

Hung Yên, 23rd April 2021

Report of Board of Directors

To: Annual General Shareholders' Meeting 2021

Pursuant to:

- Law on Enterprise, Law on Securities, Company Charter of Everpia JSC;
- Rights and duties of Board of Supervisors as prescribed;
- Audited Financial Report 2020 by Ernst & Young Viet Nam Co., Ltd Company.

I. 2020 business performance report

1. Sales and profits

Sales (bil.VND):

Year	Bedding		Padding		Cleaner		Others		Total	
	Amount	Inc (%)	Amount	Inc (%)	Amount		Amount	Inc (%)	Amount	Inc (%)
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%
2020	533,9	-13,0%	204,1	-28,2%	96,4	20,8%	20,9	-19,4%	855,3	-14,8%

Profit ratio (%)

Items	2018	2019	2020
Gross profit ratio	32.3%	34.2%	30.7%
Profit before tax on revenue ratio	8.1%	9.4%	6.6%
Return on Sales (ROS)	6.5%	7.2%	4.9%
Return on Equity (ROE)	8.4%	7.7%	3.1%
Return on Assets (ROA)	5.1%	4.7%	4.5%

Basic ratio

Items	2018	2019	2020
Total assets (mil.VND)	1.490.113	1.537.633	1.353.033
Asset (%)			
- Non-current assets/Total assets	21,1%	19,8%	19,6%
- Current assets/Total assets	78,9%	80,2%	80,4%
Resources (%)			
- Liabilities/Total resources	27,0%	39,0%	30,2%
- Shareholders' equity/Total resources	73,0%	61,0%	69,8%
Liquidity (times)			
- Current ratio	5,5	5,1	7,1
- Quick ratio	3,5	3,4	4,9
- Operating cash flow ratio	0,4	0,2	1,0
- Receivables turnover ratio	4,9	4,4	4,7
- Inventory turnover ratio	2,0	1,7	1,6
Profitability (%)			
- Gross profit ratio	32,3%	34,2%	30,6%
- Operating profit ratio	8,0%	9,3%	6,6%
- Basic earnings per share (VND)	1.933	1.889	1.082

2. Performance of business units

2.1 Bedding Business

Covid-19 pandemic broke out right after the Lunar New Year, causing many difficulties for the bedding business in the first several months of the year. Implementing the Prime Minister's Directive No. 16/CT-TTg on social quarantine to ensure safety, all showrooms and almost a third of the Company's agents in 28 provinces with high risk such as Hanoi, Ninh Binh, Hai Phong, Bac Ninh, Ha Tinh, Ho Chi Minh, etc closed, completely stopped all business activities during April. Number of domestic and foreign travellers fell deeply, leaving hotels across the country into a freeze in busines. Accordingly, revenue from domestic retail (B2C) and hotel orders (B2B) was moderate during this period. To adapt to the new situation and take advantage of the Digital marketing platforms created from 2019, Everpia has accelerated online business activities with the launching of new e-commerce website at www.everon.com, and the exclusive brand for online business K-Bedding. Sales from online channels accounted for 9% of total retail sales (B2C) in 2020.

At the end of the fiscal year 2020, total bedding sales reached 533.9 billion, decreased by 13.0% over 2019. In which, revenue from B2C was 400 billion dongs, B2B was 60.5 billion and exportation was 72.6 billion, with the corresponding proportion in the total bedding at 75.1%, 11.3% and 13.6% respectively. From the sales of 66.7 billion VND in 2019, the export sales in 2020 increased by 8.9% thanks to the growth of orders from existing customers with their trust in EVE's quality and delivery commitment.

Gross profit of the bedding industry down from 31.0% to 28.4% due to: i) the operation under capacity of the factory in the first half of the year, while the income of all employees was still preserved, ii) Discount of some products to share difficulties with agents due to moderate operation under impact of Covid-19.

In spite of the sales decline, the Company has implemented many foundational activities for long-term sustainable development.

