed the undistributed profits until the end of 2018 to all existing shareholders:

- Pay dividend on Jun 19th 2019, in which:

- Cash dividend : 10% (each stock received VND1.000)
- Cash paid : VND 38,038,781,750
- Allocated Management fund of 5% from NPAT, equal to VND3,8 billion. We had paid VND2,8 billion. The fund remains VND1,,3 billion.

B. Plan 2020

On the basis of the achievements on market, products, innovations in 2019, Board of Directors and Management has set the business target for 2020 as below:

Unit: billion VND

	Target 2020	2019	+/-
Net sales	1.000	1.004	-0,4%
Net profit	82	71.9	14%

In order to achieve the above targets, the Board of Management has decided on the detailed action plans as below:

1. Bedding business

The bedding business always is a core business of Everpia. The Company builds specific strategies for each distribution channel, in order to strengthen branding, expand market share and upgrade the quality of products and services.

a. B2C channel

The business direction for 2020: (1) Repositioning the Everon brand as the bedding brand from Korea with dynamic and friendly style; (2) Expanding the scope of target customers; (3) Promote the R&D activities with focus on healthcare functions. In particular:

- ❖ Refresh the brand image:
 - Refreshing the appearance and synchronizing brand image of the entire retail distribution system and media channels
 - For showroom system: (i) Setting up the experience area; (ii) Implementing the consultation on sleep health in each showroom
- ❖ Promote the online advertisement and sales:
 - Building a strong Digital marketing team
 - Upgrading website and increasing interaction for the Company's social network accounts
 - Take advantage of online advertising tools such as Google ads, Facebook ads, etc, take care of end-users through social platforms such as SMS, Zalo.

❖ Diversify distribution channels:

- Approaching bedding mixed shops in addition to current exclusive agents network
- Associating with supermarkets and high-end furniture stores chains.
- Strengthening cooperation with reputable and popular e-commerce platforms such as Tiki, Shopee, Sendo, ...
- Promote sales through home appliance supermarkets and convenience stores

❖ Expanding the product portfolio:

Diversification and differentiation of product portfolio is one of the strategic plan to hold up the market leader position of Everpia.

- Market research will be specially focused and enhanced from 2020, as the first step for the product development.
- The R&D activities are specialized by an experienced team with a clear, professional workflow.
- Enhancing the survey and merchandising of new products with outstanding functions in the international market to introduce to domestic consumers.
- Diversify the Everon collection by seasons and customer segments; Differentiate the high-end Artemis brand with high-quality fabric, sophisticated design and processing.
- Developing a separate brand for the online products, taking advantage of inventory fabrics and minimalist designs for price competitiveness.

b. B2B channel

For the corporate and hotel segments, Everpia's strategic directions are: (1) Focusing on the 4-5-star luxury hotels, (2) Providing products in package, including bedding items, spring cushions, curtains, and other hotel furniture, (3) take advantage of B2C's diverse product portfolio to capture the corporate gift segment

c. Exporting channel

In a good condition of Vietnam's macroeconomic and international trade position, the bedding export activities own many advantages and potential for development, with the following strategic directions: (1) Increasing the proportion of FOB orders instead of merely processing, by strengthening and developing a sustainable supply chain; (2) Specialize the production lines and quality checking for export orders; (3) Optimize the Vietnam's bilateral and multilateral free trade agreements to expand markets and strengthen supply chain.

2. Padding business

In the context of fiercer competition with lots of new market entrances, while product demand decreases due to global warming, Everpia's padding business is facing a big challenge. The outlined strategic directions are: (1) Reinforce internal strengths to reach Brands directly, instead of through Tier 1 vendors; (2) Promote the R&D activities to maintain the leading

position; (3) Expand the target customer portfolio to domestic manufacturers of blankets, sofas, etc, with following details:

❖ **Production:**

- Upgrade the sustainable production practices by applying widely recognized international standards such as RCS, GRS, ISO 14001, Higg, ...
- Access and join multiple programs and initiatives on production optimization to seek professional advice and financial support.
- Use environmentally friendly materials and packaging

❖ **Marketing activities:**

- Contact directly with Brands and potential customers through sustainability programs and industry associations.
- Enhance the efficiency of market research and analysis activities, study the requirements and practices in each market, and take best advantage of the available FTAs.
- Approach the domestic manufacturers of blankets, sofas, clothes.

❖ **Product portfolio:**

- Promote R&D activities, focusing on recycled padding, to meet the increasing market demands.
- Continuously update on new padding products with outstanding features for franchising.

3. Cleaner business

In addition to upholding the current export market share, the Board of Management directs to expand and dominate the domestic market through the following plans:

- ❖ Take advantage of Everon's distribution system: (i) B2C: sell in set, or with bedding items; (ii) B2B: sell as giveaways of electronics distributors, or gift of corporations.
- ❖ Distributed through supermarkets, convenience stores
- ❖ Approach industrial cleaning service suppliers.

4. Curtain business

On the basis of 2019 achievement, the Everon curtain brand will continue to be promoted in the domestic market in 2020 according to the following action plans:

- ❖ Product portfolio: facilitate the portfolio in 3 groups: (i) Order-made curtains; (ii) Ready-made curtains; (iii) Curtain fabrics.
- ❖ Developing appropriate distribution channels for each group of products, based on its target customers and consumption practices.

5. Sustainable development strategy

Year 2020 marks an important transition between the internal and external innovation for long-term development. In particular, sustainable development is not only a social requirement and responsibility, but also an effective marketing tool in the world where people are increasingly aware of the climate change's impacts, and get ready for sustainable consumption choice.

Therefore, Everpia comes up with an action plan with specific goals for its sustainable development journey, with the key contents as below:

- Establishment of an internal Sustainability Committee, under the ultimate management of the General Director, in charge of managing sustainability issues. This committee will propose strategies, monitor the implementation, and promote improvement efforts.
- In order to increase the efficiency of sustainability work, the Company will capture new trends, learn industry practices and strategies by joining domestic and international industry associations and initiatives, looking for further support in finance and others.
- Everpia's sustainability strategy focuses on reduction measures that mitigate negative impact on the environment, through the optimization of resources, the application of new technologies and new eco-friendly materials, as well as promoting good social practices.

6. Other activities

In addition to marketing strategies, the Company further strengthens internal capacity by:

- Set profit targets for each business unit as a mandatory criteria to assess the yearly performance.
- Sales and P&L reports by business units are clarified and sent to them monthly for their control.
- Set budget planning for the whole Company and each department. Periodically review cost items to ensure that the cost ratio must be similar or lower than the revenue growth rate.
- Increase the weight of innovation in the performance evaluation for support teams to promote the self-innovation culture.
- Adjust incentive policy for the sales force in accordance with the business strategy of each business unit.
- Continue the Factory innovation program:
 - o Perform evaluation on 5S and 3 Nos twice a month
 - o Monitor and control production through 4M production management technique.

7. Investment plan

In 2020, the Company expects to carry out the following investment activities:

Unit: million VND

Items	Estimated amount
Expanding the business operations	
Innovate distribution channel (showroom & agent)	40.000
Advertisement	20.000
New products launching and developing	10.000
Investment in improving production capacity	
Padding production line	5.000
Bedding production line	5.000
Curtain machine	5.000
Kingcoil production machine	10.000
Machine for quality control	5.000
Total	90.000