

Hung Yên, 28<sup>th</sup> April 2022

## Report of Board of Directors

To: Annual General Shareholders' Meeting 2022

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 2021 by Ernst & Young Viet Nam Co., Ltd Company.

### I. 2021 business performance report

#### 1. Sales and profits

Sales (bil.VND):

Year	Bedding		Padding		Cleaner		Others		Total	
	Amount	Inc(%)	Amount	Inc(%)	Amount	Inc(%)	Amount	Inc(%)	Amount	Inc(%)
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%
2021	561,9	5.2%	208,8	2.3%	76,0	-21.2%	19,2	-8.1%	865,9	1.2%

Profit ratio (%)

Items	2019	2020	2021
Gross profit ratio	34,2%	30,7%	34,1%
Profit before tax on revenue ratio	9,4%	6,6%	8,6%
Return on Sales (ROS)	7,2%	4,9%	6,9%
Return on Equity (ROE)	7,7%	4,5%	6,2%
Return on Assets (ROA)	4,7%	3,1%	4,7%

Basic ratio

Items	2019	2020	2021
<b>Total assets (mil.VND)</b>	<b>1.537.633</b>	<b>1.353.033</b>	<b>1.268.743</b>
<b>Asset (%)</b>			
- Non-current assets/Total assets	19,8%	19,6%	23,9%
- Current assets/Total assets	80,2%	80,4%	76,1%

<b>Resources (%)</b>			
- Liabilities/Total resources	39,0%	30,2%	24,0%
- Shareholders' equity/Total resources	61,0%	69,8%	76,0%
<b>Liquidity (times)</b>			
- Current ratio	5,1	7,1	3.6
- Quick ratio	3,4	4,9	2.3
- Receivables turnover ratio	4,4	4,7	5.1
- Inventory turnover ratio	1,7	1,6	1.7
<b>Profitability (%)</b>			
- Gross profit ratio	34,2%	30,6%	34,1%
- Operating profit ratio	9,3%	6,6%	8,5%
- Basic earnings per share (VND)	1.889	1.082	1.570

## **2. Performance of business units**

### **2.1 Bedding Business**

The Bedding business did have a positive beginning of the fiscal year 2021: i) The 2021-2022 collection with Ankara design and 100% natural fabric was highly rated by customers and agents with a 22% increase in total pre-order value over the previous collection, ii) the Summer exclusive collection with a minimalist style received high praise from customers, becoming the best seller of the company's showroom system; iii) E-commerce website [www.everon.com](http://www.everon.com) clearly depicted the change of consumer digitalization trend by increasing sales month over month.

However, Covid-19 struck for the fourth time in important commercial locations such as the North, Da Nang, and Ho Chi Minh City from late April to mid-September, forcing 90% of the company's agents to be suspended for a long period of time or even closed. The strong recovery in the last three months of the year was only enough to increase domestic retail revenue by 0.9% over 2020.

For the hotel orders, the orientation to promote the offer of the combo Bedding and Curtains products for large hotel projects has contributed to positive revenue results for this industry in 2021 with a growth rate of 38.0% despite the state of stagnation and not daring to invest in new products or expand the operation of hotels and accommodation facilities when the pandemic broke out in the high tourism seasons and lasted until the holiday season at the end of the year.

In addition to revenue from e-commerce platforms including Lazada, Shopee, and Tiki, online sales revenue from the website [www.everon.com](http://www.everon.com) increased by 19.5 percent over the same period in 2021. During the year, the company continued to install a POS software system, invest in software upgrades, and complete connecting gates so that agents can receive and process orders placed on the [everon.com](http://everon.com) website, thereby boosting sales at each store. By the end of 2021, 80% of Hanoi agents had installed and employed Everpia's sales software in their daily sales activity.

Bedding exports in 2021 declined by 10.2% over the same period last year, due to the impact of supply chain disruptions, such as cancellations and delays in shipping, which resulted in high transportation costs and the inability to deliver produced goods to customers.

At the end of the fiscal year 2021, the total bedding sales reached VND 561.9 billion. In which, the proportion of revenue from B2C - domestic retail, B2B - hotel orders, Online and Export segments was 66.1%, 14.9%, 7.4% and 11.6%, respectively.

Factory Innovation Program since 2019 with the most prominent initiatives including the reduction of some stages in the production process, rearranging the position of machinery assisted the Bedding workshop to saving a significant amount of production costs by reducing the number of workers at the workshop. Accordingly, compared to 2019, the number of workers at the Bedding workshop decreased by 83 people. Concurrently, measures to effectively employ resources and lower a portion of manufacturing costs were implemented, resulting in an increase in the bedding business's gross profit from 28.4% to 33.9%. Despite the significant costs of "3 on-site" implementation, the gross profit ratio reached its peak in the period 2017-2021, affirming the Company's Board of Directors' commitment to achieving a profit after tax of at least 10% per year.