- For domestic retails:
 - Deploy the POS sales management system at 160 out of 336 agents nationwide. It is expected that by the end of 2021, this POS system will be applied to 100% of Everon outlets;
 - Launch the e-commerce site www.everon.com towards the vision of an e-commerce floor. The core is the connection between everon.com and the POS system, to distribute online orders directly to agents, and agents will conduct the sales transaction;
 - Perform periodic caring activities to enhance the connection between the Company and the agent owner;
 - Open 12 new agents, focusing on new residential areas located in complex real estate projects, provinces with outstanding economic growth in recent years such as: Bac Ninh, Bac Giang, Vinh Phuc, Nha Trang
 - Introducing new premium collection made from Hanjil pulp – new fabric that first appeared in Vietnam.
 - Pilot importing and selling online some fabric-made home appliances, towards the goal of “home total fashion” retail brand by 2025
- Hotel & corporate orders and bedding export:
 - Marketing nhằm hạn chế tối đa các phát sinh sau bán hàng đặc biệt là công nợ Training on negotiation and risk control skills for sales staff to minimize post-sales risk, especially regarding debt collection.
 - Grouping customers for the most efficient management.

2.2 Padding business

According to a report on Covid’s effect in 1 year issued by the Vietnam Textile and Apparel Association, 87.1% of textile companies had their orders reduced, 53.5% of enterprises had their orders canceled by customers and 22.9% could not export. Although many orders had been signed since 2019, but in the force majeure of pandemic, Everpia had no choice but allow customers to delay delivery and delay payment. With the revenue structure of 72.3% export and 27.0% domestic, the padding sales in 2020 has decreased by 28.4% over the same period, of which the sales of padding declined by 30.8%, and quilting down 15.6%.

Although revenue decreased and the factory has gone through a period of operating under capacity, the gross profit ratio in 2020 was still at a high rate of 44.5%. This was the highest profit margin in the padding business, while the largest competitor’s was only 13.6% in the last two years. The reasons of this star rate are: i) the execution of global certifications in production management and working environment such as: GRS - Global recycle Standard, BSCI – Business Social Compliance Initiative; ii) a strong team of highly skilled workers for high-level products with high requirements.

2.3 Cleaner business

2020 was the second year that Everpia officially runs the Cleaner business made from microfiber after acquiring entire production from the affiliated company Texpia. Like the padding business, the cleaner is an export-focused business, with 95% from export. Thanks to the intensive customer caring activities from 2020 and the good material sourcing with big inventory before Covid outbreak, as well as the full towel production line, Cleaner sales in 2020 has reached 96.4 billion dong, a rise of 20.8% from 2019. In addition, the innovation in production management to reduce material waste and optimize work force in each process has pushed the gross profit ratio of 2020 up to 13.5%.

2.4 Curtain business

Curtain products are divided into 03 main groups: Blinds, ready-made curtains and order-made curtains. In the revenue structure in 2020, 65% of revenue comes from hotel and furniture partners, 22% from agent systems and showrooms, the remaining 13% from retail orders. The year 2020 marked the embarkment of Everon curtain to the 4-star and 5-star hotel and resort projects, and a good impression with contractors and project investors for outstanding quality as strictly-controlled manufacturing process. The presence at Vietbuild Furniture and Construction Fair in November 2020 has helped the Everon curtains not only introduce to customers but also approach many domestic construction and furniture enterprises. The company has been promoting strategic cooperation with real estate and construction furniture firms to bring curtain products into construction projects. As the first Company to introduce ready-made curtain to the market, Everon expects to create standard sizes for curtain products, changing the habit of using curtains of Vietnamese people. In 2020, ready-made curtain was sold through e-commerce channels and supermarkets. In 2021, the Company plans to expand sales channels and diversify accessories for ready-made curtain.

2.5 Other products

In addition to the main business, revenue from other products such as furniture, decorations, kitchen wares, design consulting contributed 21 billion VND, accounting for 2.5% of total sales.