## **2.2 Padding business**

The Padding business has two main activities: selling Padding products and Quilting. Quilting is a business with a low-profit ratio. Additionally, in the context that textile companies are increasingly equipped with quilting machines to manufacture products with simple quilting shapes, Everpia has decided to change the padding business development, specifically: focusing on padding production and sales, no longer accepting separate quilting orders, only accepting orders for both padding and quilting.

Besides, in keeping with the concept of "Sustainability as a Strategy", Everpia has always strived to use sustainable materials as substitutes for regularly used materials. In 2021, the Company partially replaced the traditional fiber with Sorona fiber. Sorona's main ingredient is Bio-PDO, a polymer made through the fermentation of sugar extracted from corn. The natural fermentation process reduces energy consumption by 40% and reduces greenhouse gas emissions by about 20% compared to using petroleum-based materials. With its softness, good heat resistance, breathability, and quick-drying, Sorona an ideal fiber for outdoor sportswear products.

At the end of the fiscal year 2021, the total revenue of the padding business reached VND 208.8 billion, of which the production and selling of finished products increased by 6.9% over the same period in 2020, quilting decreased by 17.3% due to production downsizing.

Although revenue increased by 9.0% over the same period in 2021, due to the costs incurred to ensure safety against the pandemic and maintain production with "3 on-site", the gross profit ratio of the padding business in 2021 declined from 44.5% to 40.9%. The gross profit ratio of 40.9% is the highest profit performance in the padding business when compared with the biggest competitor's current ratio of 16.2%. The reasons for this star rate are i) the company has a stable source of raw materials at the most competitive prices in the market, ii) a team of highly skilled workers who can fulfill orders high requirements on the complexity of the products, iii) the company can satisfy orders that require not only high quality but also production environment by possessing full global certificates of production and working environment management such as GRS - Certificate of Recycled Cotton, BSCI – Business Social Compliance Index.

## **2.3 Cleaner business**

Among the three businesses, Cleaner was the business being affected the most by the supply chain disruption owing to the covid pandemic, and it generates 100% of its revenue through export. Customers canceled some of their orders, and the number of cleaners in new orders was reduced due to the constant cancellation of shipping lines and increasing delivert expenses, as well as the closure of some factories and shopping centers in Europe and the United States. At the end of the fiscal year 2021, the revenue of this business reached VND 76 billion, which decreased 21.1% over the same period.

After 3 years of officially merging into Everpia, a series of innovation initiatives to streamline production lines, reduce personnel in redundant stages, manage inventory effectively and efficiently, avoid wasting raw materials, and reduce fuel consumption have helped the industry's gross profit margin to improve. The Cleaner's gross profit margin increased to 20.7 percent, the highest level since the Cleaner business came into operation.

## **2.4 Other products**

In addition to the main businesses, revenue from other products such as furniture, decorations, and kitchen wares contributed VND 19.3 bil, which accounted for 2.2% of the Company's revenue structure in 2021.

## **II. Evaluation of BOD on the Management performance**

### ***1. Evaluation on the management activities***

In 2021, the BOD highly appreciated the initiative and flexible direction of the BOM with timely, responsive instructions to complicated situation of the market under the impact of Covid, while still ensuring risk management and consistency with the strategies set out in the resolutions of the General Shareholders' Meeting and the BOD, in particular:

- Implementing a flexible sales policy to maintain positive sales growth in the difficult context of the retail market
- Applying technology to internal processes to ensure smooth operations
- Supporting agents to switch from traditional retail model to both direct and online retail model – omnichannel
- Taking advantage of the gap in production due to the impact of the Covid epidemic to promote production reform activities, effectively using resources while minimizing costs and the impact on the environment.
- Regarding environmental goals: minimizing energy and water consumption, reducing emissions and managing pollutants, and properly managing waste and wastewater are all measures that may be taken to improve production quality while reducing the impact on the environment. Furthermore, attempts are being done to find natural materials that will eventually replace traditional materials.
- In terms of social goals, despite a difficult 2021, Everpia remains committed to the criterion of economic development linked to community and social development, in addition to efforts to ensure all rights and regulations welfare levels for employees, the company has contributed more than VND 31.9 to the state budget, and has joined hands in the fight against the Covid-19 pandemic with donations in kind and cash totaling more than VND 1.6 billion.

### ***2. CEO monitoring result***

The Board of Directors is grateful for the CEO's effort and flexibility in arranging the implementation of business plans while also ensuring employee safety. Internal management helps the Company grow steadily, following the previously laid out strategy, both in terms of maintaining production and preventing pandemics.