II. Evaluation of BOD on the Management performance

Evaluation on the management activities

In 2020, the BOD highly appreciated the initiative and flexible direction of the Board of Management with timely, responsive instructions to complicated situation of the market under the impact of Covid, while still ensuring the risk management and consistence with the strategies set out in the resolutions of the GSM and the BOD, in particular:

- Appoint new retail director with strong knowledge and experience to promote the core business efficiency of Everpia, and reinforce the expansion toward “Home total fashion” direction.
- Implement a flexible sales policy to maintain a stable sales compared to the general market situation.
- Initially set up and implement a symbiotic online business model with agents, take advantage of the offline distribution network to promote online business, and solve the conflict in distribution channel.

- Applying hi-tech to the distribution channel management by deploying the common POS software for all showrooms and agents.
- Seize investment opportunities in technology business, which is growing fast and strongly in the “untact” era through investments in Hyojung Soft Tech. As at 31/3/2021, Everpia received the first dividend from this investment equal to 67% of the initial investment value.
- Take advantage of production gaps due to the impact of Covid to promote production reform activities, through RECP (Resource Efficiency and Circular Production) activities from an independent consultant, thereby minimizing the impact on environment and towards sustainable development
- Gradually improve the Internal Audit function for the Internal Control department, appointing new personnel in Corporate Governance to improve corporate governance capacity
- Implement social responsibility through the free distribution of 50,000 masks to share with the society.
- There is no material violation in legal compliance.

CEO monitoring result

The General Director has fully implemented the resolutions and directions from BOD. The decisions of the General Director have led the Company strongly overcome the difficult period amid pandemic, and created a foundation for future leaps.

Other executives monitoring result

The members of the Board of Management have completed their roles and responsibilities in leading and coordinating all departments towards the highest goals and interests of the Company, thereby maintaining the belief from employees, partners, customers and stakeholders.

Salary of General Director and other executives

Salary of the General Director and other executives follows the common salary scheme for employees in the Company.

Name	Title	Salary	Bonus & other interest	Total
Mr Lee Jae Eun	General Director	100%	0%	100%
Mr Cho Yong Hwan	Deputy General Director	100%	0%	100%
Mr Yu Sung Dae	Deputy General Director	100%	0%	100%
Mr Park Sung Jin	Director of Dong Nai branch	100%	0%	100%

For details, please refer to Note 30 - Related party operations on page 46, 2020 Consolidated Financial Statements.

Transactions with related parties

- Transactions between the company, subsidiary, company controlled by Everpia over 50% or more of the charter capital with members of the Board of Directors, General Director, other executives of the enterprise and their related persons: 01 long-term apartment renting transaction between Everpia and Mr. Cho Yong Hwan - Chairman and Deputy General Director of the Company. This transaction was fully reported & approved by the Board of

Directors before implementation and disclosed in accordance with the Company's Charter and current law.

- Transactions between Company and a company in which a member of the Board of Directors, General Director, other executives is founding member or manager for the last 03 years before transaction time: None.

III. BOD performance report

1. Structure of the BOD and remuneration of BOD members

As at 31/12/2020, Everpia's Board of Directors consists of 7 people with various knowledge, experience, age and gender background, so the judgments and decisions of the Board are more multidimensional and comprehensive. With 3/7 independent members, the Board structure of Everpia ensures compliance with the provisions of relevant laws.

The remuneration of the BOD members complies with the approval of the GSM. Because the business results in 2020 was not as expected, the remuneration was not changed from 2019:

Name	Title	BOD remuneration
Mr. Cho Yong Hwan	Chairman	-
Mr. Lee Jae Eun	Member	-
Mr. Yu Sung Dae	Member	-
Mr. Park Sung Jin	Member	-
Ms. Lê Thị Thu Hiền	Member	86.400.000
Mr. Lê Khả Tuyên	Member	86.400.000
Ms. Nguyễn Lê Hoàng Yến	Member	86.400.000
Total		259.200.000

2. Meeting and decisions of BOD

In 2020, the BOD had conducted 10 meetings, including 4 regular meetings per quarter and other consultation meetings. 100% of the meetings were conducted in accordance with the procedures with the full and active participation, discussion and voting from all BOD members.

Resolutions of BOD (*):

#	Resolution no.	Date	Contents	Status
01	001/2020/HĐQT/NQ	20/02/2020	- Approve the plan of holding ASM 2020	Implement
02	002/2020/HĐQT/NQ	20/03/2020	- Approve the proposal of 2019 profit distribution plan and business plan for 2020 - Approve the investment to affiliated company - Approve the transaction with internal person - Change the Chairman of BoD	Implement
03	005/2020/HĐQT/NQ	05/05/2020	Approve the 2019 cash dividend payment plan	Implement

04	006/2020/HĐQT/NQ	01/06/2020	Select the independent audit firm for financial statement of 2020	Implement
05	010/2020/HĐQT/NQ	20/10/2020	Collect shareholders' written opinions on business scope expansion	Completed collecting opinions. Ongoing registration procedures with the relevant authorities
06	011/2020/HĐQT/NQ	30/12/2020	Change PIC of Corporate Governance	Implement

(*) 4/10 meetings of BOD only updated the business performance and not issue resolutions.

3. BOD activities

In 2020, the Board of Directors has been active and complied with the provisions of the Company Charter and relevant laws in the business operation activities, played its management and supervisory roles. With the close companionship with the Board of Management, BOD has effectively facilitated the implementation of strategic directions and business plans, taking opportunities from external market change.

Strategic planning continued to be strengthened to adapt and catch up with the new market movement. The five-year and long-term strategic goals are periodically reviewed in meetings of the BOD and BOM to ensure the company is always on track. This goal is also communicated to all employees, ensuring consistency in direction and action at all levels.

Governance is also promoted. Targeting to the Code of Corporate Governance with best practices, the BOD is gradually raising its governance standards to better practices, beginning with appointing personnel in charge of corporate governance, and strengthening internal audit capability for the three-line defense model in risk management

4. Performance of BOD members

Each BOD member, with different expertise and role, has contributed efficiently to the BOD performance in 2020.

Name	Title	Key roles and responsibilities
Mr. Cho Yong Hwan	Chairman & Deputy General Director	<ul style="list-style-type: none"> - Generally coordinate the BOD activities - In charge of business development in Southern market - Direct the fabric selection and design for new collection
Mr. Lee Jae Eun	Member & General Director	<ul style="list-style-type: none"> - Decide the policies for sales promotion, distribution channels expansion and operating costs within the given budget. - Decide the appointment of senior personnel after consulting with BOM members - Directly lead the investment activities
Mr. Yu Sung Dae	Member & Deputy General Director	<ul style="list-style-type: none"> - In charge of disclosure information to shareholders - Directly lead the finance and business support divisions (HR, Purchase, Import-export, etc) - Monitor the cost management of business units
Mr. Park Sung	Member &	<ul style="list-style-type: none"> - Directly lead the manufacturing & supply in Southern

Jin	Deputy General Director	market - Monitor the compliance to BOD & CEO decisions in the South.
Ms. Lê Thị Thu Hiền	Independent member	- Monitor the information disclosure, investor relation activities and financial statement. - Consult on finance and investment; connect with potential investors
Mr. Lê Khả Tuyên	Independent member	- Monitor the execution of business strategy and production management efficiency - Provide the key insights of market and industry in Vietnam - Support in connection with government agencies
Ms. Nguyễn Lê Hoàng Yến	Independent member	- Monitor the business operation and corporate governance - Update the new business and financial trends in global market - Introduce the good corporate governance practices from other companies

The executive members of the Board have fulfilled their roles, and responsibilities for the implementation of BOD's directions in business activities. Not only drastic in management, these members are also an important bridge to help the BOD deeply understand market movements, thereby flexibly adjust business plans accordingly.

3/7 independent members attended all meetings of the BOD, voted independently, and contributed important advices in development strategies and action plans for each business in each period. Through their knowledge and experience, the BOD has access to domestic and international market trends for a comprehensive strategic vision and decision-making.