### ***3. Other executives monitoring result***

Members of the Board of Management have done an excellent job of directing and coordinating the Company's specialized departments toward the Company's highest aims and interests, earning the trust of employees, partners, customers, and stakeholders.

#### **4. 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.

<b>Name</b>	<b>Title</b>	<b>Salary</b>	<b>Bonus &amp; other interest</b>	<b>Total</b>
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, 2021 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 31/12/2021, Everpia's Board of Directors consists of 6 people (*Ms. Le Thi Thu Hien resigned in Mar. 2021*) with various knowledge, experience, age and gender background, so the judgments and decisions of the Board are more multidimensional and comprehensive. With 2/6 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. The remuneration was not changed from 2020:

<b>Name</b>	<b>Title</b>	<b>BOD remuneration</b>
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	21,600,000
Mr. Lê Khả Tuyên	Member	86,400,000
Ms. Nguyễn Lê Hoàng Yến	Member	86,400,000
<b>Total</b>		<b>194,400,000</b>

## 2. Meeting and decisions of BOD

In 2021, the BOD had conducted 11 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 (\*):

No.	Resolution No.	Date	Content	Approval rate
01	001/2021/HĐQT/NQ	26/02/2021	Approve the plan of holding ASM 2021	100%
02	002/2021/HĐQT/NQ	02/04/2021	- Update 1Q.2021 business performance - Approve the resignation of Ms. Le Thi Thu Hien - Approve the proposal of 2020 profit distribution plan and business plan for 2021 - Approve the meeting documents for the ASM 2021	100%
03	003/2021/HĐQT/NQ	11/05/2021	Approve the 2020 cash dividend payment plan	100%
04	004/2021/HĐQT/NQ	29/06/2021	- Update 2Q.2021 business performance Select the independent audit firm for financial statement of 2021	100%
05	005/2021/HĐQT/NQ	29/06/2021	- Establish new investment project in Giang Dien IP, Dong Nai province	100%
06	006/2021/HĐQT/NQ	19/10/2021	- Pay stock dividend 2021 by using treasury shares - Issue ESOP by using treasury shares	100%
07	007/2021/HĐQT/NQ	25/10/2021	- Reduce ownership ratio at Hyojung Soft Tech JSC from 24% to 19.2% of charter capital	100%
08	008/2021/HĐQT/NQ	23/11/2021	- Collect shareholders' written opinions	100%
09	009/2021/HĐQT/NQ	16/12/2021	- Approve document for consulting shareholders' opinion by written	100%
10	010/2021/HĐQT/NQ	27/12/2021	- Approve the detail plan on using treasury shares to give to shareholders	100%

(\* ) 1/11 meetings of BOD only updated the business performance and not issue resolutions.

### 3. BOD activities

In 2021, 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 2021.

Name	Title	Key roles and responsibilities
Mr. Cho Yong Hwan	Chairman & Deputy General Director	<ul style="list-style-type: none"><li>- Generally coordinate the BOD activities</li><li>- In charge of business development in Southern market</li><li>- Direct the fabric selection and design for new collection</li></ul>
Mr. Lee Jae Eun	Member & General Director	<ul style="list-style-type: none"><li>- Decide the policies for sales promotion, distribution channels expansion and operating costs within the given budget.</li><li>- Decide the appointment of senior personnel after consulting with BOM members</li><li>- Directly lead the investment activities</li></ul>
Mr. Yu Sung Dae	Member & Deputy General Director	<ul style="list-style-type: none"><li>- In charge of disclosure information to shareholders</li><li>- Directly lead the finance and business support divisions (HR, Purchase, Import-export, etc.)</li><li>- Monitor the cost management of business units</li></ul>
Mr. Park Sung Jin	Member & Deputy General Director	<ul style="list-style-type: none"><li>- Directly lead the manufacturing &amp; supply in Southern market</li><li>- Monitor the compliance to BOD &amp; CEO decisions in the South.</li></ul>
Mr. Lê Khả Tuyên	Independent member	<ul style="list-style-type: none"><li>- Monitor the execution of business strategy and production management efficiency</li><li>- Provide the key insights of market and industry in Vietnam</li><li>- Consult on finance and investment; connect with potential investors</li><li>- Support in connection with government agencies</li></ul>
Ms. Nguyễn Lê Hoàng Yến	Independent member	<ul style="list-style-type: none"><li>- Monitor the business operation and corporate governance</li></ul>

		<ul style="list-style-type: none"> <li>- Update the new business and financial trends in global market</li> <li>- Introduce the good corporate governance practices from other companies</li> </ul>
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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.