5. Evaluation of independent BOD on BOD performance

At the meeting of the non-executive members, independent members of the BOD realized that in 2020, the BOD has successfully completed its roles and tasks assigned by the GSM, specifically:

- The BOD has worked with strong responsibility and transparency in governance; regularly directs and supervises the Board of Management in implementing the resolutions of the BOD and GSM. Discussions in the meetings of the Board of Directors are always transparent and effective, covering all topics from management, finance to investment and business. The BOD is also willing to listen, acknowledge the opinions and suggestions of independent members, and give adequate explanations if not apply those opinions. Requests for explanations from independent members were also answered fully, specifically and promptly.
- In the challenging context, the BOD has shown its strong leadership, operate the Company stably, and at the same time creating a foundation for development in the next stage, ensuring the harmonization of the interests of all stakeholders.

IV. Action plan for year 2021

1. Business plan

On the basis of the strategic and result in 2020, Board of Directors has set the business plan for 2021 as follows:

Unit: bil. VND

	Target 2021	2020	+/-
Net sales	1.060	855	24%
Net profit	75	42	78%

Some key projects in 2021:

1.1. Business activities

❖ Bedding business

a. B2C unit (Domestic retail sales)

- 1) Renew brand image: cooperating with consulting agency to restructure Everon brand identity forward to young customers.
- 2) Modernize distribution system management: complete the installation of a common POS software for agent system
- 3) Promote advertising channels, online sales through digital marketing and the co-operation model with agents
- 4) Diversify product portfolio: (i) launching Spring Summer collection besides annual Everon collection, (ii) promoting merchandise activities with new and prospect products.

b. B2B unit (business and hotel order)

- 1) Provide products in package, including bedding items, mattresses, cushions, curtains, and other hotel furniture, focus on the 4-5-star luxury hotels
- 2) Take advantage of B2C's diverse product portfolio to capture the corporate gift segment.

c. Bedding export

- 1) Increase 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 due to the different characteristics of product;
- 3) Optimize the Vietnam's bilateral and multilateral free trade agreements to expand market.

❖ Padding business

- 1) Increase Everpia's brand awareness with sustainable development and visibility on global sustainable development organizations and forums
- 2) Invest in research and development of padding products focusing on innovative materials and production method, seek franchise opportunities with potential partners

❖ Clearer business

- 1) Take advantage of free trade agreements, especially EVFTA to expand customer portfolio.
- 2) Approach domestic and international industrial cleaning service suppliers
- 3) Distribute through supermarkets and convenience stores in addition to Everon existing distribution systems

❖ **f. Curtain business**

- 1) Promote Evreon Curtain brand forward to mid and high-end market.
- 2) Focus on introducing and distributing through interior companies besides agent system and hotel channel.

1.2. Production activities

- Raise standards for sustainable production, apply international standards such as GRS, ISO 14001, Higg index, BSCI, ...
- Use new eco-friendly material and packaging
- Continue to implement cleaner production solutions according to consulting agency, improve self-innovation and create a culture of self-innovation.

2. Investment plan

In 2021, 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 and E-commerce	30.000
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	100.000

3. Other activities

Sustainable development strategy

- Continue to promote the leading role of 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.

Corporate governance activities

- Review Everpia's Corporate Governance practices annually, refer Code of Conduct standards to continuously improve.
- Promote investor relations and information disclosure activities, ensure transparency and fairness
- Set up a roadmap for improving governance capacity for the person in charge of corporate governance and members of the Board of Directors through internal training and training courses on corporate governance.
- Develop a knowledge matrix for members of the Board of Directors to specify roles and responsibilities of each member
- Strengthen information sharing, encourage independent members of the Board of Directors to have assessment and analysis on issues under the authority of the Board of Directors to provide good recommendations for the Board to discuss and decide.
- Improve corporate governance capacity on the basis of applying international best practices to exploit resources effectively and create long-term sustainable values.

Sent:

- *Shareholders;*
- *Board of Directors*
- *Board of Supervisors*
- *Board of Managements*
- *Save: VP PL*

BOARD OF DIRECTOR

CHAIRMAN

(signed and stamped)

CHO YONG HWAN