The 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 2021, the BOD has successfully completed its roles and tasks assigned by the ASM, 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 ASM. 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 2022

### A. Business plan

On the basis of the strategic and result in 2021, Board of Directors has set the business plan for 2022 as follows:

Items	Yr. 2021	% sales	Plan yr. 2022	% sales	Increase
<b>Sales</b>	865,947		1,000,000		15.5%
<b>Net profit after tax</b>	59,721	6.9%	70,000	7.0%	17.2%

*Unit: mil. VND*

The year 2022 marks the start of the second year of the five-year development strategy 2021-2025. Faced with the challenges of integration, market openness, and the 4.0 revolution, Everpia develops a customer-centric approach that prioritizes consumer satisfaction and trust in all operations, from manufacturing to after-sales support.



Adopting "Together every moment" as the slogan, Everpia attempts to enhance goods, optimize marketing operations, and develop services in order to provide a comprehensive and positive customer experience at every stage of the buying journey.

## **1) Product – Service**

### **1.1 Non-Order based business (B2C and Online)**

- Continuously conducting market research; collecting and analyzing data about customers, industry trends as well as competitors' activities to research & develop new products with high competitiveness, satisfying customers' tastes, and especially, exploiting potential new market segments.
- Identifying and understanding consumers' habits, experiences, and "pain points" across the whole usage process using qualitative and quantitative survey research, resulting in regular solutions to enhance product development and develop appropriate add-on services.
- Opening new support channels and collecting customer feedback to make consumer assessment and assistance requests as simple and convenient as possible. Simultaneously, the company has always had a correct, sufficient, and objective view of its products and services in order to advertise, enhance, and repair them in a timely manner since then.
- Improving quality, shortening the processing of customer products feedback during the warranty period.
- Greening products and production through the use of natural ingredients and accessories.

### **1.2 Order based business (B2B, BD Export, Padding and Cleaner)**

- Improving the manufacturing process and quality control so that every product delivered to the client is the best it can be, in accordance with the order's specifications.
- Researching, self-developing, and introducing products of outstanding quality, capable of replacing one or more product categories that customers are using.
- Applying international standards in production: GRS, ISO14001, Higg index, BSCI...
- Conveying the message of sustainable development, together with customers towards the journey of greening the product life cycle.

## **2) Marketing & Branding activities**

- Brand audit and brand health measurement: Collaborating with a respected market research firm to assess and identify the company's market position. Simultaneously, the organization checks the brand's key indicators on a regular basis in order to assess its efficacy and make improvements to its strategy, sales, and marketing efforts.
- Everon brand repositioning project: Towards a new brand positioning that is different and attractive to young customers - especially the Millennial generation (1980-1995).
- Realizing, understanding, and effectively influencing all customer's "touchpoints" with the brand throughout the entire buying journey, through integrated marketing activities.
- Analyzing and creating target consumer portraits to determine the best marketing plan for each group.
- Targeting to omnichannel
- Digitizing tools, channels, and platforms for the nationwide dealer system.

## **3) Customer services**

- Mapping the customer journey, milestones that need to be adjusted for a better shopping experience
- Increasing touch points from single-channel to multi-channel, building a consistent and systematic customer policy applied at multiple sales channels.
- Moving from passively receiving feedback to proactively collecting customer feedback to make timely adjustments.
- Investing in customer relationship management (CRM) system to:
  - Transforming customer service from manual to automatic: automatically sending information on instructions for use, warranty, and reminders on how to preserve products
  - Measuring the churn rate, customer lifetime value, net promoter score as a basis for adopting loyal customers care policies and attracting new customers
  - Customer service has shifted from collective care to selected and personalized care based on individual requirements.
- Synchronizing customer data to describe customer portraits and classify customers.
- Building a professional customer service team to optimize the in-person and online shopping experience

#### **4) Internal training**

- Training on products and manufacturing processes
- Training on customer service skills, contract negotiation skills and debt collection skills

Shifting from a product-centric to a customer-centric mindset is not simple as it may seem, but it is an essential step to retaining traditional customers, building loyalty to new customers, and continue to growing customers.

## **B. Investment plan**

In 2022, the Company expects to carry out the following investment activities:

*Unit: million VND*

<b>Items</b>	<b>Estimated amount</b>
<b>Expanding the business operations</b>	
Innovate distribution channel (showroom & agent)	20,000
Market research and Advertisement	40,000
New products launching and developing	10,000
<b>Investment in improving production capacity</b>	
Padding production line	5,000
Bedding production line	10,000
<b>New factory at Giang Dien – Dong Nai</b>	
Construction fee	150,000
New machine	30,000
<b>Total</b>	<b>265,000</b>

## **C. Other activities**

### **1. 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.

### **2. 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: Planning Team*

**BOARD OF DIRECTOR**

**CHAIRMAN**

*(signed and stamped)*

**CHO YONG HWAN**